RESEARCH BRIEF II. Affordability, Wealth Building, and Economic Mobility

The purpose of this section is to provide:

- 1) A brief overview of how homeownership impacts wealth and economic mobility;
- 2) Context for homeownership and access to ownership by New Mexicans;
- 3) The needs of current owners, including those living in mobile homes.

Homeownership, Wealth Building, and Economic Mobility

Homeownership is considered one of the most common methods of wealth building, particularly for low and moderate income households. The paydown of a mortgage principal can act as savings that allows a family to build wealth, to support retirement and/or passed down to the next generation. Homeownership can also provide economic stability, as it can provide protection against inflation and involuntary displacement.

An overview of research on homeownership¹ has found that owning a home can help reduce financial risk in retirement. Home equity plays an important role in retirement savings and is one of the largest components of net worth. Although homeowners often don't access the equity directly, they take advantage of the rent-free use of their property.

Home equity is the principal source of savings for most American households, and this is especially true for BIPOC households and households in the lower segments of the income distribution. Ownership serves to protect households from the financial risk of rising rents. Numerous studies show that homeowners have more wealth and accumulate wealth faster than non-homeowners. Financially, the returns to purchasing a home are strong, typically matching the stock market on an after-tax basis.

In the long term, homeownership is associated with strong wealth accumulation, particularly for those borrowers who have the ability to maintain homeownership during economic fluctuations.

This wealth accumulation has implications for economic mobility. Research shows that children with mothers who owned a home are more likely to own a home and have higher

¹ Goodman, L. S., & Mayer, C. (2018). Homeownership and the American dream. Journal of Economic Perspectives, 32(1), 31-58.

educational attainment than their peers whose mothers did not own a home.² Furthermore, homeownership is associated with lower material hardship. During the Great Recession, homeowners were less likely to experience inability to pay bills, unmet medical or dental needs, and food insufficiency—even when comparing families with the same incomes, income instability, liquid assets, age, race, and education.³

Homeownership Trends

This section compares New Mexico's ownership rates with those in the U.S. and also examines historical trends in ownership.

Ownership trends in the U.S. In the U.S. the homeownership rate is 64%, and this share has remained remarkedly stable over the past 50 years. Yet homeownership inequities among BIPOC populations, residents with disabilities, and single parent families are stubbornly persistent and, recently, have been widening.⁴

Looking at the homeownership rate from a historical perspective can shed some light on what it takes to meaningfully increase homeownership. Recent research⁵ shows that the homeownership rate hovered between 40% and 50% from 1890 to 1930, and started a period of transition in the 1930s—when homeownership was destabilized by the Great Depression—to 1970, when it reached 65%. **Since 1970, there has not been a sustainable increase in the nation's homeownership rate.** The rise in homeownership in the early 2000s was rapidly reserved by foreclosures during the Great Recession.

² Aarland, K., & Reid, C. K. (2019). Homeownership and residential stability: does tenure really make a difference?. International Journal of Housing Policy, 19(2), 165-191.

³ Zhang, S., & Lerman, R. I. (2019). Does Homeownership Protect Individuals From Economic Hardship During Housing Busts?. Housing Policy Debate, 29(4), 522-541.

⁴ https://www.urban.org/policy-centers/housing-finance-policy-center/projects/reducing-racial-homeownership-gap

⁵ Layton, Don. (2021). The Homeownership Rate and Housing Finance Policy, Part1: Learning from the Rate's History. Joint Center for Housing Studies of Harvard University.

Figure II-1. U.S. Homeownership Rate



Source: Layton, Don. "The Homeownership Rate and Housing Finance Policy, Part1: Learning from the Rate's History." Joint Center for Housing Studies of Harvard University (2021.)From: https://dqydj.com/historical-homeownership-rate-united-states/

In addition to economic growth, the increase in homeownership rates between 1940 and 1970 was driven by major government interventions such as the GI Bill, which expanded homeownership among the middle class (which hit a century low point of 43.6% in 1940) and fueled suburban housing construction, as well as major changes in the housing finance system that made mortgage terms much more affordable.

The lack of similarly aggressive public programs—as well as the discriminatory nature of past homeownership programs—have collectively limited homeownership today. As experienced in the mid-2000s, loosening lending criteria to incentivize a private sector response to broadening homeownership was not a productive solution, especially for BIPOC households.

Ownership trends in New Mexico. The homeownership rate in New Mexico is 68%—four percentage points higher than the national rate. This rate has remained relatively stable since 1990, when it was 67%.

Figure II-2 shows the homeownership rate for the state and for the four largest metropolitan areas. Farmington and Las Cruces experienced a sharper decrease in homeownership rates after 2000 and currently have lower homeownership rates than they did in 1990. In contrast, Albuquerque experienced less of a decline and currently has a slightly higher homeownership rate than it did in 1990, rising from 65% to 67%. Santa Fe has experienced a similar increase, rising from 68% to 71%.

Figure II-2. Homeownership Rate

Note:

Data for Albuquerque, Farmington, Las Cruces, and Santa Fe represent the MSAs.

Source:

2019 ACS, Decennial Census (various years), and Root Policy Research.



Affordability Trends

This section explores home price and rental affordability trends in the state.

