Access to Small-Dollar Homeownership in Three U.S. Cities: A Qualitative Analysis

The Future of Land and Housing Program at New America
Craig J. Richardson Economic Consulting, LLC

June 20, 2024

Table of Contents

Executive Summary **2**
I. Introduction **3**
II. Qualitative Research Questions and Key Topics **4**
III. Qualitative Methods **5**
a. Establishing interviewee criteria 5
b. Neighborhood selection 5
c. Recruitment for resident interviews 7
d. Conducting resident interviews 10
e. Analyzing interviews 10
IV. Limitations of Qualitative Analysis **11**
V. Key Qualitative Findings: A Tale of Small-Dollar Homeownership **12**
a. Across Three U.S. Cities 12
b. St. Louis 16
c. Philadelphia 22
d. El Paso 27
VI. Conclusion and Future Research **33**
Appendices **34**
Appendix A. Neighborhood Selection Tables 34
Appendix B. Affluent and Distressed Categorization of Cities from Quantitative Study 34
Appendix C. Interviewee Recruitment Materials 36

Author Information: *The primary authors of this report are Sabiha Zainulbhai, Helen Bonnyman, and Affiong Faith Ibok, with assistance from Craig Richardson and Yuliya Panfil.*

Disclaimer: *The Pew Charitable Trusts provided funding for this project, but Pew is not responsible for errors in this white paper and does not necessarily endorse its findings or conclusions.*

Executive Summary

Small-dollar homes, defined as homes priced at $150,000 or below, are a critical source of homeownership, especially for low- and moderate-income families, and for first-time homebuyers in Black and Hispanic communities.[1] While many families require financing to purchase small-dollar homes, banks and other mortgage lenders have been extending fewer and fewer mortgages on small-dollar homes over time. This financing gap puts homeownership out of reach for millions of families that might otherwise be able to afford it.

The Future of Land and Housing Program at New America interviewed six renters and 20 homeowners in St. Louis; Philadelphia; and El Paso, Texas, with the goal of understanding interviewees' access to mortgage credit, and the barriers and facilitators that have facilitated small-dollar homeownership in each city. The qualitative findings presented in this report are intended to complement the quantitative trends in mortgage loan applications, originations and denials of small-dollar homes between 2007 and 2022 in these same three cities.

Conducting 26 interviews in three cities revealed a variety of strategies, which tended to vary by city, that residents have adopted in order to access small-dollar homeownership. Although several interviewees faced minimal trouble accessing home financing, the challenges shared by those who did paint a picture of innovation born from difficulties finding and financing small-dollar homes.

In St. Louis, when accessing a traditional mortgage loan was not an option, several interviewees leveraged a combination of sweat equity, cash purchases, and nontraditional mortgages as a pathway to first-time small-dollar homeownership, emphasizing a culture of self-reliance and innovation. In Philadelphia, several interviewees emphasized the importance of informal assistance and gestures of goodwill from those within one's personal networks in facilitating homeownership, at times contrary to these individuals' own economic self-interest. In El Paso, interviewees and their social networks leveraged extended family ties, including living with parents to save money and co-purchasing a home with family members, to access small-dollar homes.

Interviewee experiences reveal ways in which the housing market and the current state of homeownership policies are not fostering adequate opportunities for low- and moderate-income communities, leaving people to rely on innovative strategies, family networks, or interpersonal relationships to access the wealth building and intergenerational stability that homeownership creates.

[1] U.S. Department of Housing and Urban Development, Office of Policy Research and Development, Financing Lower-Priced Homes: Small Mortgage Loans, 2022, https://www.huduser.gov/portal/portal/sites/default/files/pdf/Financing-Lower-Priced-Homes-Small-Mortgage-Loans.pdf.

I. Introduction

Small-dollar homes, defined by this study as homes priced at $150,000 or below, are a critical source of homeownership, often for low- and moderate-income families, and first-time homebuyers in Black and Hispanic communities.[2] While many families require financing to purchase small-dollar homes, banks and other mortgage lenders have been extending fewer and fewer mortgages on small-dollar homes over time. This financing gap puts homeownership out of reach for millions of families that might otherwise be able to afford it.[3]

Craig J. Richardson Consulting, LLC, and the Future of Land and Housing program at New America explored the decline in mortgage lending and access to small-dollar homeownership in three U.S. cities, El Paso, St. Louis, and Philadelphia, through a quantitative and qualitative study. The quantitative report uses data from the American Community Survey, the Home Mortgage Disclosure Act and CoreLogic to analyze trends in mortgage loan applications, originations, and denials of small-dollar homes in each city between 2007 and 2022. The report also documents changes in owner- vs. renter-occupied homes, all-cash purchases, housing affordability, housing prices, and other related socioeconomic variables.

This report covers the qualitative study, which included interviews with both homeowners and potential homeowners in each city to understand the challenges and facilitators in accessing small-dollar homeownership. Through one-on-one interviews with residents, the team sought to understand residents' financial and personal circumstances, access to mortgage credit, and goals related to homeownership. With each interview, researchers sought to build a better understanding of an individual's world as it relates to small-dollar homeownership and deepen knowledge of the "why" and the "how" that might not surface in looking at only quantitative data trends. These interviews, and this qualitative study, are intended to complement the quantitative study, and where relevant in this report, the team references the quantitative findings throughout.

The rest of this report is laid out as follows. Section II discusses the research questions that guided this study; Section III details the qualitative methods used for interviewee recruitment and analysis; Section IV discusses key limitations and how they may impact the findings; Section V provides a narrative of the key findings from the interviews conducted in each city; and Section VI offers opportunities for future research. Additional information related to the study is included in the Appendix.

[2] U.S. Department of Housing and Urban Development, Office of Policy Research and Development, Financing Lower-Priced Homes: Small Mortgage Loans, 2022, https://www.huduser.gov/portal/portal/sites/default/files/pdf/Financing-Lower-Priced-Homes-Small-Mortgage-Loans.pdf.

[3] Francesco D'Acunto and Alberto G Rossi, "Regressive Mortgage Credit Redistribution in the Post-Crisis Era," *The Review of Financial Studies* 35 (2022): 482-525, https://doi.org/10.1093/rfs/hhab008.

II. Qualitative Research Questions and Key Topics

The qualitative component of this study seeks to better understand residents' experiences with small-dollar homeownership, and more specifically, low- and moderate-income residents' experiences with access to mortgage financing. This includes exploring how different generations have experienced access to homeownership over time, as well as exploring perceptions of neighborhood change over time.

In each city, the target population for interviews was small-dollar homeowners and those pursuing or interested in pursuing homeownership in the small-dollar price range (under $150,000). Researchers probed specifically on the following topics: personal background, history of housing, access to mortgage financing and homeownership, and perceptions of access over time. Figure 1 provides more detail on the subtopics explored in interviews with homeowners and renters in each city.

Figure 1. Key Topics Addressed in Resident Interviews

Key topic	Homeowner subtopics	Renter subtopics
Background on interviewee	Age, race/ethnicity, income range, address or cross streets or neighborhood, others in household	Age, race/ethnicity, income range, address or cross streets or neighborhood, others in household, family history of homeownership
History of housing	Length of time living in current neighborhood, previous rental/homeownership history, home purchase date and price, monthly mortgage cost	Length of time living in current neighborhood, monthly rent payment, use of rental assistance
Access to mortgage financing and homeownership	Lending entity (bank, credit union, etc.), assistance from family, friends, or a homeownership program, challenges and facilitators to homeownership	Experience with attempting to buy a home, access to financing or financial assistance, challenges and facilitators to homeownership
Perceptions of access to homeownership over time	Family history of homeownership, impressions of neighbors' and peers' homeownership experiences	Impressions of neighbors' and peers' homeownership experiences
Perceptions of neighborhood changes over time	Perception of neighborhood, perception of neighborhood changes over time (particularly related to upward mobility), anticipated future neighborhood changes	Perception of neighborhood, perception of neighborhood changes over time (particularly related to upward mobility), anticipated future neighborhood changes

III. Qualitative Methods

This section details the methods and activities the team undertook in the qualitative study — from recruiting residents for interviews to analyzing information gathered in these interviews. It is important to note that the interviews conducted as part of this study were not intended to be representative of the range of homeownership experiences or demographics of each city, but rather intended to better understand individual experiences and perceptions of residents who have or are interested in pursuing small-dollar homeownership. The study design reflects this goal.

a. Establishing interviewee criteria

Researchers first identified the target characteristics of residents to be interviewed in each city (referred to throughout as interviewees). In recruiting and selecting interviewees, the research team targeted low- or moderate-income residents who have attempted to purchase or are in the process of purchasing a home valued for $150,000 or below. To reach these residents most efficiently, researchers targeted outreach and recruitment within neighborhoods (or a cluster of neighborhoods) with socioeconomic and housing characteristics that met this same criteria.

Small-dollar mortgage loan and home price cutoffs in qualitative research

The interview eligibility criteria mentioned above used a nominal cutoff of $150,000 regardless of whether a homeowner purchased their home in 1985 or in 2023. Since historically a larger share of the housing stock in St. Louis, Philadelphia, and El Paso cost below $150,000, this means that using a nominal cutoff of $150,000 in prior decades may not reflect the kind of housing stock and type of buyer that it does today. Notably, since lower loan amounts are associated with lower incomes of borrowers, the group of buyers purchasing a home for $150,000 in 1990, for example, may not reflect the socioeconomic characteristics of buyers purchasing a home for that amount today, given how home prices have trended upward.

b. Neighborhood selection

In each city, the team assessed select variables using U.S. Census Bureau American Community Survey (ACS) five-year estimates (2018-2022) to identify zip codes that reflected the housing, demographic, and socioeconomic criteria of residents most relevant to this research. Specifically, the team aimed to select specific neighborhood(s) within each city with both a prevalence of small-dollar housing stock and a low- and moderate-income community that was predominantly Black and Hispanic. Focusing on specific zip codes — and, by proxy, specific neighborhoods — allowed the team to establish local pathways to more efficient recruitment through community-based organizations and neighborhood associations.[4]

[4] The quantitative component of this study categorized census tracts in each city using an index informed by poverty rates and homes valued under $150,000. Researchers then grouped contiguous census tracts to form three distinct areas in each city: “Distressed areas,” “Affluent areas,” and “All Other areas.” While the categories developed for the quantitative analysis differed from the recruitment strategy for the qualitative component of the study, interviewees resided in both Distressed areas in each city and All Other areas (i.e., mixed income). The findings section of this report discusses the overlap of

Figure 2 details the ACS variables, as well as the rationale and exclusion criteria used to select specific zip codes in each city, in which to target recruitment efforts. For a table of ACS zip-code level data relative to the city average, see Appendix A.

