Homeownership Affordability in Nevada

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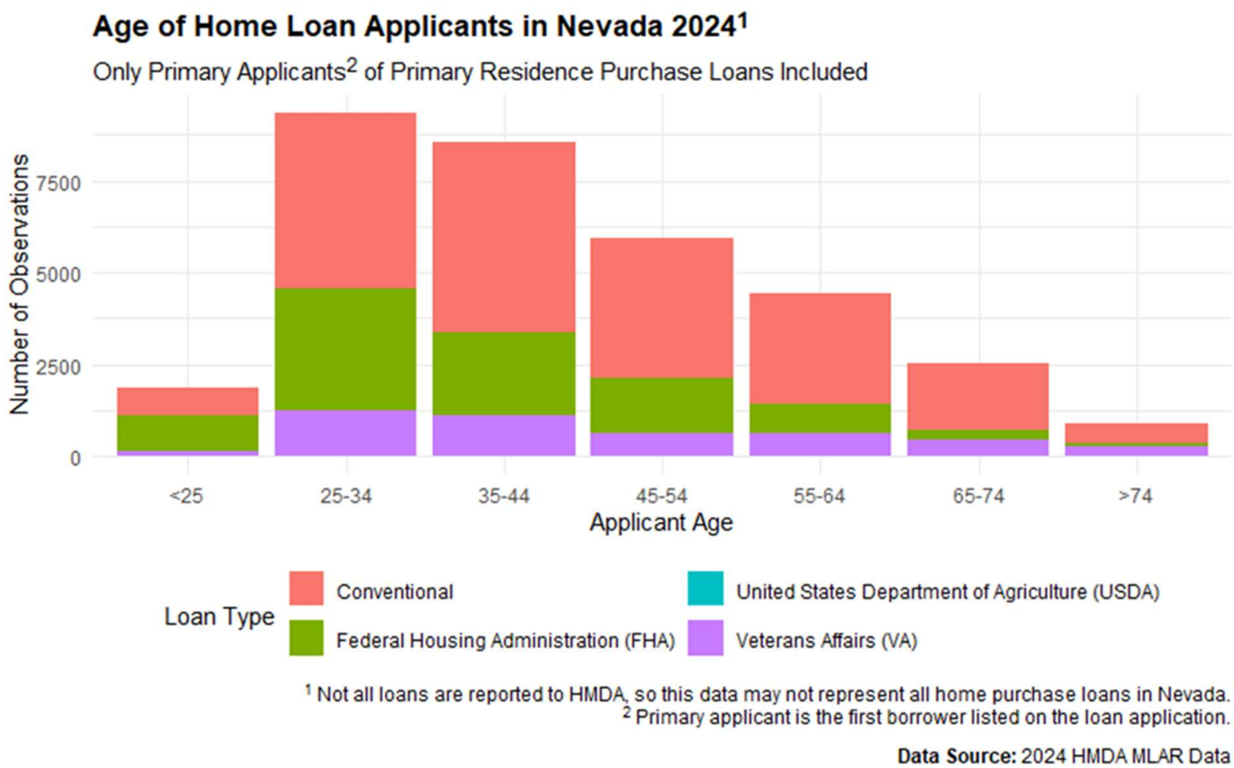
Introduction

The main purpose of this research note will be to explore the distribution of age amongst recent home buyers, and also how homeownership differs across different educational attainment groups. We make use of Home Mortgage Disclosure Act (HMDA) data to explore who is buying homes in Nevada. HMDA data is a publicly available dataset that contains information about mortgage applications, including demographic information of the borrowers, type of loan, and the outcome of the application. The data is collected by financial institutions and reported to the Federal Financial Institutions Examination Council (FFIEC). Data from the American Community Survey (ACS) will also be used analyze demographics of homeownership not captured in HMDA data. Specifically we will utilize the 2023 ACS 1-year estimates as provided by IPUMS USA.

Distribution of Homebuyers by Age Group and Type of Loan

Using the HMDA data we filter for home purchase loans in Nevada for the year 2024. We then group the data by age group and type of loan to see which age groups are buying homes and what types of loans they are using.