Drivers of homeownership affordability. The onset of the COVID-19 pandemic united a set of factors that created a very tight housing market at both the national and state level. These included:

- Low interest rates. Lower rates give buyers more purchasing power by effectively decreasing the cost of financing a home purchase. This can be good for higher income households, but the higher prices that accompany lower interest rates require a higher down payment, which becomes a barrier for many lower- and middle-income households.
- Millennials entering their prime home-buying years. Millennial demand is intensifying as this age cohort reaches family formation years. These new buyers are entering a market with very low inventory, and the pandemic incentivized many of them to enter homeownership earlier than previously planned.
- Older generations growing old in their homes. Older adults are healthier than previous generations, are living longer, and are remaining in their homes. This compromises the ability of younger generations to purchase existing housing, which can be less expensive than new construction.
- Rising construction costs. Construction costs have consistently increased, particularly since the recovery from the 2007 financial crisis. Labor shortages in New Mexico and the U.S. overall are a driving factor, though commodity prices have also increased. Shortages in raw materials, such as lumber, and supply chain disruptions have caused sharp increases in building costs over the past two years.
- Rising demand for second and vacation homes. As higher income residents took advantage of remote work and low interest rates, demand for second homes intensified, particularly in seasonal towns where these homes are often located. Nationwide, demand for second homes was up 87% from pre-pandemic levels in January.⁶

Figure II-3 shows the typical home value according to Zillow's Home Value Index (ZHVI) for the U.S. compared to New Mexico, and the submarkets of Albuquerque, Santa Fe, and Las Cruces. Between 2019 and January 2022, home values in the U.S. increased by 33%. In New Mexico and Albuquerque, the increase was slightly higher at 36% and 40%, respectively. In Santa Fe and Las Cruces the increase was 32% and 23%, respectively.

⁶ https://www.redfin.com/news/vacation-homes-january-2022/



Figure II-3. Typical Home Value and Median Income

In terms of affordability, income growth and lower interest rates have not been sufficient counterparts to the rapid rise in home prices. Figure II-4 shows the affordable home price⁷ for households earning 80% of AMI in the four metro areas of New Mexico compared to the typical home value in each metro. In 2021, the biggest gap between what households at 80% AMI can afford and home values was in Santa Fe (\$215,000), followed by Las Cruces (\$53,000), and Albuquerque (\$45,000).

While Farmington remained affordable in 2021, this will not be the case if current price and income trends persist, and the gaps between what households can afford and home values will accelerate in all metro areas.

Note:Data for 2022 represents the typical home value for the month of January only.Source:Zillow Home Value Index, Federal Reserve Bank of St. Louis, and Root Policy Research.

⁷ Calculations are at 30% of income going to housing costs and assume a 30-year mortgage at the annual average mortgage rate with a 3.5% down payment, 35% of monthly payment is used for property taxes, utilities, and insurance.



Figure II-4. Zillow Home Value V. Affordable Home Price for Households at 80% AMI

Note: Assumes a 30-year mortgage at the annual average mortgage rate with a 3.5% down payment, 35% of monthly payment is used for property taxes, utilities, and insurance. Source: Root Policy Research, HUD AMI, Zillow ZHVI, and Freddie Mac annual average fixed mortgage rates.

Rental affordability—and the ability of renters to save for

ownership. According to Freddie Mac's 2022 Multifamily Outlook⁸ renter incomes in many urban areas are increasing faster than rents. This is the case in Albuquerque, which experienced a much higher increase in income than rents compared to peer cities like Denver (where renter income declined), Phoenix, Las Vegas, and Austin.

This could be a sign that high income renters in Albuquerque are not entering homeownership, or that low income renters are leaving the area. According to ACS estimates, in the City of Albuquerque the number of renter households earning less than \$25,000 per year decreased by around 7,500 between 2010 and 2019, while the number of renter households earning over \$75,000 increased by around 7,600—a nearly equal offset.



Figure II-5. Rent vs. Renter Income Growth from 2019 to October 2021

Source: RealPage, Freddie Mac.

Figure II-6 compares median gross rent growth between 2010 and 2019 to growth in AMI at the county level for New Mexico. Over the decade, in most of the counties gross rent has

⁸ https://mf.freddiemac.com/research/outlook/2022-0107_2022_multifamily_outlook.html

increased more than AMI. Exceptions are Lea, San Juan, Los Alamos, Sierra, Rio Arriba, Quay, and Union Counties.



Figure II-6. Rent and AMI Growth by County, 2010-2019

Source: 2010 and 2019 ACS, HUD, and Root Policy Research.

The latest New Mexico Apartment Survey (March 2021) recorded a statewide apartment vacancy rate of 3.2%, the lowest since the survey started being conducted. Very low vacancies put upward pressure on rents, constraining the ability of renters to save for ownership.

Figure II-7 shows apartment vacancy rates, average rents, the maximum affordable rent for a household earning an income equal to 50% the 2-person household AMI, and the share of all renters at or below that income level. In all counties except Colfax, Los Alamos, Sandoval, and Taos; the average rent is higher than the maximum affordable rent at 50% AMI. Vacancies are extremely low—below 3%— in Chaves, Doña Ana, Guadalupe, Lincoln, Los Alamos, Otero, Roosevelt, Sandoval, Taos, and Valencia counties.

Figure II-7. Apartment Vacancy Rates, Average Rents, and Income, 2021

Note:

Percent of all renters below 50% AMI is estimated from 2019 ACS data. Bernalillo County is not included in the vacancy survey.

Source:

2021 MFA Apartment Survey, HUD, 2019 ACS, and Root Policy Research.

	Vacancy Rate	Average Rent	Max. Affordable Rent for 50% AMI (2-person)	Percent of Renters Below 50% AMI (2-person)
Chaves	2.1%	\$633	\$546	39%
Colfax	4.8%	\$522	\$546	52%
Curry	6.3%	\$553	\$546	34%
Doña Ana	1.5%	\$691	\$546	51%
Eddy	5.4%	\$760	\$730	29%
Grant	3.6%	\$553	\$551	55%
Guadalupe	2.6%	\$651	\$546	80%
Lea	4.9%	\$792	\$616	31%
Lincoln	2.9%	\$653	\$598	51%
Los Alamos	2.6%	\$960	\$1,279	15%
Luna	5.0%	\$596	\$546	58%
McKinley	3.8%	\$663	\$546	44%
Otero	1.6%	\$559	\$546	38%
Quay	6.8%	\$627	\$546	55%
Roosevelt	2.8%	\$582	\$555	43%
San Juan	3.0%	\$711	\$598	36%
San Miguel	3.8%	\$562	\$546	62%
Sandoval	2.1%	\$558	\$675	31%
Sierra	4.5%	\$654	\$546	63%
Socorro	4.6%	\$627	\$546	51%
Taos	2.0%	\$526	\$546	53%
Valencia	1.8%	\$695	\$675	41%

Inequities in Homeownership

Despite the state's high homeownership rate, disparities in the rate persist. In New Mexico, this is driven by income more than race. New Mexico does a better job than the U.S. overall in Native and Hispanic ownership—even given relatively lower incomes (Figure II-8).