Figure 2. Criteria Used to Select Neighborhoods to Focus Recruitment in Each City

ACS Variables	Rationale	Exclusion Criteria
Median home value	Assessing prevalence of small-dollar homes	Excluded zip codes in which the median home value was higher than the median home value for the city or at or above $150,000
Homeownership rate	Assessing the relative strength of the homeownership market	Excluded zip codes where the homeownership rate was lower than the median homeownership rate of the city
Race and ethnicity	Focusing on racial homeownership gap	Excluded zip codes where the White population was disproportionately high relative to that of the city
Median household income	Ensuring homeownership is accessible and sustainable	Excluded zip codes if the median income was below 30 percent of the area median income (AMI) of the city

After using the exclusion criteria above, the research team further narrowed the list of zip codes within each city by assessing the prevalence of small-dollar housing for sale. A scan of each city on Zillow confirmed whether housing stock actively listed for $150,000 in those zip codes was available.

The number of zip codes that met all the established criteria varied in each city (from one in St. Louis to over a dozen in Philadelphia). To narrow the selection further, the research team shared these selected zip codes with housing leaders in each city with extensive knowledge of local housing markets and neighborhood demographics. These local leaders shared insights on neighborhood selection in alignment with the goals of the study and helped verify the presence of established and trusted neighborhood associations or organizations to help conduct outreach and establish pathways to residents.

The zip codes ultimately selected in each city are as follows: 19124 (Frankford, Juniata) in Philadelphia; 63118 (Benton Park, Tower Grove East, Gravois Park, Marine Villa and Dutchtown) in St. Louis; and 79924 (Milagro Hills) and 79927 (Socorro) in El Paso. While the zip codes ended up serving as a starting point for targeting recruitment efforts as opposed to strict exclusion criteria, the targeting, as discussed in more detail in the rest of the report, had implications for whom researchers spoke with in each city.

neighborhoods where interviewees reside and the three categories used in the quantitative report in more detail.

c. Recruitment for resident interviews

Developing materials for outreach and recruitment: In each city, the team developed city-specific recruitment flyers that included information about New America; the topic of this research (access to homeownership under $150,000 over time); the target population for interviews (homeowners who purchased a home in a specific neighborhood or specific neighborhoods for under $150,000 at any point in the last several decades); and details related to the interview (e.g., length of each interview, method of conducting it, stipend information, and assurances about confidentiality). Each flyer included a link and a QR code to a short Google form, which prompted residents to share whether they rented or owned their home, what neighborhood they lived in, and their contact information to use in scheduling an interview. Examples of the city-specific flyers are in Appendix C.

Establishing pathways to residents: In each city, the team relied on the insights, knowledge and connections of local housing leaders to inform which housing organizations, homeownership programs, neighborhood associations, and resident-led organizations to reach out to. An initial strategy was to channel outreach solely through local homeownership programs and other programs that provide services to low- and moderate-income residents. For example, a leader at Clarifi, a Philadelphia-based financial empowerment nonprofit, facilitated outreach through the organization's client database, sharing the flyer in email and text campaigns with clients that had either purchased or made contact about purchasing a home in the zip code 19124 (Northeast-Frankford) within the past two years.

This method of recruitment offered a higher likelihood of reaching residents who met the criteria established at the onset of the study; however, this method did not have enough reach to garner the number of interviews targeted in each city. In addition to this strategy, researchers cast a wider net, focusing on civic and resident-led organizations embedded within neighborhoods, as well as community-based organizations that reached residents directly, regardless of whether the groups' focus was specifically on homeownership or they reached only a low- and moderate-income population.

Figure 3 shows the organizations the research team reached out to in each city, asking that these organizations help distribute recruitment materials through their communication channels or at upcoming community meetings. During each interview, interviewers also asked residents to share this opportunity with others in their networks, specifically if the interviewee discussed neighbors and family members that had experiences with small-dollar homeownership.

Figure 3. Local Organizations for Interview Outreach and Recruitment in Each City

Type of entity	Philadelphia	St. Louis	El Paso
Community-based organizations	• Habitat for Humanity Philadelphia • *Clarifi • Turn the Key • Affordable Housing Centers of Philadelphia • Philadelphia Home.Buy.Now • Urban League of Philadelphia • Northwest Counseling Service	• Habitat for Humanity St. Louis • St. Joseph Housing Initiative	• Habitat for Humanity El Paso • Project Bravo • Adults and Youth United Development Association, Inc. (AYUDA) • *United Way of El Paso • Woman’s Club of El Paso • Rebuilding Together El Paso
Lenders and real estate agents		• St. Louis Community Credit Union	• *Women’s Council of Realtors • Guardian Mortgage • El Paso Housing Finance Corporation
Civic associations	• *Northwood Civic Association • Juniata Park Civic Association	• Tower Grove • *Benton Park • Marine Villa • Gravois Park • Dutchtown	• El Paso Neighborhood Councils
Development corporations	• Frankford CDC • HACE CDC • Philadelphia Association of Community Development Corporations	• Tower Grove CDC	• Texas State Affordable Housing Corporation
Local government		• Ward alderpersons	• *City Council representatives • County commissioners • El Paso County Housing Authority • Housing Authority of the City of El Paso

*Indicates entities that were the most active in helping recruit interviews and/or yielded the most interviewees

In St. Louis and Philadelphia in particular, resident-led neighborhood associations played a pivotal role in recruitment efforts, notably the Benton Park Neighborhood Association in St. Louis and the Northwood Civic Association in Philadelphia, in communicating directly about this opportunity with residents.

Process for recruitment: Once a resident filled out the Google form, a team member followed up via email or phone within 24 hours to schedule a date and time for a phone or Zoom-based interview.[5] The team provided each interviewee a $25 Visa gift card, shared via email after the interview was complete.[6] In El Paso, the team decided to raise the stipend amount to $50 after initial recruitment efforts did not garner much interest, resulting in increased resident participation.

Challenges with recruitment and lessons learned: The lack of established partnerships in each city meant establishing relationships and pathways to recruitment was more time-intensive than initially anticipated. As the recruitment period became more prolonged in each city, researchers expanded this geographic focus, using the selected zip codes more as a jumping-off point for recruitment instead of as exclusion criteria. Ultimately, the diversity of experiences captured in the resident interviews, in part reflected by the range of neighborhoods in which residents reside, is more reflective of the diversity of housing experiences in a city.

Recruitment strategies relied in large part on the landscape of housing and civic organizations in each city, and the insights of local organizations that facilitated connections to residents. Since outreach methods — whether through direct outreach, distribution of a flyer via existing communication channels and social media, or another method — were undertaken by organizations external to New America, the research team was not able to control for all aspects of the established criteria, namely reaching an exclusively low- and moderate-income population or assessing the experiences of different generations.

For example, the Benton Park Neighborhood Association was an especially engaged partner in communicating this opportunity to residents, and most St. Louis interviewees heard about the opportunity through this neighborhood group. Since the median income of Benton Park is higher than in the zip code selected for targeted recruitment efforts (63118), the median income of St. Louis

[5] Two members of the research team attended the Northwood Civic Association meeting in Philadelphia on April 16, 2024, and conducted three in-person interviews in Philadelphia on April 17, 2024.
[6] Based on best practices from Code for America Guide Qualitative Research Practice Guide: https://f.hubspotusercontent30.net/hubfs/5622333/CFA_QualitativeResearchGuide_v1.pdf.

interviewees ($80,000) skewed higher than a low- to moderate-income in the St. Louis metro area ($57,800 for a single earner).[7]

An unanticipated challenge was the intervention of artificial intelligence that slowed down the recruitment process in each city, but most prominently in El Paso. The Google form the team relied on for recruitment was filled out by bots,[8] or an unidentified internet group programmed software code to infiltrate these forms, simulating human behavior. To address this challenge, the team added a question to the Google form that asked residents to share how they heard about the opportunity. The team found that respondents that included a specific organization (e.g., "United Way of El Paso" versus "the internet" or "social media") tended to reflect a human.

Recruitment flyer distributed via Benton Park Neighborhood Association's Instagram on April 2, 2024.

d. Conducting resident interviews

The research team developed two semi-structured interview guides, one for homeowners and one for those attempting to access homeownership (and currently renting) to guide each interview. The full interview guides are on file with New America.

The team sought to conduct approximately 10 resident interviews in each city, and conducted 10 interviews in St. Louis and Philadelphia, and six interviews in El Paso. Each interview was conducted over the phone or via Zoom (depending on the interviewee's preference), with the exception of three in-person interviews in Philadelphia.

Each interview had two members of the qualitative research team: a lead interviewer and a note taker. In each interview, the lead interviewer introduced the research team, reiterated the goal of the study, reviewing how the stipend would be delivered, and offered an opportunity for the interviewee to ask any questions. Each interviewee was also asked their consent to record the interview, and provided assurances that everything shared would remain confidential and nothing would be attributed to them by name or any other identifying information. The lead interviewer also reiterated throughout that interviewees could opt out of any questions they were not comfortable answering.

Though interviews varied in length, interviews averaged around 30 minutes. Each interview was recorded using voice recording or Zoom and transcribed using Otter.AI.

[7] U.S. Department of Housing and Urban Development, FY 2024 Income Limits for St. Louis, MO-IL HUD Metro FMR Area. Retrieved from: https://www.huduser.gov/portal/datasets/il/il2024/2024summary.odn?inputname=METRO41180M41180*St.+Louis%2C+MO-IL+HUD+Metro+FMR+Area&wherefrom=%24wherefrom%24&selection_type=hmfa&year=2024.

[8] Researchers were able to determine that these were bots because they tended to have the same email format (first name, last name, string of numbers at gmail.com) and often fell outside the geographies where recruitment was targeted (e.g., Alaska, Florida, New York). Some, but not all, of the listed phone numbers were not registered numbers.

e. *Analyzing interviews*

After each interview, researchers cleaned the transcription using the audio recording to ensure accuracy. The team used Google shared drives to house the interview notes and transcripts, and restricted access of anyone outside of the organization or not on the research team.

Using the notes taken during the interview and the transcript, the research team produced high-level summaries of each interview — including the demographics and housing status of the interviewee (e.g., renter vs. homeowner), a summary of their home purchasing process, key barriers and facilitators, and perceptions of neighborhood change. This high-level document of key takeaways facilitated a thematic analysis of the data gathered across interviews. The research team distilled key themes separately, and then discussed findings collectively.

IV. Limitations of Qualitative Analysis

The goal of the qualitative interviews is to provide nuance to the homeownership experiences and perspectives of residents in each city, and to better understand the challenges and context in which interviewees operated and made decisions related to homeownership. While the interviews (and their findings) are not intended to be representative, it is critical to note the ways in which recruitment and other aspects of the study design impact the interview findings and their generalizability.

The small sample size of interviews (26 total across three cities) limits both the comprehensiveness and the robustness of the findings and does not fully capture the range of experiences with small-dollar homeownership. Further, the nonrandom sampling given the team's reliance on local intermediaries for help with recruitment limits the generalizability of the findings. Below are examples of the ways that the sample size and nonrandom sampling impact participation in the interviews (and thus the findings).

