

THE MYTH OF AFFORDABILITY IN THE RGV: HOMEOWNERSHIP

FACT SHEET

March 3, 2021

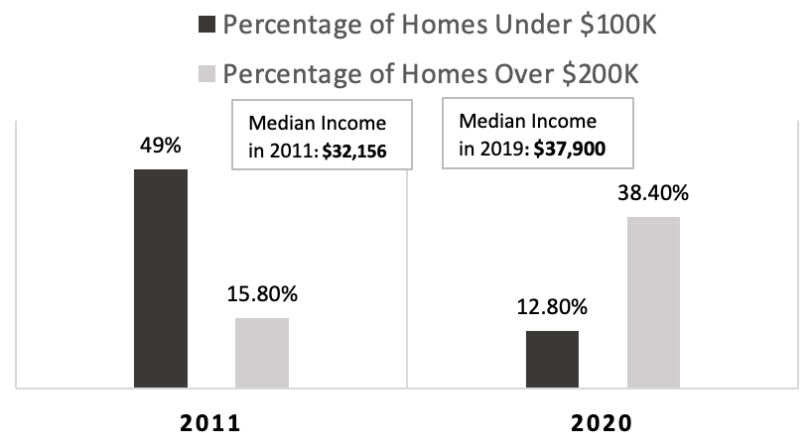
Source: Texas Real Estate Research Center using home prices from MLS.

Assumes 3.5% down payment, 30% of income payments.

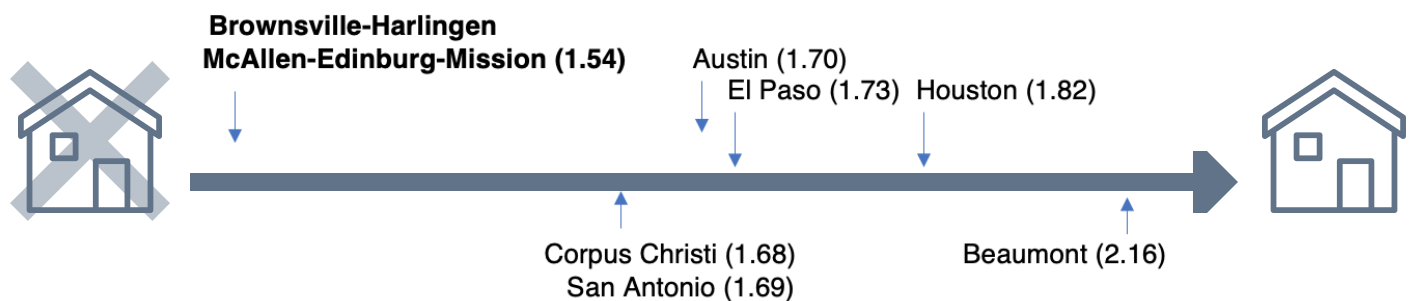


Brownsville and McAllen are the least affordable of all 26 Texas metro areas.

Although counter to expectations, the Texas A&M Real Estate Center's Texas Affordability Index provides evidence that affordability in the region is not a reality for most homebuyers. The key cause: rising home prices are greatly outpacing any increases in area incomes.



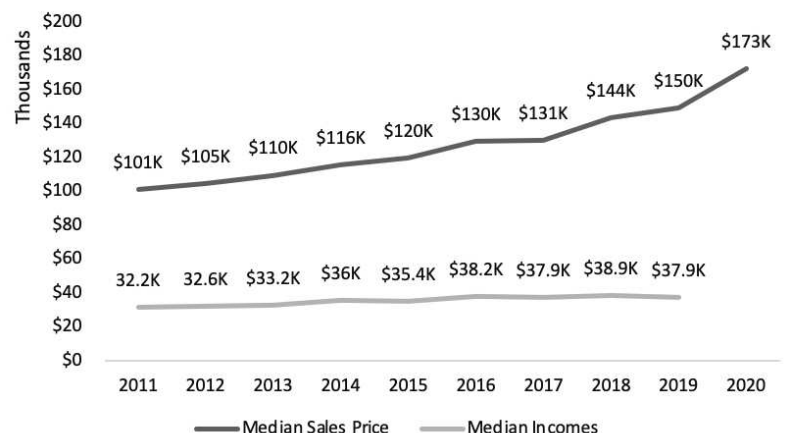
HOMEBUYER AFFORDABILITY IN TEXAS by metropolitan area



Affordability is about price and incomes.