Figure II-8.

Homeownership Rate and Median Income, New Mexico and U.S., 2019

	Homeov Ra	omeownership Me Rate Ind		edian icome	
Race/Ethnicity	New Mexico	United States	New Mexico	United States	
American Indian or Alaska Native	62%	54%	\$35,349	\$43,825	
Asian	55%	60%	\$65,144	\$88,204	
Black or African American	40%	42%	\$40,528	\$41,935	
Hispanic/Latino	66%	47%	\$42,421	\$51,811	
Native Hawaiian or Other Pacific Islander	48%	41%	\$49,767	\$63,613	
Non-Hispanic White	72%	72%	\$59,815	\$68,785	
Two or more Races	58%	49%	\$50,133	\$59,184	

Source: 2019 ACS 5-year estimates, and Root Policy Research.

As shown in Figure II-9, homeownership rates increase with income. Although homeownership is most common among 120% AMI households, half of low income households in New Mexico are owners.



Figure II-9. Homeownership Rate by AMI

Note:County AMI 2019 estimates from HUD used.Source:2019 ACS 5-year estimates, HUD, and Root Policy Research.

Efforts to decrease disparities in homeownership in the state will be dependent on the availability to supply lower cost homes. Figure II-10 presents the share of renters in New Mexico by AMI compared to the share of home mortgages originated⁹ in 2020 that were affordable to those income levels¹⁰. The majority of renters earn less than 80% of AMI while the supply of homes affordable is concentrated at higher incomes.

⁹ According to HMDA data that are collected by the Federal Financial Institutions Examination Council (FFIEC) and contain loan application records with information on income, loan terms, loan purpose, and outcomes of loan applications. HMDA data are reported by lending institutions and are one of the best readily-available sources of mortgage applications and purchase transactions. Analysis includes mortgages for homes sold with a 30-year mortgage for first lien owner occupied purposes.

¹⁰ Affordability estimates assume a household spends 30% of their income on housing and assume a 30-year mortgage with a 5% down payment, 35% of monthly payment is used for property taxes, utilities, insurance. Interest rates used is the median 2020 rate of 3.25%.

Figure II-10. Renter and		RENTER DISTRIBUTION		HOME SALES DISTRIBUTION
Affordable Home Sales Distribution,	< 30% AMI		28%	0.2%
by AMI	30% - 50% AMI	19%		3%
Note:	50% - 80% AMI	19%		30%
Assumes a 30-year mortgage at a rate of 3.25% with a 5% down payment, 35% of monthly payment is used for property taxes, utilities, and insurance	80% - 100% AMI	9%		23%
Source:	100% - 120% AMI	7%		15%
Root Policy Research, 2019 ACS 5 year estimates, and HMDA.	> 120% AMI	17%		28%

Figure II-11 shows the ratio of the number of homes affordable to households with income between 50% and 100% AMI (proxied by the number of mortgages) to the number of renters in that income bracket.

Although small rural communities appear more affordable based on price trends, mortgage volume makes it is clear that—outside the Albuquerque metro—many counties do not have the supply to allow renters to transition into homeownership.

Figure II-12 maps the same affordability data and compares the number of affordable homes to households with income between 50% and 100% AMI in 2020 to the projected job growth in each county.

If the current trend in mortgage volume continues, several counties—Cibola, Hidalgo, McKinley, Rio Arriba, San Miguel, Santa Fe, and Taos— will find it increasingly difficult to meet the housing needs of their workforce. Furthermore, if the Albuquerque metro employment grows faster than projected— which is likely given the current economic development efforts to shift its industry composition— it will also struggle to provide the opportunity to allow its middle income workers to transition into homeownership.

Figure II-11. Ratio of Affordable Home Purchases to Renters with Income between 50% and 100% AMI, by County



Note: Assumes a 30-year mortgage at a rate of 3.25% with a 5% down payment, 35% of monthly payment is used for property taxes, utilities, and insurance.

Source: Root Policy Research, 2019 ACS 5 year estimates, and HMDA.



Figure II-12. Number of Affordable Home Purchases V. Projected Job Growth

Note: Assumes a 30-year mortgage at a rate of 3.25% with a 5% down payment, 35% of monthly payment is used for property taxes, utilities, and insurance. Source: Root Policy Research, 2019 ACS 5 year estimates, BLS, and HMDA. What does it take to become a homeowner today? With rising home prices, saving for a downpayment becomes a top barrier to homeownership. Figure II-13 compares the median property value of originated mortgages by county in 2018 and 2020 as well as the required downpayment at that price point for a downpayment of 3.5% (which is the minimum required for an FHA mortgage),10%, and 20%.

In order to avoid mortgage insurance, households need to save an amount ranging from at least \$20,000 in the counties with lower median prices up to more than \$50,000 in more urban places, and around \$80,000 or more in Santa Fe and Los Alamos.

Figure II-13.