- *Geographic scope:* Interviewees tended to reside in the neighborhoods where local organizations most engaged in helping with recruitment were located (e.g., Benton Park Neighborhood Association in St. Louis and Northwood Civic Association in Philadelphia). However, these neighborhoods are representative of the demographics, housing characteristics, or homeownership strategies of the cities as a whole.
- *Interviewee characteristics:* Without an established presence in each city and existing local partnerships, it was difficult to recruit the target number of interviewees in each city. While the team established minimum criteria around home price cutoff and geographic location, potential interviewees were not excluded from participation if, for example, their income exceeded that of a low or moderate income for the area. Further, given the small number of target interviews in each city (10 each), recruitment was not intended to be representative of the range of socioeconomic and demographic characteristics of each city. In El Paso, for example, the team did not interview residents who spoke only Spanish despite distributing recruitment materials in both English and Spanish, and only

spoke with residents employed in the formal economy, despite the prevalence of a cash economy in El Paso.

- *Assessing generational changes over time:* Furthermore, the outreach method for reaching different generations within the same family was through connections facilitated by interviewees, or word of mouth. In the absence of these connections, the research team faced difficulties reaching and thus assessing the home purchasing experiences of different generations over time. As a result, findings in the next section focus on access to homeownership and the financing mechanisms leveraged by interviewees and less so on changes in homeownership access over time and perceptions of neighborhood change over time.

Within these limitations, the next section details interview takeaways, elevating key themes for further research.

V. Key Qualitative Findings: A Tale of Small-Dollar Homeownership

a. Across Three U.S. Cities

Across the three cities, the research team interviewed 26 residents: 20 homeowners who had purchased their homes between 2001 and 2022 for $150,000 or less, as well as six renters interested in purchasing a home. The key findings in each section draw on the experiences of both homeowners and renters.

Figure 4 details the demographic and housing characteristics across all interviewees ahead of key takeaways from interviews, with more detailed and city-specific findings outlined in the sections below.

Figure 4. Demographic and Housing Characteristics of All Interviewees

Demographic Characteristics	
Age range	28 to 72 years old (median = 39)
*Race and ethnicity	White (7), Black (7), Hispanic (7), Native American (1), Black and Native American (1), Asian (1), mixed (1), unknown (1)
*Annual income range	$21,000 - $120,000 (median = $65,000)
**Gender	Women (14), men (12)
Housing Characteristics	
Housing status	Homeowners (20), renters (6)
Homeownership financing method	Cash (4), mortgage loan (15), gift from family member (1)
Home price range	$28,000 - $150,000 (median = $89,500)
Year of home purchase	2001 – 2022

*Self-reporting by interviewee; **Attributed by research team.
Note: Researchers conducted interviews with 26 residents in St. Louis, Philadelphia, and El Paso between March 25 and May 10, 2024.

The means of financing home purchases varied across the 20 homeowners interviewed in the three cities.

Of the 20 homeowners interviewed, 15 used a mortgage loan, though these loans were not always traditional (e.g., 30-year loans with fixed interest rates), and were often used in combination with other means (e.g., cash).

Ten out of 20 interviewees used a standard fixed-rate mortgage loan, and five used a nontraditional loan. Types of nontraditional loans include adjustable rate mortgages (ARMs) and forgivable loans.

Four interviewees purchased a home using cash, due to their inability to get approved for a standard loan. In most cases, the homes purchased in cash were on the lower end of the small-dollar price range (ranging from $28,000 to $66,000), and all required major renovations and repairs, which homeowners took on themselves. Notably, the use of cash and leveraging sweat equity to undertake repairs as an entryway into first-time homeownership all occurred in St. Louis. One interviewee was gifted their home by a family member, and thus did not require mortgage financing or sources of cash to access small-dollar homeownership.

Out of the 15 interviewees who used mortgage loans to pay for their homes, seven obtained their loan from a bank, six from a mortgage company, and one from a local credit union (one interviewee's lending institution is unknown).

Three homeowners emphasized during their interviews how hard it was to get approval for a mortgage, and two homeowners who went on to buy their homes in cash had previously been outright rejected when applying for a loan due to their low incomes. Although several interviewees did not face substantial trouble accessing home financing, the challenges shared by those who did paint a picture of innovation in the face of constrained choices in pursuing a goal of small-dollar homeownership.

Local and community culture matters for the homeownership strategy relied upon, with individual initiative, family ties, and personal networks playing key roles.

When traditional mortgage loans are not accessible, the culture of a community plays a large role in the strategies used to maneuver through those challenges and access homeownership. These strategies tended to vary by city.

In St. Louis, when accessing a traditional mortgage loan was not an option, several interviewees leveraged a combination of sweat equity, cash purchases, and nontraditional mortgages as a pathway to homeownership. By and large, the strategies discussed by St. Louis interviewees can be characterized as individuals operating within the available housing stock and constraints of the homeownership financing market to take it upon themselves to find, fix up and finance a home, by pursuing innovative means.

In Philadelphia, several interviewees emphasized the informal assistance and gestures of goodwill from those within their personal networks, at times contrary to these individuals' own economic self-interest.

In El Paso, a common strategy was reliance on extended family ties, including living with parents to save money and co-purchasing a home with family members.

Strategies that have historically been leveraged to bring down the cost of homeownership were discussed by interviewees as the only viable pathway to accessing homeownership in the first place.

Combining cash purchases of small-dollar homes with sweat equity was a pathway to homeownership discussed by several interviewees in St. Louis. A key nuance between interviewees who pursued this strategy and undertaking a typical fixer-upper is that the stated reason for pursuing this strategy in the first place was the inability to access mortgage financing from lenders.

In a similar vein, across all cities, informal assistance from families and friends, and positive relationships with key players in the homebuying process, such as real estate agents and mortgage lenders, were presented as key facilitators in accessing homeownership, as opposed to aspects that simply eased the process or provided a leg up or slight edge.

Several homeowners interviewed received financial assistance, whether from a formal program or through their social networks.

Regardless of income levels, it was rare for interviewees to buy a home with a standard mortgage loan without any outside financial assistance. Of the 15 homeowners with a mortgage loan interviewed, 11 reported receiving some sort of financial assistance:

- Six interviewees participated in first-time homeownership programs.
- One interviewee accepted financial sponsorship from a faith-based nonprofit.
- One interviewee used inheritance money to help pay for his home.
- Three interviewees received financial gifts from a parent or spouse.

Renters interviewed expressed pessimism or discouragement about their prospects of becoming homeowners in the near future.

Five of the six renters interviewed expressed discouragement about the rental market in their city and their ability to afford homeownership in the near future. Of this group of renters, four had previously applied for mortgages and been rejected due to their income, credit, or both. For the most part, renters expressed skepticism that they would be able to become homeowners. One millennial in El Paso found her student loan debt to be the main obstacle for her to be approved for a mortgage. The lender she went to told her, “Maybe you could qualify if you had your parents give you, like, $10,000," leaving her feeling like there is little within her control that she can do to improve her financial readiness.

There is a gap between reported data and the perception of the availability of small-dollar homes in each city.

Analysis of home values in each city from the quantitative component of this study shows the prevalence of owner-occupied small-dollar housing stock in 2022, despite drops in this inventory over time. In El Paso, St. Louis, and Philadelphia, a majority of census tracts contain a significant amount of owner-occupied housing stock valued under $150,000.[9] However, perceived scarcity of homes under $150,000 in each city was a recurring theme throughout the interviews.

This is perhaps not surprising given the distinction between active listings that a prospective buyer would engage in during their housing search and owner-occupied housing stock for $150,000 and below. In addition to housing availability (whether a home is currently on the market), prospective buyers also have to contend with the quality of the home and whether it is in good enough condition to qualify for a mortgage loan. Further, prospective buyers also are considering their desired neighborhood; analysis in the quantitative report found that drops in the owner-occupied housing stock differed depending on whether homes were located in "Distressed" or "Affluent" parts of each city, with steeper declines in "Affluent" areas across all three cities.

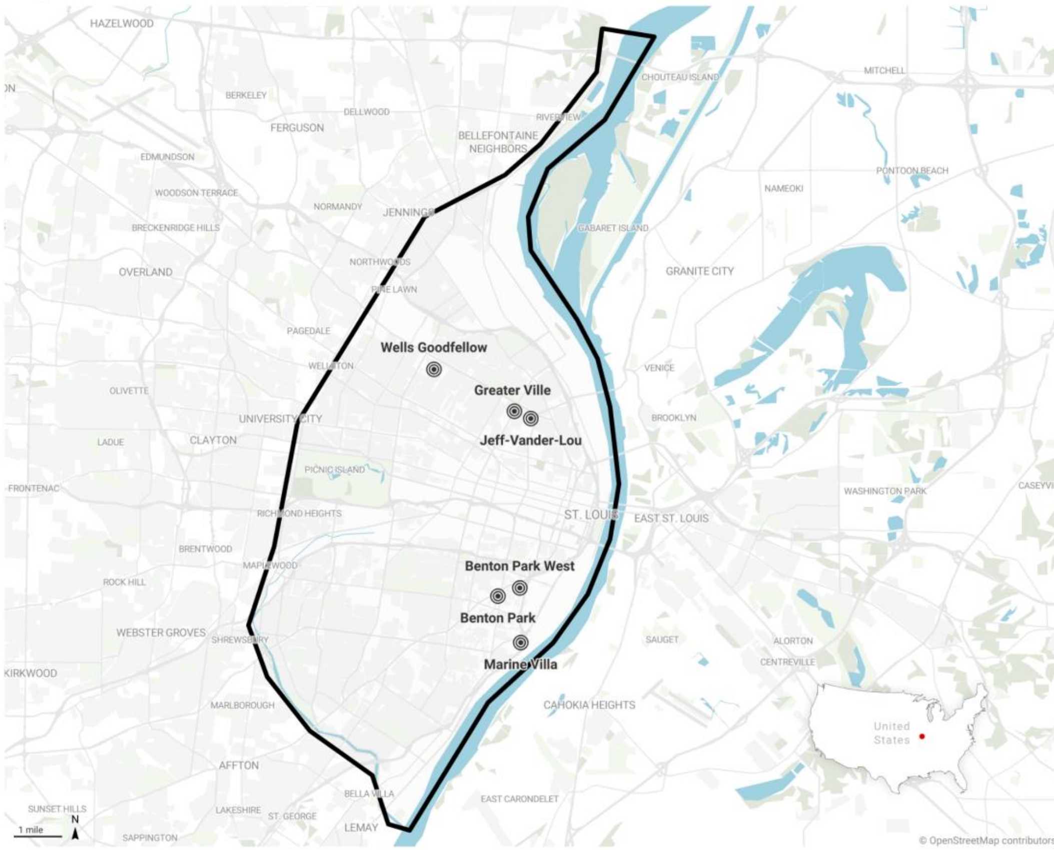
In other words, the difference between the prevalence of small-dollar housing stock (the number of homes for $150,000 and below) and its availability at any given time, including access to mortgage financing for these homes, is an important distinction both from the perspective of a prospective buyer and as a result also from a research perspective.

