Redfin Reports Low-Income Americans Have Lost the Homebuying Progress They Made During the Pandemic

Roughly 1 in 5 new mortgages went to low-income homebuyers in 2023, down from 23% in 2020. Meanwhile, high-income buyers have gained share because they’re more prepared to weather the storm of high home prices and mortgage rates.

SEATTLE--(BUSINESS WIRE)--(NASDAQ: RDFN) — Roughly one in five (20.6%) new mortgages issued last year went to low-income Americans, bringing that group’s piece of the homebuying pie back down to where it was in 2018. That is according to a new report from Redfin (redfin.com), the technology-powered real estate brokerage.

Low-income earners gained ground at the start of the pandemic, taking out 23.2% of all new mortgages in 2020, but that progress has since been erased because high home prices and elevated mortgage rates have eroded affordability.

The small bit of progress that Americans earning very low incomes made on taking out mortgages at the start of the pandemic has also been erased. Just under 6% of new mortgages issued last year went to very low income Americans, down from 7.7% in 2020. Very-low-income Americans now make up a smaller percentage of mortgage borrowers than they did in 2018 (7.1%).

Higher-income homebuyers are taking up the share of new mortgages that lower-income homebuyers have lost in the last several years. While low-income borrowers gained share during the pandemic and then lost it, the opposite has happened with high-income borrowers, who are more prepared to weather the storm of high prices and rates. Nearly half (44.8%) of all new mortgages nationwide went to high-income buyers in 2023, bringing that group’s piece of the pie back up to almost exactly where it was in 2018. Their share dipped to a low of 41.2% in 2020.

This is according to a Redfin analysis of Home Mortgage Disclosure Act (HMDA) data covering purchases of primary homes.

Homebuying has become increasingly out of reach for lower-income people because housing affordability dropped to a record low in 2023 due to sky-high home prices and mortgage rates. Affordability hasn’t improved during the first few months of 2024:

- **Home prices**: Today’s median-home sale price is about $420,000, up 5% year over year. That’s up nearly 40% since the start of the pandemic in March 2020 and up nearly 50% since March 2019.
- **Mortgage rates**: Today’s average 30-year mortgage rate is about 7.2%, up from 6.43% a year ago and more than double the record low of 2.65% in 2021. It’s also
higher than the 4% to 5% levels in 2018 and 2019.

- **Monthly payments**: The typical homebuyer's monthly payment is now a record-high $2,886, up 13% year over year. That’s up from just over $1,500 in both March 2020 and March 2019.
- **Down payments**: The typical down payment for someone putting down 20% is $84,000, up from $80,200 a year ago, $60,800 in March 2020 and $56,800 in March 2019.

While the U.S. economy is fairly strong, unemployment is low and wages are increasing, housing costs are increasing much faster. Hourly wages are up roughly 5% year over year, while monthly housing costs are up 15%. Surging housing costs have an outsized impact on low earners, who are less likely to have money in the bank for down payments and record-high monthly payments.

“There was a sweet spot in 2020 when mortgage rates were ultra low and home prices had yet to skyrocket, allowing some lower-income Americans to break into the housing market,” said Redfin Senior Economist Elijah de la Campa. “But somewhat ironically, the continued strength of the economy has made it harder to afford a home and widened the real-estate wealth gap between rich and poor Americans. The Fed’s interest-rate hikes, meant to help cool inflation and slow a hot economy, have pushed mortgage rates to near their highest level in more than two decades. That’s on top of home prices, which skyrocketed during the pandemic buying boom and have stayed high due to a shortage of homes for sale.”

It’s also important to note that due to the prevalence of all-cash home purchases in today’s market, housing wealth is even more concentrated in the hands of affluent Americans. More than one-third of all U.S. home purchases were made in cash as of February, near the highest level on record, and the share has steadily been rising since 2020.

While high-income Americans made up the biggest piece of last year’s homebuying pie, people at all income levels purchased far fewer homes in 2023 than the year before. The number of U.S. homes bought by high-income earners fell 19% year over year in 2023, and it fell 18% for moderate earners, 22% for low-income earners and 31% for very-low-income earners. That’s because housing costs shot up due to rising home prices and mortgage rates, and inventory dwindled.

**Low-income earners take up biggest share of homebuying pie in Minneapolis, Detroit**

Low-income earners take up the biggest piece of the homebuying pie in relatively affordable Midwest and East Coast metros, where home prices are lower. Nearly one-third (32.1%) of new mortgages issued last year in Minneapolis went to low-income earners, the highest share of any of the 50 most populous U.S. metros. It’s followed by Detroit (30.8%), Philadelphia (29.9%), Virginia Beach, VA (29.7%) and Baltimore (28.3%).

Low-income earners gained mortgage share from 2020 to 2023 in just three of the metros in this analysis: Chicago (26.5% to 27.7%), Cleveland (26.4% to 27.8%) and Washington, D.C. (26.8% to 27.1%).

Just 1.9% of new mortgages issued last year in Anaheim, CA, went to low-income earners, the lowest share in this analysis. Next come Los Angeles (3.6%), Miami (4.4%), San Diego (5.5%) and San Francisco (6.1%). Those California metros are among the most expensive
places to buy a home in the country.

To view the full report, including charts, metro-level data and methodology, please visit: https://www.redfin.com/news/home-mortgages-by-income-analysis

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