Median Property Value of Originated Mortgages and Estimates
Downpayment Requirements by County, 2018 and 2020

	Median Property		3.5	3.5%		%	20 %		
	Val	lue	Downpa	ayment	Downpa	ayment	Downpa	ayment	
	2018	2020	2018	2020	2018	2020	2018	2020	
New Mexico	\$205,000	\$235,000	\$7,175	\$8,225	\$20,500	\$23,500	\$41,000	\$47,000	
Bernalillo	\$205,000	\$245,000	\$7,175	\$8,575	\$20,500	\$24,500	\$41,000	\$49,000	
Catron	\$165,000	\$305,000	\$5,775	\$10,675	\$16,500	\$30,500	\$33,000	\$61,000	
Chaves	\$145,000	\$175,000	\$5,075	\$6,125	\$14,500	\$17,500	\$29,000	\$35,000	
Cibola	\$115,000	\$145,000	\$4,025	\$5,075	\$11,500	\$14,500	\$23,000	\$29,000	
Colfax	\$185,000	\$195,000	\$6,475	\$6,825	\$18,500	\$19,500	\$37,000	\$39,000	
Curry	\$165,000	\$185,000	\$5,775	\$6,475	\$16,500	\$18,500	\$33,000	\$37,000	
De Baca	\$85,000	\$95,000	\$2,975	\$3,325	\$8,500	\$9,500	\$17,000	\$19,000	
Doña Ana	\$185,000	\$215,000	\$6,475	\$7,525	\$18,500	\$21,500	\$37,000	\$43,000	
Eddy	\$215,000	\$255,000	\$7,525	\$8,925	\$21,500	\$25,500	\$43,000	\$51,000	
Grant	\$175,000	\$175,000	\$6,125	\$6,125	\$17,500	\$17,500	\$35,000	\$35,000	
Guadalupe	\$140,000	\$125,000	\$4,900	\$4,375	\$14,000	\$12,500	\$28,000	\$25,000	
Hidalgo	\$95,000	\$95,000	\$3,325	\$3,325	\$9,500	\$9,500	\$19,000	\$19,000	
Lea	\$185,000	\$215,000	\$6,475	\$7,525	\$18,500	\$21,500	\$37,000	\$43,000	
Lincoln	\$190,000	\$255,000	\$6,650	\$8,925	\$19,000	\$25,500	\$38,000	\$51,000	
Los Alamos	\$335,000	\$420,000	\$11,725	\$14,700	\$33,500	\$42,000	\$67,000	\$84,000	
Luna	\$115,000	\$145,000	\$4,025	\$5,075	\$11,500	\$14,500	\$23,000	\$29,000	
McKinley	\$165,000	\$185,000	\$5,775	\$6,475	\$16,500	\$18,500	\$33,000	\$37,000	
Mora	\$135,000	\$315,000	\$4,725	\$11,025	\$13,500	\$31,500	\$27,000	\$63,000	
Otero	\$165,000	\$185,000	\$5,775	\$6,475	\$16,500	\$18,500	\$33,000	\$37,000	
Quay	\$85,000	\$105,000	\$2,975	\$3,675	\$8,500	\$10,500	\$17,000	\$21,000	
Rio Arriba	\$185,000	\$245,000	\$6,475	\$8,575	\$18,500	\$24,500	\$37,000	\$49,000	
Roosevelt	\$145,000	\$165,000	\$5,075	\$5,775	\$14,500	\$16,500	\$29,000	\$33,000	
Sandoval	\$215,000	\$255,000	\$7,525	\$8,925	\$21,500	\$25,500	\$43,000	\$51,000	
San Juan	\$185,000	\$195,000	\$6,475	\$6,825	\$18,500	\$19,500	\$37,000	\$39,000	
San Miguel	\$155,000	\$195,000	\$5,425	\$6,825	\$15,500	\$19,500	\$31,000	\$39,000	
Santa Fe	\$335,000	\$385,000	\$11,725	\$13,475	\$33,500	\$38,500	\$67,000	\$77,000	
Sierra	\$145,000	\$135,000	\$5,075	\$4,725	\$14,500	\$13,500	\$29,000	\$27,000	
Socorro	\$145,000	\$145,000	\$5,075	\$5,075	\$14,500	\$14,500	\$29,000	\$29,000	
Taos	\$265,000	\$325,000	\$9,275	\$11,375	\$26,500	\$32,500	\$53,000	\$65,000	
Torrance	\$125,000	\$155,000	\$4,375	\$5,425	\$12,500	\$15,500	\$25,000	\$31,000	
Union	\$115,000	\$110,000	\$4,025	\$3,850	\$11,500	\$11,000	\$23,000	\$22,000	
Valencia	\$165,000	\$205,000	\$5,775	\$7,175	\$16,500	\$20,500	\$33,000	\$41,000	

Lending barriers. In addition to downpayment barriers, other barriers in access to financing exist. Figures II-14 to II-16 show the volume of mortgage applications and the distribution of application outcomes by income and race/ethnicity.

As expected, lower income households are more likely to have their applications denied. However, there is no meaningful difference in origination rates for households with income over \$50,000.

Figure II-14. Mortgage Application Outcomes by Income, 2020

		Percent Distribution of Application Outcome						
Income	Total Apps.	Loan Originated	App. Denied	App. but Not Accepted	Withdrawn by Applicant	File Closed for Incompleteness		
Less than \$25,000	620	50%	25%	2%	19%	5%		
\$25,000 t o \$34,999	1,891	65%	13%	1%	18%	2%		
\$35,000 t o \$49,999	5,278	71%	8%	2%	16%	2%		
\$50,000 t o \$74,999	8,540	74%	7%	2%	16%	2%		
\$75,000 t o \$99,999	5,368	74%	6%	2%	16%	2%		
\$100,000 to \$149,999	5,617	75%	5%	2%	17%	2%		
Total	27,314	72%	7%	2%	16%	2%		

Note: Include mortgage applications for first lien 30-year mortgages for principal residence.