Multiple interviewees in each city mentioned that they struggled to find a house in the price range they could afford or were approved for. When researchers introduced this project during the recruitment process to stakeholder organizations (see Figure 3), organization leaders often expressed incredulity that there were homes for sale today that cost less than $150,000.

[9] To see census-tract level maps of the percentage of owner-occupied housing stock valued under $150,000 in 2022, see maps produced in the quantitative study in El Paso, Texas; Philadelphia, Pennsylvania; and St. Louis, Missouri.

b. St. Louis

Neighborhoods of St. Louis Interviewees



Created with Datawrapper

The research team interviewed 10 residents in St. Louis, including seven homeowners who had purchased their homes between 2013 and 2022 for a median value of $86,000, and three renters interested in purchasing a home in the small-dollar price range. The above map shows the location of the St. Louis neighborhoods where interviewees reside, Figure 5 details the demographic and housing characteristics of interviewees in St. Louis, and key takeaways from these interviews are below.

Figure 5. Demographic and Housing Characteristics of St. Louis Interviewees

Demographic Characteristics	
Age range	33 to 64 years old (median = 41)
*Race and ethnicity	White (5), Black (2), Native American (1), Black and Native (1), Asian (1)
*Annual income range	$21,000 – $120,000 (median = $80,000), out of 7 employed interviewees
**Gender	Women (6), men (4)
Housing Characteristics	
Housing status	Homeowners (7), renters (3)
Homeownership financing method	Cash (3), mortgage loan (4)
Home price range	$28,000 – $150,000 (median = $86,000)
Year of home purchase	2013 – 2022
Neighborhood	Benton Park (3), Benton Park West (2), Greater Ville (1), Jeff-Vander-Lou (1), Marine Villa (1), Wells Goodfellow (2)

*Self-reported by interviewee; **attributed by research team.

Note: Researchers conducted interviews with 10 St. Louis residents between April 3 and April 30, 2024.

Among the seven homeowners interviewed in St. Louis, the use of a traditional 30-year standard mortgage loan to finance home purchases was uncommon.

Only two of the seven homeowners interviewed in St. Louis were able to access a traditional 30-year mortgage loan with a fixed interest rate. Both of these homeowners were able to use first-time homebuyers programs to purchase homes that were $86,000 and $120,000, while putting between 3 and 6 percent as a down payment.

The other five homeowners interviewed purchased small-dollar homes using a combination of cash and nontraditional loans. The experiences of these interviewees are described in more detail in the takeaways below.

Though traditional mortgage loans were less common among interviewees, those who accessed them had a relatively seamless and straightforward homeownership purchasing experience.

Interviewees that described their purchasing process as relatively seamless in St. Louis seemed to face few challenges. One interviewee purchased her home for $89,000 in 2019 through a first-time homebuyer program, with a $5,000 down payment. She accessed a standard, 30-year mortgage loan, and had her offer accepted three days after she found her home on Zillow, describing the entire process as “fairly easy and painless.” This was also the case for those in her networks; she elaborated: “I feel like as long as your bank approves you, the banks will work with you.… I think that everyone I've ever talked to that starts the process of buying a house, I've never seen someone not buy a house.”

Another interviewee who purchased the home his family rented at the time for $120,000, also in 2019, described a similarly painless process, noting that they were able to access a standard mortgage loan and put 3 percent down, given their first-time homebuyer status. Not only did these interviewees face no challenges in accessing financing, but both shared that their mortgage companies or banks had preapproved them for amounts that greatly exceeded what they could actually afford.

These experiences are in stark contrast to those of other St. Louis interviewees who had to pool resources, pursue nonbank sources of financing, and leverage their own (or their networks') labor to access small-dollar homeownership.

Most homeowners interviewed faced a nontraditional home purchasing process that involved innovative pathways and pursuing alternate sources of financing.

Five interviewees leveraged a combination of sweat equity, cash purchases and nontraditional mortgages as an alternate pathway to small-dollar homeownership.

Leveraging cash and sweat equity to access small-dollar homeownership.

Sweat equity in real estate typically refers to homeowners taking on repairs and renovations themselves to save money while increasing the value of their home. Several interviewees in St. Louis referenced their use of sweat equity, not necessarily as a way to increase the value of their home after it was purchased, but as a pathway to accessing homeownership in the first place. After failing to obtain a mortgage loan, several interviewees purchased small-dollar homes using cash and undertook the necessary repairs to make the home habitable, citing their use of their own labor as a key facilitator in their ability to purchase that home.

After being denied a mortgage loan, one St. Louis interviewee cobbled together $66,000 in cash to purchase "absolutely the cheapest house on the block." He shared: "I've always had a really hard time getting a [mortgage] loan from a bank. So I saved up and cashed out the retirement account, and bought the worst house in the neighborhood." Other smaller sources of cash included pulling money from his business and selling equipment he used for this work. He continued: "I don't have family that I can tap for that kind of money." He fixed up the home, running up nearly $50,000 in credit card debt. As soon as the home was habitable and met minimum occupancy standards, he had an inspection done, and used existing relationships with lenders to obtain a nontraditional mortgage loan, which he described as a "cash-out refinance mortgage, but without a preexisting one," from First Mid Bank & Trust.

Unable to find a lender willing to extend a loan for her desired home, another St. Louis interviewee circumvented the traditional mortgage loan process by directly contacting the owner of the real estate investment company who owned the home in 2018. According to the interviewee, mortgage lenders attempted to steer her toward a smaller house in a different neighborhood: "I tried to get a mortgage loan, but I had a hard time finding a lender for my neighborhood, even though my credit score was 720." She continued: "[Lenders] were saying that with my credit score and my demographic that they would prefer that I look at a house — because my house is a three-story house … they were usually like, 'Oh, if I had a smaller home,' just strongly suggesting." She also claimed that "the houses that they tried to put me in was higher than the house I purchased, even though the value of the house was not."

By working directly through the investment company, she was able to pool resources and purchase the house in cash for $30,000. She then rehabbed the house herself, after which it appraised for $70,000.

Inspired by the culture of fixing up homes in St. Louis, another interviewee purchased a home in 2015 for $28,000 with cash she inherited from a family member. The home had been abandoned for at least five years and needed a lot of repairs, including a new roof. By taking out a HELOC (home equity line of credit) loan, she was able to slowly make repairs over time, including putting in two stand-alone apartments and a studio space. Reflecting on her experience, she said: "I don't know that I would do it again this way … but at the same time I feel really fortunate to have done it and I didn't have another option at the time, you know, I didn't have a job that would have qualified me for a loan."

Leveraging nontraditional loans to access small-dollar homeownership.

Several interviewees leveraged nontraditional mortgage loans, sometimes in combination with cash and sweat equity, to access small-dollar homeownership.

One St. Louis homeowner purchased his home for $150,000 nearly 10 years ago, with assistance from Habitat for Humanity St. Louis. Since the house was already built but vacant at the time of purchase, he was able to volunteer his time on other Habitat projects, and finance the house through a $1,000 down payment and a mortgage loan for $89,000 through Midwest Bank; the rest is financed through a 30-year forgivable loan that Habitat took out as a lien on the house.

Another interviewee, with a two-decade history of renting and purchasing in the same neighborhood, shared her family's attempt to finance the purchase of their condo for $97,000 in 2016. After being told that lenders were skittish about extending loans on condos after the foreclosure crisis,[10] she and her partner were eventually able to obtain an adjustable rate mortgage loan from a local credit union for $80,000. While this allowed them to purchase the condo, their mortgage payments skyrocketed after seven years, and while they tried to refinance and get out of that loan, they have not had success. She shared: "We tried like the online banks, we tried our bank, we tried. I mean, we tried everything, and we weren't able to get out of the adjustable rate mortgage."

Nontraditional financing strategies were not always ideal and did not always lead to homeownership.

[10] For more details, see https://www.fanniemae.com/research-and-insights/perspectives/future-condo-lending.

Although nontraditional financing strategies provided many interviewees a path to homeownership, these methods could also be tenuous, falling through in the short and long terms.

One interviewee has had two attempts at homeownership since 1988, neither successful and both involving nontraditional financing arrangements. His first attempt, a lease-to-own agreement, involved him paying $100 of the $600 monthly rent toward the down payment. Within five years, he had accumulated $6,000, which was enough for a down payment on the house. However, unable to secure a mortgage to cover the remaining balance himself, he found a temporary solution — he transferred the lease option to his sister, who secured a mortgage loan to buy the house. Unfortunately, the house was foreclosed on several years later after she was unable to keep up with the mortgage payments from the balloon loan after refinancing.[11] In 2004, he prequalified for an $85,000 construction loan, though ultimately the homebuilder who had approved the loan went out of business before the project could go through.

One interviewee who purchased a home through Habitat for Humanity had previously attempted to purchase a home through a rent-to-own arrangement, where he paid rent to the owner (a distant family member) and fixed up the home while living there. Ultimately, this arrangement fell through when the owner was unwilling to sell the house for the amount that the interviewee was approved for ($40,000 vs. $46,000).

Another interviewee who accessed an adjustable-rate mortgage on a condo purchase in 2016 noted that her mortgage payment had increased 25 percent in less than eight years due to her loan terms. She has been able to absorb the increase, but not every homeowner can. These examples illustrate a challenge that, while not the focus of this study, is an important part of the story of small-dollar homeownership: staying a homeowner.

Established relationships with key players in the housing market, including landlords, real estate agents/brokers, and lenders, play a central role in homeownership access.

Purchasing a home is an involved and personal experience, so it is not surprising that several residents cited established relationships to key players — from their landlords to their real estate agents to lenders — as a key factor in their ability to purchase a home. Several interviewees cited these relationships not just as helpful in negotiating more favorable prices or loan terms, but as instrumental in their ability to overcome barriers in accessing financing that might not otherwise have been granted.

One interviewee directly attributed his success in securing a nontraditional mortgage loan after a cash purchase to his preexisting relationship with a local lender who understood the nuances of his unique financing needs (having just sold his business, it appeared as if he had no income). He cited his preexisting relationship with a lender as central to his ability to secure a

[11] A balloon loan is a non amortized mortgage that involves a large lump sum payment at the end of the loan term.

nontraditional loan product — a “cash-out refinance mortgage, but without a preexisting [mortgage]” — that fit his needs.

Another interviewee detailed how, in attempting to downsize from a single-family home to a condominium priced just below $100,000 in 2016, she would have been unable to secure a mortgage loan were it not for an established relationship with a Realtor and the Realtor’s relationship with the lender. She and her partner were able to obtain an adjustable-rate mortgage loan for $80,000, but only after their Realtor made a case to a local credit union about their credibility. She explained: “My understanding is that our mortgage lender had to literally present us as people who are creditworthy to a board … in order to get our loan approved. But it really came down to our Realtor and our mortgage broker having personal relationships with the credit union.”

Some interviewees do not view renting as the viable on-ramp to homeownership that it once was perceived to be.

Several renters (and homeowners) discussed how renting in St. Louis, despite being considered an affordable housing market relative to other U.S. cities, does not adequately set people up for homeownership.