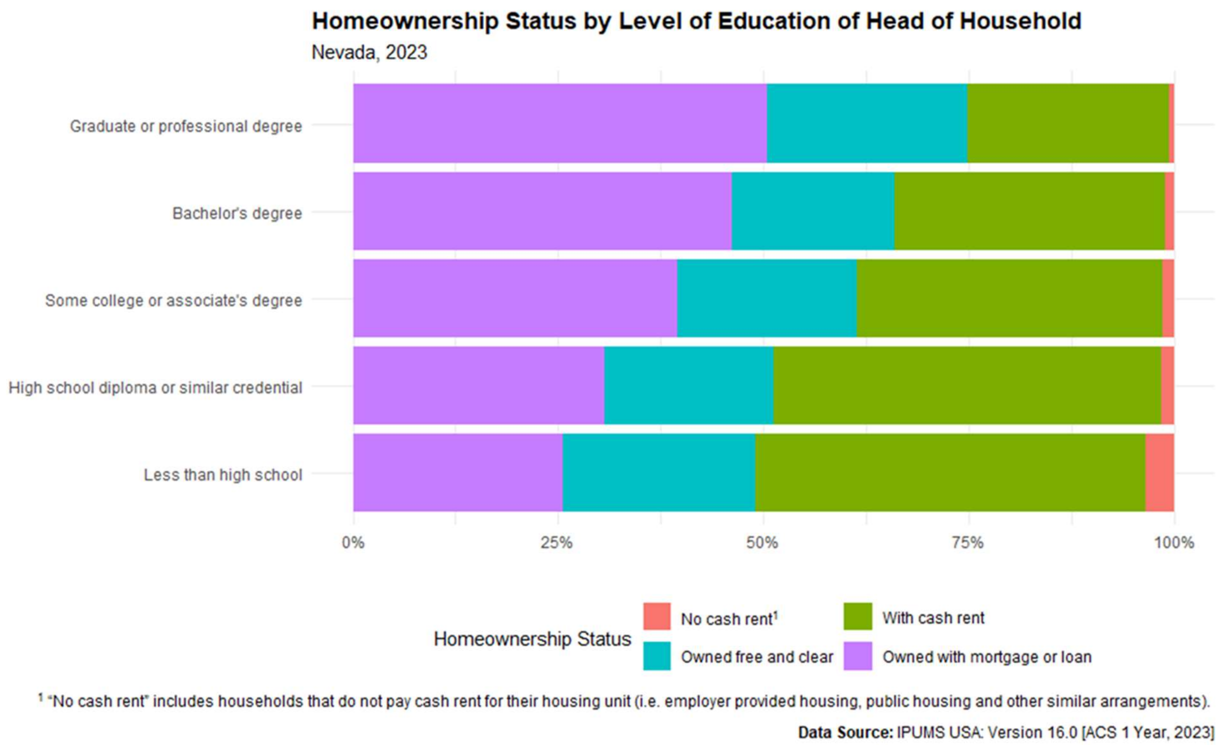


In the above chart, we can see that the biggest age group of home buyers in Nevada are those between the ages of 25-34, followed by those between the ages of 35-44. The smallest age groups of homebuyers are those under the age of 25 and those over the age of 74. Younger individuals may not have the financial resources or credit history to qualify for a mortgage, and those over 74 may have similar issues, given that many would be living on fixed incomes. The age groups of 25-34 and 35-44 are typically in their prime home-buying years, as they may be starting families, and have established careers and financial stability which enables them to afford homeownership.

The chart also displays the type of loans used by each age group. The most common type of loan used by all age groups are conventional loans, followed by FHA loans. Conventional loans are typically used by borrowers with good credit and a stable income, while FHA loans are designed for first-time homebuyers or those with lower credit scores, as the goal of FHA loans is to make homeownership more accessible to low and moderate-income individuals.

Distribution of Educational Attainment of Homebuyers

HMDA data does not contain the educational attainment of home buyers, to explore the distribution of educational attainment of homebuyers in Nevada we will use the 2023 ACS 1-year estimates.[1] The chart below shows how homeownership rates differ by educational attainment.



Not surprisingly the chart above shows a strong connection between the educational attainment of the head of household and homeownership rates. The higher the educational attainment, the higher the homeownership rate. This is likely due to the fact that higher educational attainment is often associated with higher income levels, which can make it easier to afford a home.

Conclusion

In conclusion, the analysis of HMDA data and ACS data shows that the majority of home buyers in Nevada are between the ages of 25-44, and that higher educational attainment is associated with higher homeownership rates. This information can be useful for policymakers and real estate professionals to understand the demographics of home buyers in Nevada and to develop strategies to promote homeownership among different age groups and educational attainment levels.

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[1] IPUMS USA is a project from the University of Minnesota that provides access to harmonized data from the U.S. Census and the American Community Survey. For more information, visit IPUMS USA.

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