Source: HMDA and Root Policy Research.

Mortgage application outcomes vary more by race and ethnicity. While 76% of applications from non-Hispanic White households were originated in 2020, 71% of applications from Hispanic households, 70% from Black/African American households, 69% of applications from Asian households, and 68% from Native American households were originated. Compared to other states, however, gaps in mortgage loan originations are much lower.

Figure II-15. Mortgage Application Outcomes by Race/Ethnicity, 2020

		Percent Distribution of Application Outcome						
Income	Total Apps.	Loan Originated	App. Denied	App. but Not Accepted	Withdrawn by Applicant	File Closed for Incompleteness		
Asian	588	69%	4%	3%	22%	2%		
Black/African American	510	70%	7%	3%	20%	2%		
Native American	611	68%	7%	5%	18%	2%		
Multiple Race	572	72%	3%	1%	22%	3%		
Hispanic	10,439	71%	8%	2%	17%	2%		
Multiple Ethnicity	2,092	75%	5%	1%	17%	2%		
White, Non-Hispanic	13,089	76%	5%	2%	16%	2%		

Note: Include mortgage applications for first lien 30-year mortgages for principal residence. Source: HMDA and Root Policy Research.

These disparities are not driven by income. They persist even after looking only at households with income over \$75,000. Native American households are the most likely to have their application approved but declined by the applicant, and Asian and households of multiple races are the most likely to withdraw their application. Hispanic households, followed by Black/African American, and Native American households have the highest probability of denial.

Figure II-16.

Mortgage Application Outcomes by Race/Ethnicity, Income Over \$75,000, 2020

		Percent Distribution of Application Outcome						
Income	Total Apps.	Loan Originated	App. Denied	App. but Not Accepted	Withdrawn by Applicant	File Closed for Incompleteness		
Asian	318	69%	4%	3%	22%	2%		
Black/African American	240	70%	7%	3%	20%	2%		
Native American	224	68%	7%	5%	18%	2%		
Multiple Race	373	72%	3%	1%	22%	3%		
Hispanic	3,391	71%	8%	2%	17%	2%		
Multiple Ethnicity	1,385	75%	5%	1%	17%	2%		
White, Non-Hispanic	6,816	76%	5%	2%	16%	2%		

Note: Include mortgage applications for first lien 30-year mortgages for principal residence. Source: HMDA and Root Policy Research. Figures II-17 and II-18 show the distribution of denial reasons by income and race and ethnicity.



Figure II-17. Mortgage Denial Reasons by Income, 2020

Note: Include denied mortgage applications for first lien 30-year mortgages for principal residence. Source: HMDA and Root Policy Research.

Debt to income ratio is the top denial reason for lower income households. Given the higher share of applications denied due to credit history and incomplete application, households with higher income can benefit from credit counseling and assistance during the application process.

Figure II-18. Mortgage Denial Reasons by Race/Ethnicity, 2020



Note: Include denied mortgage applications for first lien 30-year mortgages for principal residence. Source: HMDA and Root Policy Research.

Credit history and debt to income ratio are a bigger barrier for Hispanic and Black/African American households. Native American and non-Hispanic White households are more likely than households of other race/ethnicity to have their application denied due to insufficient value or type of collateral.

Refinancing. The drop in interest rates over the past couple of years led to a surge in mortgage refinance activity. Being able to refinance into a lower rate is one of the significant advantages of homeownership; reducing rents is typically not possible except in very unusual and depressed markets. Giving households the opportunity to lower their debt payments during times of economic stress can significantly decrease the costs of recessions and provide the economic stimulus households need to remain stably housed.¹¹

Some of the barriers to refinancing include the need to document employment and the cost of out-of-pocket closing costs, which can have a negative disproportionate impact on households that would benefit the most.

¹¹ DeFusco, A. A., & Mondragon, J. (2020). No job, no money, no refi: Frictions to refinancing in a recession. The Journal of Finance, 75(5), 2327-2376.

In New Mexico, origination rates for refinance applications varied by race and ethnicity. As shown in Figure II-19, Native American, Hispanic, Black/African American, and Asian households have lower origination rates compared to non-Hispanic White and mixed ethnicity applications. Credit history was the most common denial reason for all minority groups expect for Asian applicants, whose top denial reason was debt to income ratio.



Ownership of Mobile Homes

Mobile homes provide a large share of housing stock in many counties and are the second largest housing type after single family detached homes in every county except for Bernalillo, Curry, and Los Alamos.

Figure II-20 shows the share of mobile homes as a percentage of total housing units by county and how this share has changed since 2000. In several counties—including Hidalgo, San Miguel, More, Guadalupe, Roosevelt, and Harding— the share of mobile homes as increased significantly since 2000 and in many counties—Torrance, Sierra, Rio Arriba, Luna, Socorro, San Juan, Catron, Hidalgo, San Miguel, and Mora— mobile homes represent over a third of the total housing stock.



Figure II-20. Mobile Homes as a Share of Total Housing Units by County, 2000 and 2019

Source: 2019 ACS, 2000 Decennial Census, and Root Policy Research.

Figure II-21 shows the share of mobile homes that where build before 1980. Maintenance and repair needs for these dwellings can increase the cost of ownership and if the repairs are forgone, they can decrease the quality of life and rate of appreciation of the home. In the state, an estimated one quarter of mobile homes were built before 1980. This share is even higher at around one third in Harding, Mora, Cibola, Otero, Quay, Lincoln, and Sierra counties.

Figure II-21. Share of Mobile Homes Built Before 1980

Note:

Data represent an estimate of occupied mobile homes build Before 1980.

Source: 2019 5-year ACS, and Root Policy Research.



In New Mexico, homeownership of mobile homes contributes significantly to its overall high homeownership rate (Figure II-22). This is especially the case in Hidalgo, Mora, San Miguel, Sierra, and Torrance counties.