One interviewee, a homeowner who described her purchasing experience as relatively seamless, shared the following: “I feel so lucky that I bought a home when I did. Because to go out and try to find a decent place right now to rent, I would probably be spending at least twice as much as I pay on my mortgage.”

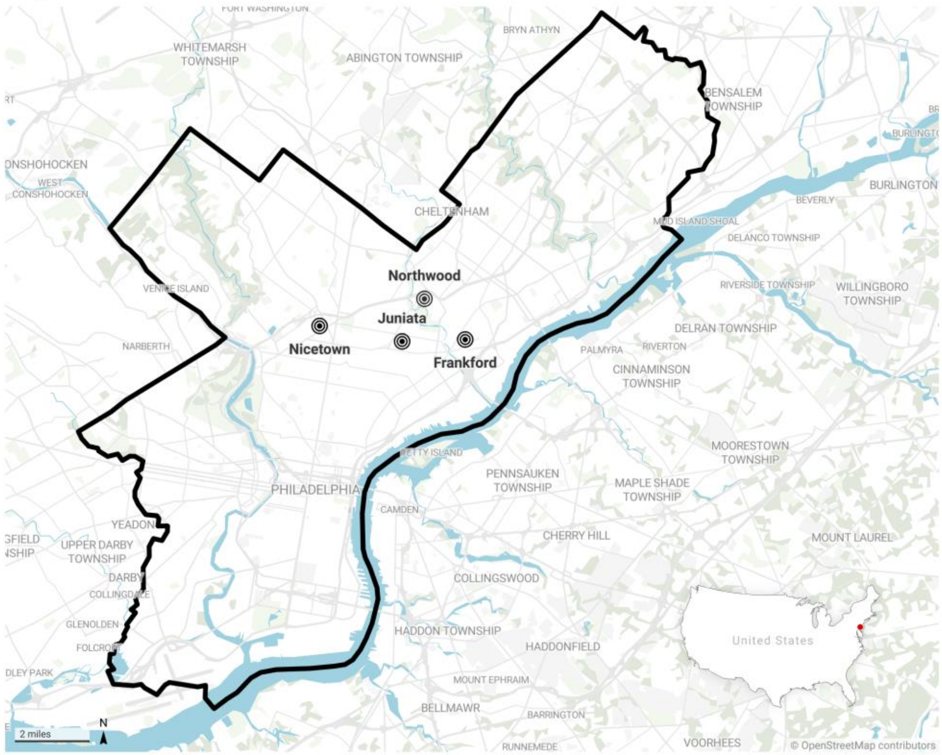
Another homeowner who purchased her house almost a decade ago, in 2015 for $27,000, noted: “The amount of money that I had, anywhere else would have been a down payment … here I was able to buy a house.… I still had to invest quite a bit of money in it over time, but it made it more possible. But I don't think that [it] is nearly as accessible now than it was even 10 years ago.”

A renter whose family was able to purchase a home in St. Louis within a decade of immigrating to the U.S. shares, “With the reality of how high interest rates are currently, it's not really a great time to buy. It's also not a really great time to rent either.”

Despite these challenges, some interviewees still expressed a sense of optimism. One interviewee who is currently renting but has been striving toward homeownership since 1988 claimed, “This is something I still want to do. You know, even though I'm, you know, people would call me, I guess they’d call me a senior citizen, because I'm 65 in June.”

c. Philadelphia

Neighborhoods of Philadelphia Interviewees



Map: Craig J. Richardson Economic Consulting • Created with Datawrapper

The research team interviewed 10 residents in Philadelphia: nine homeowners who had purchased their homes between 2004 and 2022 for a median value of $105,000 as well as one renter interested in purchasing a home. The above map shows the location of the Philadelphia neighborhoods where interviewees reside, Figure 6 details the demographic and housing characteristics of interviewees in Philadelphia, and key takeaways from these interviews are below.

Figure 6. Demographic and Housing Characteristics of Philadelphia Interviewees

Demographic Characteristics	
Age range	33 to 72 years old (median = 38)
*Race/ethnicity	Black (5), Hispanic (2), White (1), mixed (1), unknown (1)
*Annual income range	$40,000 – $81,000 (median = $70,000), out of employed interviewees
**Gender	Women (4), men (6)
Housing Characteristics	
Housing status	Homeowners (9), renter (1)
Homeownership financing method	Cash (1), mortgage loan (7), gift from family (1)
Home price range	$50,000 – $150,000 (median = $105,000)
Year of home purchase	2004 – 2022
Neighborhood	Frankford (4), Juniata (2), Nicetown (1), Northwood (3)

*Self-reported by interviewee; **attributed by research team.
Note: Researchers conducted interviews with 10 Philadelphia residents between March 25 and April 23, 2024.

Most Philadelphia homeowners interviewed used traditional financing to purchase their home.

Seven out of nine homeowners interviewed bought their homes with a fixed-rate mortgage loan. One of these interviewees used an FHA loan to buy her $150,000 Northwood home, and another interviewee accessed a low-interest loan for his $85,000 Nicetown home through participating in the Neighborhood Assistance Corporation of America's homebuyer program. The five other Philadelphia interviewees with mortgages characterized their loans as conventional.

Two homeowners interviewed did not use a mortgage; they bought their house in cash and received their home as a gift from a relative, respectively.

Homeowners' experiences applying for loans were mixed, with some reporting an easy process and others depicting challenges in the approval process.

Four of the seven Philadelphia interviewees who bought a home with a mortgage reported no issues with the approval process. One interviewee who bought her $129,000 Northwood home in 2004 characterized her experience seeking mortgage financing as smooth, thanks to her salary from working in medical research administration: "I was preapproved. My income was good for this house … you know, I didn't face any challenges that I can think of."

Another interviewee, who works as a data analyst, and his wife encountered no issues getting approved in 2017 for a mortgage for their $143,000 home, thanks to their dual income and his high credit. He shared: "I wasn't facing any difficulties when getting approved.… Honestly, my credit score has always been good. And you know, before I purchased the home, I made sure that I cleared off any debts that I was owing. My income verification was a smooth process." He put 20 percent down on the house using money he had saved up for that purpose. His income was significantly higher than 80 percent of the area median income (the benchmark for "moderate" income) the year he purchased his house.[12]

On the other hand, three interviewees emphasized challenges in securing loan approval, whether financial or administrative. One interviewee was shocked by the difficulties she faced in getting approved for a mortgage on her second home: "I think that the banks make it so difficult, so overwhelming. To me, if you have good credit, you have a job… I'm not saying I would approve [me] for a $300,000 house, but $150,000 to me would be a manageable rate. The only thing that should matter is if you can make that monthly payment." And when asked to name the biggest challenge they faced in accessing homeownership, two other interviewees answered, respectively: repairing his credit score over a six-month period, and managing documentation requirements for his loan application and homebuyer program.

Regardless of their income, most homeowners interviewed obtained some sort of financial assistance, whether from family members or through local or national homebuying programs.

Six of the nine homeowners interviewed mentioned receiving some sort of financial boost toward their home purchase in addition to their income. A Frankford interviewee's father contributed $7,000 toward his $10,000 down payment, supplementing his $55,000 annual income working as an artist and garbage truck driver. Another interviewee, who makes $70,000 working as a data analyst, bought his $149,000 home in the Juniata neighborhood using financial assistance from his father.

Three other homeowners participated in local and national first-time homebuyer programs that either provided money toward a down payment or covered closing costs and offered a reduced interest rate.

This latter program is administered by the Neighborhood Assistance Corporation of America (NACA). The interviewee who participated in NACA, whose income is approximately $82,000, bought his $85,000 home in 2016 through the program. Although he characterized the overall two-year process of finding a home and getting financing through NACA as a "headache" due to the program's inefficiency, the interviewee acknowledged that NACA was an instrumental part of his path to homeownership thanks to the money he saved on closing and interest payments.

Philadelphia interviewees emphasized how impactful their relationships with their Realtors were to their successes or struggles in the homebuying process.

---

[12] $46,600 for a one-person household in 2017, United States Department of Housing and Urban Development, FY 2024 Income Limits for Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA HUD Metro FMR Area. Retrieved from https://www.huduser.gov/portal/datasets/il/il2024/2024summary.odn?inputname=METRO37980M37980*Philadelphia-Camden-Wilmington%2C+PA-NJ-DE-MD+MSA&wherefrom=%24wherefrom%24&selection_type=hmfa&year=2024.

For those who enjoyed a close relationship with their Realtor, they found their agent's involvement to be a key facilitator in their purchasing process. Although her homebuying experience in 2016 was "very tedious, long, and just very stressful," one interviewee reported that her Realtor, a longtime friend, was the main factor helping her eventually succeed in buying her $150,000 house. Meanwhile her relationship with a different key stakeholder in the homebuying process, her loan agent, was hostile and antagonistic, which added to her stress amid challenges getting approved for a mortgage due to her credit card debt.

Another interviewee had a strained relationship with the real estate agent recommended to him by the homebuyer program he worked with; he said that "that relationship just didn't work." He then had to seek out his own Realtor to work with, which prolonged the homebuying process to two years in total. Five years later, when buying a second home with his wife, they worked with a Realtor who was a family friend, which "made everything easier, smoother."

Beyond monetary contributions, informal assistance and gestures of goodwill provided from members of interviewees' personal networks facilitated some interviewees' homeownership access, at times contrary to the other individuals' economic self-interest.

Many interviewees mentioned receiving help from friends or family at all steps of the homebuying journey, ranging from financial guidance to program recommendations, from significant discounts on home repairs to connections to sellers.

After closing, one interviewee relied on his network of contacts in the construction industry to repair and renovate his home, saying, "I don't really flip money, I flip people's skills, crafts with my character, who I am as a person." A friend's company made significant repairs to his home after a nearby fire caused smoke damage, and another friend in the plumbing industry repaired his bathroom pipes at a significant discount. The interviewee judged that his bathroom repairs totaled $6,000, but his friend charged him only $2,800. The interviewee also reported that when another friend repaired his roof, "he basically said, 'Because I like you so much, dude, I'm gonna treat this roof like it's mine.' And I think he had it estimated at maybe $6,000, and he probably charged me maybe $3,500."

When thinking about which elements of his homebuying experience he would want for other people, one interviewee summed it up like this: "You just need to have people … who are current homeowners, whether they're family members or friends, just in your circle." He learned about the first-time homebuyer program he participated in from his aunt, who works at the U.S. Department of Housing and Urban Development (HUD) and told him about the opportunity that ended up saving him thousands of dollars in closing costs and interest payments. His parents also played a role in his purchasing process by accompanying him on walk-throughs of the homes he toured, noticing details about the houses that he thought he might have otherwise missed.

Two interviewees found the specific homes they eventually went on to purchase through friends. For one of these residents, his seller was a family friend who wanted to sell at an affordable price because he “wanted to give a younger man an opportunity.” The seller even agreed to hold the Frankford house for the interviewee while he improved his credit over a six-month period — one of the most striking examples of generosity reported in these interviews.