A home's affordability depends both on its price and on a family's income. Throughout Texas and in the Valley, home prices have increased steadily over the past decade. Yet, during that same time, local area incomes have moved unevenly and more slowly, as the graphic shows.

Home Sales Price vs. Median Income Brownsville-Harlingen MSA



WHAT THIS MEANS FOR THE RIO GRANDE VALLEY

Affordability is not just about price.

Despite the common perception of “inexpensive housing” in the Rio Grande Valley, the Brownsville-Harlingen and McAllen-Edinburg-Mission MSAs are the two most unaffordable metro areas in Texas.

Throughout Texas, home prices have been increasing steadily in recent years. RGV prices may not be comparable to other areas, but the pattern of rising prices in the area is similar. During the ten-year period from 2011 to 2020, the median sales price in the Brownsville-Harlingen MSA has increased 70.8%, from \$101,300 to \$173,000. Just from 2019 to 2020, the median sales price was up 15.3%.

However, rising home prices in Brownsville-Harlingen have far outpaced the modest growth in incomes. Mainly for this reason, home buying is more affordable elsewhere than in Brownsville-Harlingen, where the \$37,900 median income in 2019 was less than three-fifths of the statewide median income of \$64,800. For first-time homebuyer, affordability is at least as great a challenge, with both RGV metro areas also ranking as the least affordable in the state.

Although home prices are much higher in the state’s largest markets, incomes in those places more than compensate for rising housing costs.

How cdcb Supports Homeownership

Many homebuyers require assistance to qualify for a mortgage to buy a home, particularly when it is their first time. Two key hurdles for these buyers are achieving credit worthiness to be approved for a loan and having savings needed for down payment and closing costs. cdcb is one of the organizations that provides Home Buyer Education (HBE) and Housing Counseling, offering it without limits on income of the home buyer. The cdcb 8-hour HBE course covers the home buying and owning basics. Individual counseling is available through a housing advisor to assist a buyer to achieve credit score, savings and debt reduction goals.

In 2020, cdcb assisted 73 households who closed transactions to buy a home at a median sales price of \$104,000. Sales prices of 57.5% of the homes, 42 of the 73, were over \$100,000. Of all the homes, 70 were in Cameron County, the Brownsville-Harlingen MSA; two were in nearby Willacy County and one other was in Corpus Christi.

Most low-to moderate-income families, defined as those with incomes below 80% of the area median income, do not have enough cash needed to cover upfront costs required for a mortgage loan. Down Payment Assistance (DPA) helps many low/mod homebuyers achieve greater affordability by reducing the cash needed to close a loan. In the RGV, various nonprofits and public agencies provide DPA to help people qualify for mortgage loans. These homebuyers still must provide cash to close their mortgage loans, but DPA makes homeownership more reachable. From 2016-2020, cdcb provided an average of \$847K yearly in total down payment assistance to an average of 54.8 homebuyers per year.

Recommended Policy Priorities:

Local Level

- **Increase funding available for down payment assistance (DPA)** to enable more low- to moderate-income homebuyers to purchase a home and to account for rapidly rising home prices.
- **Support homebuyer counseling** to assist more first-time buyers in addressing credit challenges and to help prepare them to be successful homeowners.
- **Promote new construction** of more quality affordable homes, in part by targeting more excess publicly owned land.
- **Increase support for home repair** to assist current homeowners in staying in sound homes.
- **Promote economic development, education, and job training** to encourage income growth.

Federal Level

- **Increase capital to CDFIs** (Community Development Financial Institutions) that serve persistent poverty areas to ensure they can scale mortgage lending products aimed at serving low- and moderate-income households.
- **Strengthen the Community Reinvestment Act (CRA)** to give more incentives to banks to invest in Designated Areas of Need that have very low levels of mortgage lending in persistent poverty counties.
- **Increase federal funding for Down Payment Assistance (DPA)** programs to enable more low-to moderate-income homebuyers to purchase a home and to account for rapidly rising home prices.
- **Reform the federal income tax** to enable low- to moderate income homeowners to benefit from tax deductions that have historically provided a subsidy to higher income homeowners.
- **Use tax credit initiatives and direct funding to promote new construction** of more high-quality affordable homes and rehabilitation of existing homes for low/mod households and in areas of persistent poverty.
- **Increase the federal (or state) minimum wage**, promoting economic advancement for many working people.