Figure II-22. Mobile Homes' Contribution to the Homeownership Rate

Source: 2019 5-year ACS, and Root Policy Research.

	Overall	Excluding Mobile Homeowners
New Mexico	63%	56%
Bernalillo	63%	59%
Catron	88%	65%
Chaves	69%	59%
Cibola	69%	48%
Colfax	71%	53%
Curry	57%	50%
De Baca	63%	50%
Doña Ana	63%	49%
Eddy	69%	56%
Grant	68%	50%
Guadalupe	63%	49%
Harding	65%	52%
Hidalgo	71%	41%
Lea	67%	55%
Lincoln	81%	58%
Los Alamos	74%	71%
Luna	61%	38%
McKinley	71%	50%
Mora	86%	51%
Otero	64%	47%
Quay	61%	49%
Rio Arriba	77%	48%
Roosevelt	58%	47%
San Juan	71%	47%
San Miguel	70%	40%
Sandoval	79%	73%
Santa Fe	71%	60%
Sierra	74%	43%
Socorro	73%	50%
Taos	76%	58%
Torrance	83%	48%
Union	65%	57%
Valencia	81%	59%

Figure II-23 illustrates housing type by race and ethnicity. The largest variance in housing type by race and ethnicity is found in mobile homes and multifamily units:

- 18% of Black and Asian New Mexicans live in multifamily units compared to 9% of White, Non-Hispanic households and 8% of Hispanic households;
- Black and Asian households are also more likely to live in attached homes;
- Overall 31% of Asian households and 35% of Black households live in a building with five or more units, an attached single-family home, or a du-, tri-, or quad-plex; and
- 23% of Native American households and 21% of Hispanic households live in mobile homes compared to 11% of White, non-Hispanic households.

Non-Hispanic White households live in single-family detached homes at higher rates than other race and ethnic groups: 71% live in single-family detached homes compared to 64% of Asian households, 62% of Hispanic households, 59% of Black households, and 58% of Native American households.



Figure II-23. Housing Type Occupied by Race and Ethnicity, 2019

Notes: Households' races and ethnicities are determined based on whether one or more people in the household identify in either of the above races or ethnic groups. This means that mixed-race or mixed-ethnicity households are counted in more than one race/ethnic groups.

Source: 2019 ACS 5-year IPUMS and Root Policy Research.

Needs of Existing Owners

Many of New Mexico's homes are relatively old: 44% were built before 1980. Although older homes are often popular for their unique design and charm, they can also be more expensive to heat and cool, have higher maintenance costs, and have a higher likelihood of lead exposure which can lead to adverse health effects.¹²

These units are also less likely to be accessible to residents with disabilities. The Fair Housing Act of 1991 introduced accessibility rules for new housing developments. Since the passage of the Act, newly developed affordable housing is required to make 5% of units accessible and newly developed market rate housing is required to make 2% accessible.



Figure II-24.

Home maintenance and accessibility modifications. According to the resident survey conducted to support this study, of the 650 homeowner respondents, almost one in five homeowners (18%) indicated their home is in fair (16%) or poor (2%) condition. The most common needed repairs were:

- New windows to improve energy efficiency (62%);
- Weatherization (e.g., insulation, weather stripping, caulking) (62%);
- Interior walls or ceilings (e.g., fix cracks, holes, water damage) (50%); and
- Roof (48%).

¹² Dignam, Timothy, et al. "Control of lead sources in the United States, 1970-2017: public health progress and current challenges to eliminating lead exposure." Journal of public health management and practice: JPHMP 25 (2019): S13.

Over 90% of respondents indicated the primary reason why the needed repairs have not been made is because they cannot afford them.

Around one third of homeowner respondents to the survey indicated they or a member of their households has a disability. Of those with a disability 22 percent indicated their home does not meet the needs of the member with a disability. The most common improvements or modifications needed to better meet the family's needs were:

- Grab bars in bathroom or bench in shower (39%);
- Ramps (37%); and
- Wider doorways (28%).

Home improvement. Another proxy for improvement needs is found in home improvement loans. Home improvement loans originated with private financial institutions are very modest, much lower than assumed needs—suggesting that New Mexicans are reluctant to take out loans to improve their properties.

As shown in Figure II-25, loan originations were highest in the state's urban counties. Denials were moderately high in urban counties and very high in a handful of rural counties.

The home improvement loan amounts—shown in Figure II-27—are fairly large. The median amount of originated loans in the state overall was \$55,000; the median amount of loans denied was similar, \$45,000.

The data also show that applicants who had loans originated had higher incomes (median of \$96,000) than those whose loans were denied (\$70,000). This is not consistent across counties, however—some counties show little variance in incomes of households with originated loans v. denied loans.

Figure II-25.

	2015	2016	2017	2018	2019	2020
New Mexico	2,327	2,237	2,033	1,388	1,447	1,167
Bernalillo	861	886	764	677	750	596
Catron	3	2	4	-	-	2
Chaves	61	47	64	17	20	5
Cibola	43	42	15	8	1	2
Colfax	27	28	21	7	3	4
Curry	47	31	40	10	10	4
De Baca	2	2	2	1	-	
Doña Ana	270	158	156	63	86	58
Eddy	41	37	50	18	18	8
Grant	21	20	17	6	11	9
Guadalupe	1	6	2	-	1	1
Harding	-	-	-	-	-	-
Hidalgo	3	2	4	-	-	1
Lea	81	83	60	7	10	8
Lincoln	25	24	19	10	13	7
Los Alamos	26	16	12	11	11	11
Luna	31	23	30	5	2	
McKinley	26	35	22	11	9	7
Mora	-	1	3	-	-	-
Otero	49	38	36	22	18	16
Quay	-	-	4	-	1	2
Rio Arriba	40	41	39	9	11	5
Roosevelt	6	10	10	4	3	1
Sandoval	226	236	213	182	182	158
San Juan	91	99	104	39	34	25
San Miguel	16	15	10	6	10	9
Santa Fe	179	199	181	190	173	163
Sierra	12	8	21	9	4	2
Socorro	8	10	7	3	3	5
Taos	28	38	30	13	19	15
Torrance	15	12	12	7	6	5
Union	12	11	9	-	-	-
Valencia	76	77	72	53	38	38

Home Improvement Loan Originations by County, 2015-2020



Figure II-26. Originated and Denied Home Improvement Loan Applications per 1,000 Owner Households, 2020

Figure II-27.