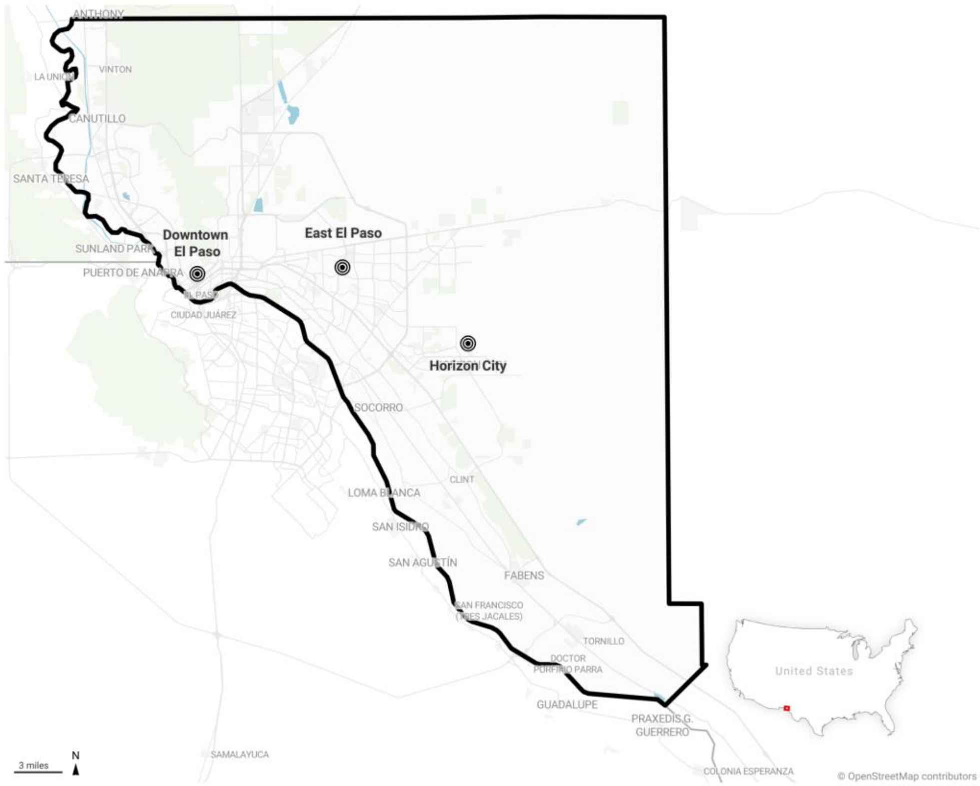
Reflecting on the social ties with his seller that eased his access to homeownership in the small-dollar price range, the Frankford interviewee said, “When I see the $150,000 or less, it’s like the only way that people are going to live comfortably in this economy is keeping it in the family. And that's what I got. Yeah, I got a kept-in-the-family deal. The same thing with my next-door neighbor. So he bought it, he fixed it up. He's the contractor, but he's renting to his family.”

Another interviewee, whose three-bedroom home now serves as a rental property in Philadelphia, discussed how he intentionally charges rent that is well below market rate as a way to “pipeline Black people into homeownership.” He continued: “I don't want my tenants, who also happen to be my friends, to be paying my mortgage when they could be doing that themselves.” These instances — which seem to reflect an ethos of “paying it forward” and attempts to level the playing field — are notable because they seem to be foundational in people’s journeys to homeownership, and not just nice-to-have advantages proffered along the way.

The prevalence and centrality of the advantages residents gained through their interpersonal relationships underscore a key challenge for unlocking homeownership for low- to moderate-income households: In communities or social networks where homeownership is not prevalent or accessible, a lack of familiarity with the homebuying process, and a lack of trusted sources to learn from, may pose additional barriers to homeownership beyond the financial requirements. Alongside financial resources, access to the type of knowledge needed to successfully buy a house is an instrumental part of attaining homeownership. Moreover, the distinction between financial and social capital is blurred — many of the participants who gained helpful insights from their network went on to see financial benefit from taking their advice, whether from gaining access to homeownership programs or finding the right house in their price range.

d. El Paso

Neighborhoods of El Paso Interviewees



Map: Craig J. Richardson Consulting LLC • Created with Datawrapper

The research team interviewed six residents in El Paso: four homeowners who had purchased their homes between 2001 and 2019 for a median value of $83,500 as well as two renters interested in purchasing a home in the small-dollar price range. The above map shows the location of the El Paso neighborhoods where interviewees reside, Figure 7 details the demographic and housing characteristics of interviewees in El Paso, and key takeaways from these interviews are below.

The team also interviewed leadership from three housing organizations in El Paso — Project Bravo, Ayuda, and Habitat for Humanity El Paso — to supplement the resident interviews, as well as asking interviewees to reflect on the experiences of others in their networks.

Figure 7. Demographic and Housing Characteristics of El Paso Interviewees

Demographic Characteristics	
Age range	28 to 51 years old (median = 32.5)
*Race and ethnicity	Hispanic (5), White (1)
*Annual income range	$30,000 – $73,000 (median = $60,000)
**Gender	Women (4), men (2)
Housing Characteristics	
Housing status	Homeowners (4), renters (2)
Homeownership financing method	Mortgage loan (4)
Home price range	$69,000 – $140,000 (median = $83,500)
Year of home purchase	2001 – 2019
Neighborhood	Downtown (2), Horizon City (1), East El Paso (3)

*Self-reported by interviewee; **attributed by research team.

Note: Researchers conducted interviews with six El Paso residents between April 24 and May 10, 2024.

Among the four homeowners interviewed in El Paso, a small-dollar mortgage loan was a common way to finance home purchases.

For homes, purchased in 2001, 2002, 2013, and 2019, and ranging in cost from $69,000 to $140,000, all four homeowners interviewed in El Paso used a mortgage loan to purchase their homes.

Two out of the four homeowners reported that their monthly mortgage payments have risen substantially over time. One interviewee who purchased her home in 2001 for $78,000 has seen her monthly mortgage payments rise from around $600 to just over $1,000, while another who purchased her home in 2013 reported that her payments have increased from $700 a month also to over $1,000. While interviewees did not specify (or remember) the terms of their loans, the variable mortgage payments suggest that these loans may have had adjustable rates as opposed to fixed rates.

Homeowners interviewed in El Paso, many of whom were working low-wage jobs at the time of their purchase, did not report using any official sources of financial assistance, such as a first-time homebuyers program, though nearly all discussed the challenges of saving for a home. Two out of four interviewees received cash assistance from family to help with the purchase, which they used toward down payments and closing costs.

The biggest barrier to mortgage financing and small-dollar homeownership among El Paso interviewees was insufficient income and credit.

Leaders within homeownership programs in El Paso, including Project Bravo, Habitat for Humanity El Paso, and Ayuda, noted that low wages and insufficient income are the biggest barriers to homeownership in low- and moderate-income communities. This local context came through in the interviews with current and aspiring homeowners.

Even interviewees who ultimately had success in accessing mortgage financing recounted struggles meeting the required income and credit criteria. One interviewee who purchased a home in 2002 for just under $70,000 with a standard mortgage loan detailed how she had to work two full-time jobs, paid hourly, one of which was at Walmart, for several years to save enough to buy a home following her divorce. Looking back on that period, she said, “It was really bad … I couldn’t have any breaks in between [my shifts] ... I don't know how I did that.”

Another interviewee who is currently renting but who has attempted to access mortgage financing in the past, shared that based off her nearly $75,000 annual income, loan officers would “get pretty, like, excited to start the [mortgage approval] process,” but typically once they ran a full credit check, and her student loan payments were factored in, she would start “hearing from [loan officers] less and less.” Though she was referred to some online homeownership counseling organizations, she notes they were not very helpful or proactive, advising her as follows: “They're kind of like, ‘Just come back to us whenever. When your credit is a little higher.’”

Another renter, whose income is well above the median for El Paso, reflecting on how unattainable homeownership feels, said, “My biggest concern has been credit.” He said that applying for mortgage preapproval is “where I've kind of stopped the process early on, just doubtful that I'll be able to get anywhere, to be honest.”

Intergenerational living is common and offers strategies for affording homeownership.

Living with family to save money and co-purchasing homes with a relative are ways that interviewees, and El Paso residents in interviewees’ networks, have successfully attained homeownership.

One interviewee who purchased a home in 2013 lived with her in-laws while she worked part time at McDonald’s and her husband worked part time at a call center to save for a down payment on an $89,000 home.

Another interviewee, who is currently renting, explained how living with one’s parents is common in El Paso, describing a cycle he commonly sees play out among his peers: “Growing up, everybody wants to leave [El Paso] ... So people want to go to other big Texas cities, you know, your Austins, your San Antonios. And they realize it's not affordable to live there. So then they come back. And they come back, like, not in the best financial situation. So they end up going back to their parents’ house.”

Some interviewees characterized their home as an asset to be owned intergenerationally that can benefit their family. A teacher, who previously lived in a mobile home on a rented plot of land, co-purchased a property that had recently been foreclosed upon with his mother for $140,000 in 2019; together, they were able to put $27,000 for the down payment and closing costs, securing a 30-year conventional mortgage loan to cover the rest. Recognizing the benefits of homeownership for both him and his mother, he explained, “If anything happened, we can turn around and be like, ‘All right, let's go ahead and sell the home’ and we would be able to walk away with a little bit – a good enough amount of money to be able to make our next move.”

Another El Paso interviewee, who bought her first home in 2002 for $69,000, maintained her property as a rental unit even after moving in with her husband so she could pass it on to her daughter. Currently, her daughter and grandkids live in the home and cover all expenses. She intends to eventually transfer full ownership, citing her generational ties as a motivating factor in pursuing homeownership: “I decided to do that for myself and my daughter so that she could have something.… I worked so hard for her to have something. I rented it out so that I could at least keep it afloat until she was able to take care of it on her own.”

A common pathway to homeownership among El Paso interviewees and those in their networks is purchasing plots of land and building upon them, in colonias and beyond.

Colonias are generally unincorporated communities along the U.S.-Mexico border, characterized primarily by a lack of access to potable drinking water, septic and sewer systems, paved streets and standard mortgage financing.[13] The process of homeownership in colonias generally begins with a land purchase, followed by home construction piece by piece as families’ budgets allow.[14]

In telling the story of her own home purchase, one interviewee shared how nearly 30 years ago, her grandparents purchased an acre and a half of land on the outskirts of El Paso and “started building a house from the bottom up.” She described how it felt at the time as if it was practically “in the middle of the desert,” and how her grandparents and the few neighboring families consistently had to fight for someone to fill large containers connected to their homes with water and gas, whenever necessary. Though she did not use the term *colonia* to describe her grandparents' homeownership experience, this was likely the case based on her description.