	Origina	ted Loans	Denied Applications			
	Median Loan Amount	Median Applicant Income	Median Loan Amount	Median Applicant Income		
New Mexico	\$55,000	\$96,000	\$45,000	\$70,000		
Bernalillo	\$45,000	\$97,000	\$35,000	\$67,000		
Catron	\$125,000	\$111,000	\$105,000	\$58,000		
Chaves	\$35,000	\$51,000	\$45,000	\$55,000		
Cibola	\$65,000	\$101,000	\$55,000	\$71,000		
Colfax	\$75,000	\$138,500	\$45,000	-		
Curry	\$115,000	\$134,500	\$45,000	\$58,500		
De Baca	-	-	-	-		
Doña Ana	\$75,000	\$89,000	\$50,000	\$80,000		
Eddy	\$80,000	\$80,000	\$55,000	\$97,000		
Grant	\$55,000	\$45,000	\$45,000	\$40,000		
Guadalupe	\$35,000	\$63,000	\$75,000	\$82,000		
Harding	-	-	-	-		
Hidalgo	\$95,000	\$19,000	-	-		
Lea	\$50,000	\$87,000	\$50,000	\$71,500		
Lincoln	\$65,000	\$78,000	\$105,000	\$108,000		
Los Alamos	\$55,000	\$157,000	\$55,000	\$126,000		
Luna	-	-	\$35,000	\$37,500		
McKinley	\$65,000	\$89,000	\$55,000	\$189,000		
Mora	-	-	-	-		
Otero	\$125,000	\$98,000	\$45,000	\$62,000		
Quay	\$65,000	\$116,000	\$35,000	\$18,000		
Rio Arriba	\$55,000	\$66,000	\$160,000	\$63,000		
Roosevelt	\$75,000	\$80,000	\$135,000	\$152,000		
Sandoval	\$50,000	\$98,000	\$45,000	\$67,000		
San Juan	\$95,000	\$93,000	\$45,000	\$82,000		
San Miguel	\$55,000	\$77,000	-	-		
Santa Fe	\$105,000	\$101,000	\$60,000	\$76,000		
Sierra	\$35,000	\$80,000	\$105,000	\$81,000		
Socorro	\$65,000	\$95,000	\$15,000	\$78,000		
Taos	\$75,000	\$98,000	\$75,000	\$79,000		
Torrance	\$105,000	\$149,000	\$40,000	\$38,000		
Union	-	-	\$45,000	\$9,000		
Valencia	\$55,000	\$83,000	\$35,000	\$61,000		

Home Improvement Median Loan Amount and Applicant Income, 2020

Supporting figures: Projected unit demand by tenure

Figure II-35. Projected Units Needed by 2025, by County, AMI and Tenure

Note:

Holding 2019 AMI and tenure distributions constant.

Source:

The University of New Mexico Geospatial and Population Studies, and Root Policy Research.

		Percent of AMI						
County	Total	0-30%	30-50%	50-80%	80-100%	100-120%	120%+	
Total	25,476	4,210	3,431	4,360	2,449	2,114	8,912	
Bernalillo	10,153	1,812	1,428	1,728	937	851	3,396	
Sandoval	5,417	695	557	957	558	526	2,125	
Doña Ana	4,263	762	665	677	377	282	1,499	
Santa Fe	2,261	355	317	404	240	168	778	
San Juan	1,082	211	163	194	107	94	311	
Curry	550	81	68	105	55	43	198	
Lea	508	84	55	83	57	51	179	
Chaves	454	73	70	76	45	34	157	
Valencia	328	61	52	62	33	29	90	
Roosevelt	219	34	25	36	19	17	88	
Eddy	114	18	16	18	11	10	41	
Cibola	78	15	9	13	6	6	29	
McKinley	49	10	5	7	4	3	20	
Rental Units	9,043	2,303	1,959	1,581	1,323	1,204	674	
Bernalillo	4,333	1,130	951	768	615	569	299	
Sandoval	1,047	272	237	205	136	129	68	
Doña Ana	1,818	450	414	286	279	248	142	
Santa Fe	678	173	146	110	106	90	53	
San Juan	382	87	83	70	62	51	30	
Curry	220	51	37	37	36	34	26	
Lea	173	48	23	32	25	26	20	
Chaves	145	31	26	27	25	21	14	
Valencia	70	19	12	13	11	10	5	
Roosevelt	94	24	16	18	14	14	8	
Eddy	36	8	7	7	6	5	4	
Cibola	30	7	5	5	5	5	3	
McKinley	17	4	3	2	2	3	3	
Ownership Units	16,433	1,907	1,472	2,779	1,126	910	8,238	
Bernalillo	5,821	682	477	960	322	282	3,097	
Sandoval	4,370	423	320	752	422	397	2,056	
Doña Ana	2,444	313	251	391	98	34	1,358	
Santa Fe	1,584	182	171	294	134	78	725	
San Juan	700	124	81	125	45	43	281	
Curry	330	29	32	68	19	9	173	
Lea	335	36	31	51	32	25	160	
Chaves	309	41	44	49	20	13	143	
Valencia	257	42	40	49	22	19	85	
Roosevelt	124	10	9	18	5	4	80	
Eddy	78	10	9	11	6	5	37	
Cibola	48	8	4	8	2	1	25	
McKinley	32	6	3	5	2	0	18	

Figure II-36. Projected Units Needed by 2030, by County, AMI and Tenure

Note:

Holding 2019 AMI and tenure distributions constant. Source:

The University of New Mexico Geospatial and Population Studies, and Root Policy Research.