Another common pathway, given the availability of land in the rural outskirts of El Paso, is to buy a plot of land and then purchase a mobile home to sit atop the land. According to housing leaders in El Paso, it is common for people living in colonias to start with a mobile home and then add rooms constructed from cinder blocks over time. A Federal Reserve Bank of Dallas report on colonias along the Texas-Mexico border noted that colonias encompass a range of structures from substandard to well-built: hybrid dwellings that are a combination of a recreational vehicle or trailer home with a wooden or cinder block addition, pier and beam homes, cinder block homes and standard brick or stucco homes on cement foundations. It is not clear from the interviews whether those who buy land and mobile homes are living in colonias, or if this practice extends to ownership not characterized by living in these communities.

---

[13] Fannie Mae, Housing Assistance Council, “Colonias Investment Areas: Working Toward a Better Understanding of Colonia Communities for Mortgage Access and Finance,” November 2020.
[14] Federal Reserve Bank of Dallas, “Las Colonias in the 21st Century: Progress Along the Texas-Mexico Border,” April 2015. Retrieved from https://www.dallasfed.org/~/media/documents/cd/pubs/lascolonias.pdf.

One interviewee also discussed how her first home purchase in 2002 involved the purchase of land followed by the construction of a model home by Classic American Homes, an El Paso builder who has been constructing model homes on lots since 1988.

Interviewees navigating the homeownership process in El Paso seemed to rely more on the guidance of family and friends than on knowledge from official sources, such as city or county homeownership programs.

In the absence of anyone in her immediate family that had purchased a home, one interviewee attributed the guidance from her ex-father-in-law, and his review of the financial documentation, as a key factor in navigating an unknown process. Another interviewee, who purchased her first home for $78,000 in 2001, credited relatives she spoke with that had positive outcomes with homebuying, with filling in the homeownership information gaps she faced at the time.

Another interviewee, who purchased her home in 2002, expressed frustration that she was not able to benefit from any assistance programs. When asked if she had participated in a first-time homebuyer program, she said, “No, I wish,” adding, “Yeah, I had to work two jobs to get the house because I didn't make enough income to get it on my own, but I made too much income to get any help.”

In response to whether he had previously attempted to go through a first-time homebuyer program or access down payment assistance, a current renter hoping to one day purchase a home noted that there is a lot of misinformation around the criteria of homeownership programs. He said: “I've heard so many people tell me it depends what zip code you want to buy [in] and [it] depends on what the cost of the property is.… I really don't to this point, like, I'm not even sure if that's even accurate anymore. And then I've heard people say you have to pay additional on top of your mortgage if you're using that.”

Housing leaders in El Paso also discussed the dearth of funding for affordable homeownership programs at the city and county levels. One housing leader, in referencing a forgivable loan homeownership program administered by the City of El Paso, noted the limited and inconsistent funding streams, adding, “We never know when the city is going to announce the program and have funding available. So we just kind of work in this unknown.”

Access to Small-Dollar Homeownership Over Time: Perceptions from 3 Interviewees

Though researchers did not interview different generations within the same family, the vignettes below showcase three interviewees’ perceptions of their access to homeownership today relative to decades prior, based either on the homeownership experiences of older generations within their own family or their own homebuying experiences decades apart. These stories offer a glimpse into how these individuals — one from each city — perceive homeownership to be more difficult today than in decades prior.

St. Louis: A St. Louis resident currently renting shared her family's history of emigrating from Vietnam to the U.S. in the early 1980s. She described how she saw her family go from living in a rental property with extended family in St. Louis to purchasing their first home within less than 10 years. By piecing together financial assistance from extended family and a local charity, her family was able to afford a four-bedroom, two-story home with 2.5 baths and a backyard. It was "a beautiful McBride home … I think they purchased it for less than $200,000."

Currently living in a rental property, and hoping to one day purchase a home in the city where she grew up, she reflected, "With the reality of how high interest rates are currently, it's not really a great time to buy. It's also not a really great time to rent either," adding, "Opportunity levels are just so vastly different in comparison to what it was like 40 years ago."

*Philadelphia: A*n interviewee in Philadelphia describes her experience purchasing her first home for $40,000 through a first-time homebuyer loan program in 2001 when she was newly divorced. She describes it as "the easiest process in the world.… I saw [the] house, I went to closing, I had a job, I bought the house." This was in stark contrast to her experience purchasing her second home, nearly 15 years later in the same city.

In 2016, she purchased a short sale home for $150,000 through Philadelphia Federal Credit Union's First Front Door Program. Though she only had to put $750 as a down payment, she described the process as "very, very, very stressful," attributing the difference in access and the anxiety of the documentation she had to provide in 2001 relative to 2016 to significantly more credit card debt; administrative complexity introduced from her daughter's monthly Social Security disability payments; a fairly contentious relationship with her loan officer; and limited affordable housing stock in the neighborhood she was interested in.

Reflecting back on both experiences, she noted, "I think that the banks make it so difficult, so overwhelming. To me, if you have good credit, you have a job … I'm not saying I would approve [me] for a $300,000 house, but $150,000 to me would be a manageable rate. The only thing that should matter is if you can make that monthly payment."

El Paso: A renter earning close to $75,000 a year and living in downtown El Paso shared her family's history of homeownership in the city, illustrating a generational division in access. In 1990, her parents purchased a plot of land in cash, building a small house within the same year. Close to 15 years later, in 2004, they were able to purchase a newly built home within the city, which they still reside in today. Because her parents originally purchased land in cash, they were able to take advantage of a first-time homebuyers loan in 2004, which — along with the profits from the sale of their first home — allowed them to pay for their home without much difficulty.

Reflecting on their experience, the interviewee's parents emphasize their ease in accessing mortgage financing, especially as first-time homebuyers, noting, "'All we had to do is, you know, just go to the bank and take out our loan.'" She recounted that for the longest time, her parents asked her, "'Why don't you just buy a house?" That is, until she started listing the differences in their circumstances, notably student loans that have repeatedly hampered her ability to qualify for a loan despite a relatively high income in El Paso, and the high price of rent, which she has seen dramatically increase in the last several years. She went on, "And that's kind of where they realize, 'Oh, crap, [I] do have it a lot harder now.'"

VI. Conclusion and Future Research

Residents' interviews in each city shed light on the innovative pathways and resources that individuals drew on when facing difficulties purchasing a small-dollar home — either because of mortgage lending gaps or other challenges in the homeownership market. While these strategies are indeed innovative and have led to homeownership, they also illustrate some ways in which the housing market and the current state of homeownership policies are not fostering adequate opportunities for low- and moderate-income communities, leaving people to rely on innovative strategies, family networks, or interpersonal relationships.

Alternate pathways and reliance on networks still pose several barriers to entry for buying a home. For example, those purchasing their homes or plots of land using cash, even when the dollar amounts were relatively low, still had to pool sources of cash in a relatively short time frame. And those who undertook significant renovations themselves as a way to cut costs still had to have the necessary skills (or access to people with the skills) to take this on.

This raises an important question for policymakers: If nontraditional pathways to small-dollar homeownership become more common, what does it mean that these pathways often are not supported by or enshrined in local, state, or federal policies or programs? While yielding success for some interviewees, ensuring these pathways are accessible and equitably distributed is critical for not perpetuating exclusion from homeownership. For example, how would greater access to home improvement loans impact access to first-time homeownership, notably in places where homes are available in the small-dollar price range but would not pass inspection criteria to qualify for a mortgage? Tying these strategies to existing policies is an opportunity for better understanding the potential to support homeownership that is already occurring for some, but not all.

In addition, this research, along with the quantitative study, indicates that there is no single story to be told about the path to homeownership. Both reports show large variations across the three cities and within the different areas of the city. If the goal is to create pathways to homeownership, the policy approaches should be facilitated by a deeper understanding of the nuances of the region, city, and neighborhood within the city. Each has different housing markets, demographics, culture, and economic conditions, making a one-size-fits-all housing policy less than ideal for achieving equitable opportunities for all Americans.

Appendices

Appendix A. Neighborhood Selection Tables

Figure 8 below showcases the U.S. Census Bureau American Community Survey (ACS) five-year estimates (2018-2022) for the selected zip code(s) and each city overall.

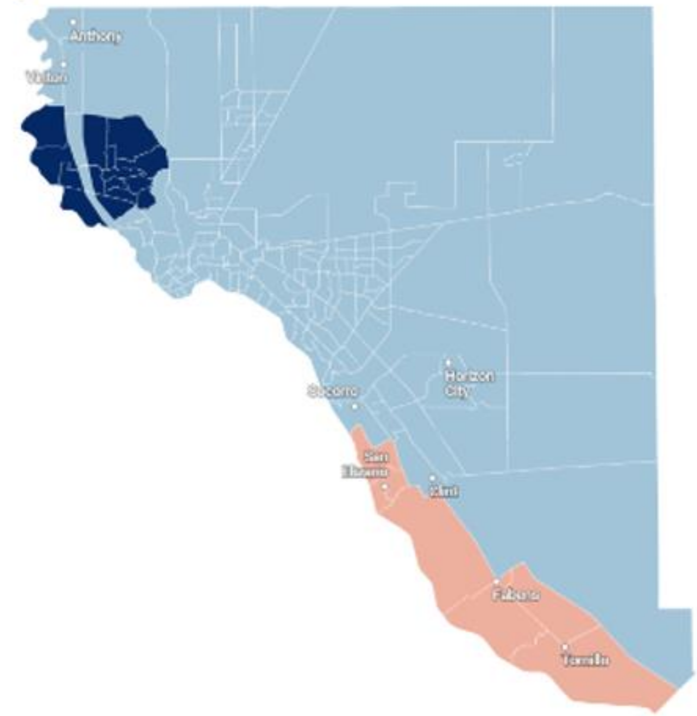
Figure 8. Characteristics of Selected Zip Codes Relative to City Average

	19124	Philadelphia	79924	79927	El Paso County	63118	St. Louis
Median home value	$133,700	$215,500	$122,600	$112,300	$159,300	$194,800	$174,100
Homeownership rate	63.5%	52.5%	61.6%	79.6%	59.5%	41.6%	44.9%
% White	31.2%	37.1%	16%	1.7%	49.4%	44.0%	46.3%
% Black	40.5%	40.1%	8%	0%	3.6%	44.3%	43.9%
% Hispanic (of any race)	46%	15.7%	71.9%	97.3%	81.6%	5.7%	4.3%
Median household income	$44,683	$57,537	$53,555	$46,581	$55,710	$48,464	$52,941

Appendix B. Affluent and Distressed Categorization of Cities from Quantitative Study

This section includes the maps created by Craig J. Richardson Consulting, LLC, to identify the census tracts in each city using an index informed by poverty rates and homes valued under $150,000. The team grouped contiguous census tracts to form three distinct areas in each city: “Distressed areas.” “Affluent areas,” and “All Other areas.. While the categories developed for the quantitative analysis differed from the recruitment strategy for the qualitative component of the study, interviewees resided in both Distressed areas in each city and All Other areas (i.e., mixed-income). For more information on the methods used to develop these categories and subsequent maps, see “The Socioeconomic Consequences of the Decline in Small Mortgages: An Investigation into Three Cities: Philadelphia, El Paso and St. Louis – A Quantitative Analysis.”