		Percent of AMI							
County	Total	0-30%	30-50%	50-80%	80-100%	100-120%	120%+		
Total	51,182	8,438	6,886	8,784	4,936	4,266	17,872		
Bernalillo	19,382	3,459	2,727	3,299	1,789	1,625	6,483		
Sandoval	11,353	1,456	1,166	2,006	1,169	1,102	4,453		
Doña Ana	8,194	1,465	1,278	1,301	724	542	2,882		
Santa Fe	4,667	733	654	833	495	347	1,606		
San Juan	2,182	426	330	392	216	190	628		
Valencia	1,468	275	233	277	147	132	404		
Curry	1,117	164	139	213	112	87	403		
Lea	1,069	176	115	174	119	107	378		
Chaves	943	151	146	157	93	70	326		
Roosevelt	384	60	43	64	33	30	154		
Eddy	236	38	33	37	23	20	85		
Cibola	131	25	16	22	11	10	48		
McKinley	55	11	6	8	4	3	23		
Rental Units	17,867	4,552	3,859	3,128	2,615	2,380	1,333		
Bernalillo	8,271	2,156	1,815	1,466	1,174	1,087	571		
Sandoval	2,194	570	496	430	286	270	143		
Doña Ana	3,495	864	795	550	536	477	272		
Santa Fe	1,399	357	300	226	219	186	109		
San Juan	771	175	167	141	125	103	61		
Valencia	316	86	52	58	51	46	23		
Curry	447	105	75	74	73	68	52		
Lea	365	100	49	67	52	55	41		
Chaves	301	65	54	56	52	43	30		
Roosevelt	166	43	28	32	25	24	14		
Eddy	74	17	14	14	11	10	7		
Cibola	50	11	9	9	8	8	6		
McKinley	19	4	3	3	3	3	3		
Ownership Units	33,315	3,885	3,027	5,656	2,321	1,886	16,540		
Bernalillo	11,111	1,303	911	1,832	615	538	5,912		
Sandoval	9,158	886	670	1,575	884	832	4,310		
Doña Ana	4,699	601	483	751	188	65	2,610		
Santa Fe	3,269	375	353	607	276	160	1,496		
San Juan	1,411	251	163	251	91	87	568		
Valencia	1,152	189	181	219	97	85	381		
Curry	670	59	64	139	39	19	350		
Lea	705	76	66	107	67	52	336		
Chaves	643	86	91	101	41	28	296		
Roosevelt	218	17	15	31	8	6	140		
Eddy	162	21	18	23	12	10	77		
Cibola	81	14	7	13	3	2	42		
McKinley	36	7	3	5	2	0	20		

Figure II-37. Projected Units Needed by 2035, by County, AMI and Tenure

Note:

Holding 2019 AMI and tenure distributions constant.

Source:

The University of New Mexico Geospatial and Population Studies, and Root Policy Research.

		Percent of AMI							
County	Total	0-30%	30-50%	50-80%	80-100%	100-120%	120%+		
Total	73,774	12,078	9,861	12,661	7,132	6,156	25,886		
Bernalillo	27,399	4,890	3,854	4,663	2,529	2,297	9,165		
Sandoval	17,504	2,245	1,799	3,093	1,803	1,699	6,866		
Doña Ana	11,700	2,092	1,825	1,858	1,034	774	4,116		
Santa Fe	7,362	1,156	1,031	1,315	781	547	2,533		
San Juan	3,129	611	473	562	310	273	901		
Curry	1,730	253	215	330	173	135	624		
Lea	1,609	266	173	262	179	161	568		
Chaves	1,389	222	214	232	137	104	480		
Valencia	1,053	197	167	199	105	94	290		
Roosevelt	483	75	54	80	42	38	194		
Eddy	259	41	36	41	25	22	93		
Cibola	156	30	19	26	13	11	57		
Rental Units	25,637	6,530	5,548	4,489	3,749	3,409	1,912		
Bernalillo	11,692	3,048	2,566	2,073	1,660	1,537	807		
Sandoval	3,384	878	765	663	440	416	220		
Doña Ana	4,991	1,234	1,135	786	766	681	389		
Santa Fe	2,206	564	474	357	345	294	173		
San Juan	1,105	251	239	202	179	148	87		
Curry	693	162	116	115	113	106	81		
Lea	549	151	74	101	79	83	62		
Chaves	443	96	80	83	77	63	44		
Valencia	227	61	38	42	36	33	16		
Roosevelt	209	54	35	41	31	30	18		
Eddy	81	18	16	15	13	11	8		
Cibola	59	13	10	11	10	9	7		
Ownership Units	48,137	5,548	4,313	8,172	3,383	2,747	23,974		
Bernalillo	15,707	1,841	1,288	2,590	869	760	8,358		
Sandoval	14,121	1,367	1,033	2,429	1,363	1,283	6,646		
Doña Ana	6,710	858	690	1,073	269	93	3,727		
Santa Fe	5,156	592	557	958	436	253	2,360		
San Juan	2,023	360	234	361	130	125	814		
Curry	1,037	91	99	215	60	30	542		
Lea	1,061	115	100	161	101	78	506		
Chaves	946	126	135	149	60	41	436		
Valencia	827	136	130	157	69	61	273		
Roosevelt	275	22	19	39	10	8	176		
Eddy	178	23	20	26	13	11	85		
Cibola	97	17	8	16	3	2	51		