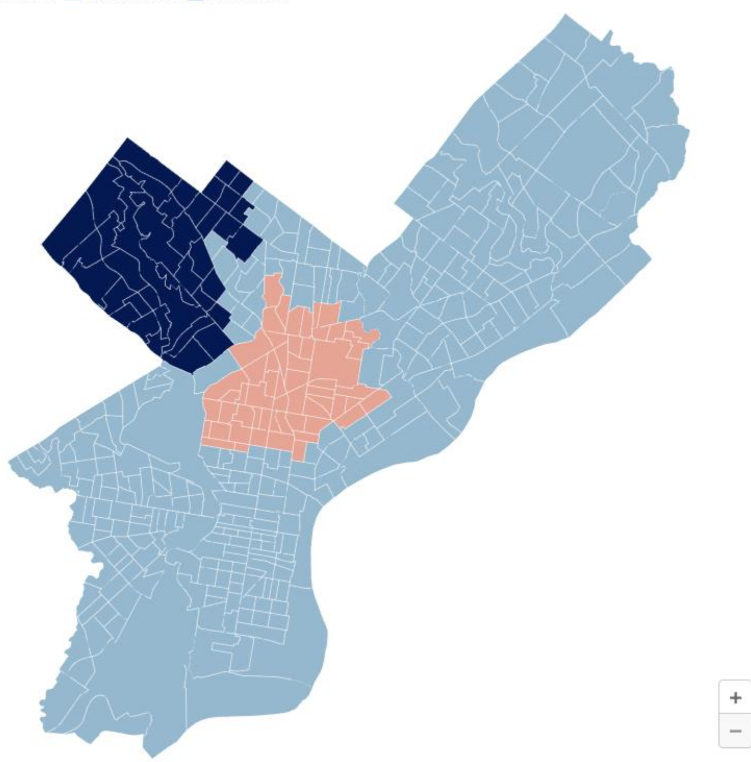
Distress Categorization for El Paso County Census Tracts in 2012

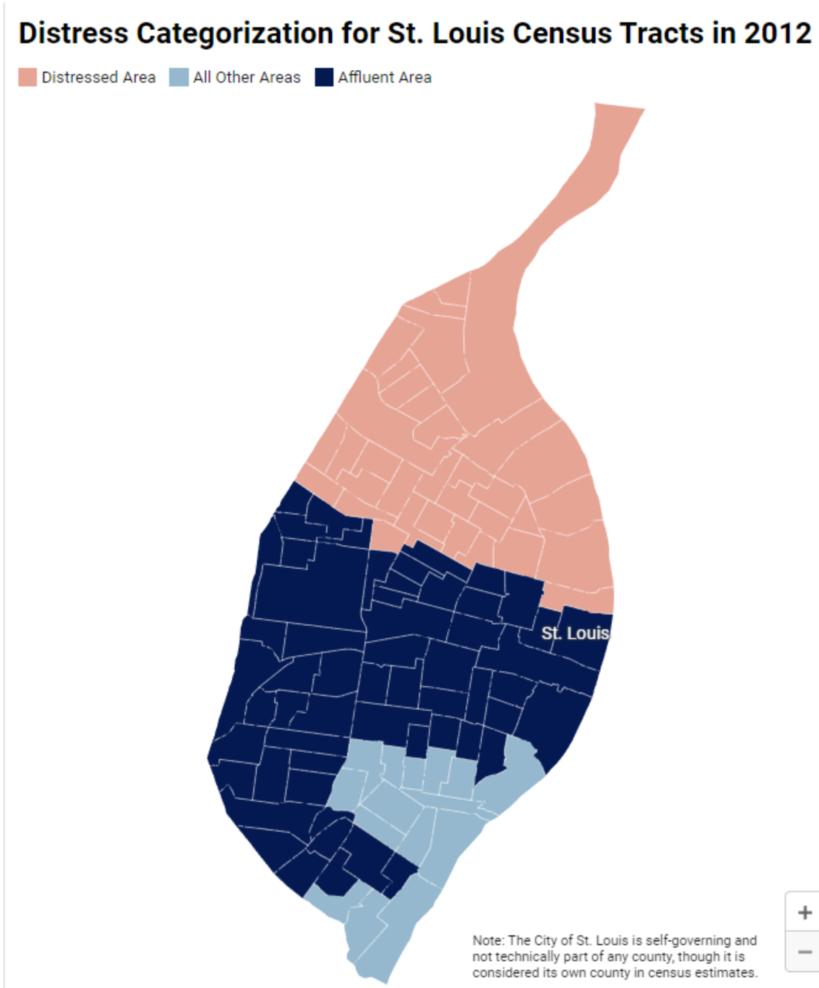


Map: Craig J. Richardson Consulting, LLC • Source: American Community Survey 5 Year Estimates (2008-2012) • Created with Datawrapper

Distress Categorization for Philadelphia Census Tracts in 2012

Distressed Area All Other Areas Affluent Area





Appendix C. Interviewee Recruitment Materials

Below is the high-level project two-pager the team shared with local housing leaders in each city at the onset of the study.

The Decline in Small-Dollar Mortgages Across 3 U.S. Cities

Project Background

Craig J. Richardson (CJR) Consulting, LLC in partnership with the Future of Land and Housing program at **New America** is exploring the decline in mortgage lending for "small dollar homes" (priced around $150,000 or below) in three U.S. cities: El Paso, Texas; St. Louis, Missouri; and Philadelphia, Pennsylvania

Small dollar homes are a critical source of homeownership for low and moderate-income families, often first-time homebuyers in Black and Hispanic communities. Yet, while most families cannot afford to buy a home without borrowing money, banks and other lenders have been increasingly unwilling to write mortgages on these homes.

Instead, more than three quarters of small dollar homes are purchased in cash, often by investors or wealthy individuals. This lending gap puts millions of families — who could otherwise afford homeownership — out of reach, exacerbating the racial homeownership gap.

Project Overview

With support from **The Pew Charitable Trusts**, CJR Consulting and New America will explore the dynamics of small dollar mortgages in each city, building off past research in North Carolina (see here, here and here). The project timeline is November 2023 through May 2024.

CJR Consulting is leading the *quantitative* analysis of small dollar lending, using housing data and analysis to better understand the financing landscape facing potential homeowners and the impacts of declined access to homeownership financing in each city.

New America is leading the *qualitative* analysis, via interviews with mortgage lenders, local housing leaders, and residents in each city. We will explore the challenges and facilitators to accessing small dollar mortgage credit from residents' perspectives, including how perceptions of access to homeownership has changed over time and within families.

Craig J. Richardson Economic Consulting, LLC is a professionally-trained economist and professor at Winston-Salem State University who, with the help of his research staff, has produced high-level research for city governments, non-profits, and industry. Their recently published research has focused on property rights, mortgage credit and housing affordability. Learn more at https://www.craigjrichardson-consulting.com/

Craig Richardson
Principal
Craig J. Richardson Consulting, LLC
Email: craigjrichardson@gmail.com

The Future of Land and Housing Program at New America aims to help solve today's property rights challenges, both in the United States and internationally. Through our research and writing, convening, and collaboration with civic innovators, we strive to connect new constituencies, shed light on underreported issues, and implement creative approaches in the property rights space. Learn more at www.newamerica.org/future-land-housing.

Sabiha Zainulbhai
Deputy Director of U.S. Housing
Future of Land and Housing at New America
Email: zainulbhai@newamerica.org

The rest of this section includes flyers used to recruit interviewees. At the onset of the study, researchers developed a “Call for Paid Interviews with Residents on Homeownership” in each city, with design assistance from the Benton Park Neighborhood Association in St. Louis and asked local partners to share the information with residents. In El Paso, the team developed and distributed all recruitment materials in both English and Spanish (see a Spanish-language flyer for El Paso below the Philadelphia flyer).

It's no secret that access to homeownership at an affordable price range has changed in Philadelphia, and around the country.

Help researchers tell a story about your access to homeownership.

New America is a nonprofit organization based in Washington, DC that researches and writes about housing, child care, education, and politics.

https://bit.ly/PhillyBuyHomes

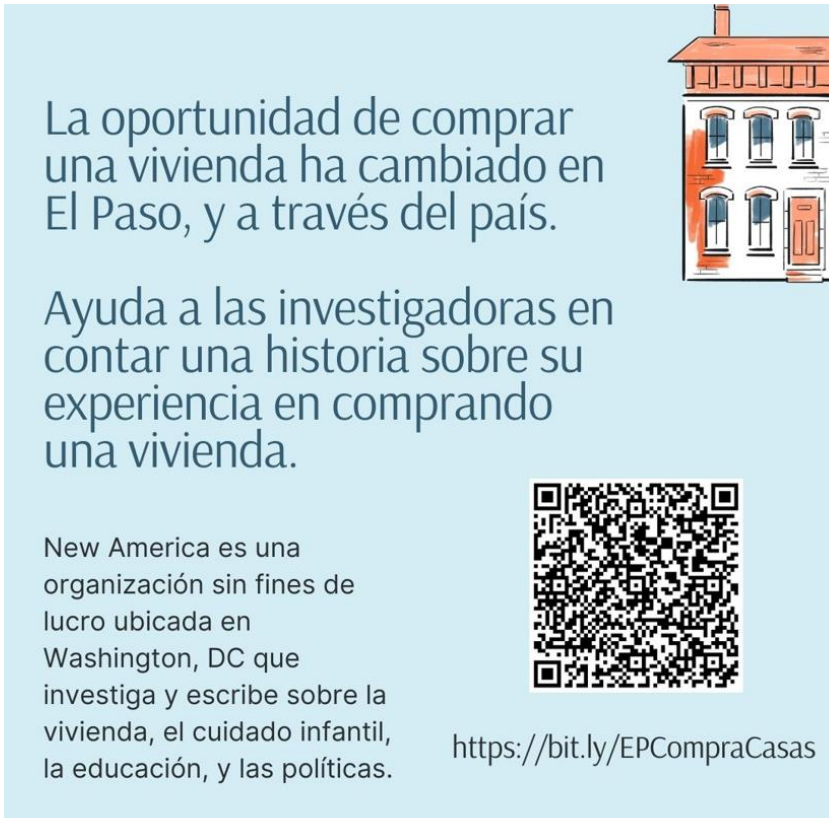
¡Comparte su experiencia y gana $50!

¿HA COMPRADO O PLANEA COMPRAR UN HOGAR DE $150,000 O MENOS?

En April 2024, la organización sin fines de lucro New America está investigando cómo residentes de El Paso compran y financian las viviendas de $150,000 o menos. Las investigadoras quieren hablar con usted para entender su experiencia.

Para participar:

- Llenar este formulario corto: **https://bit.ly/EPCompraCasas**
- El equipo le va a contactar para programar una entrevista.
- Charlar con las investigadoras por 30 minutos o menos.
- Recibir una tarjeta de regalo de $50.


La oportunidad de comprar una vivienda ha cambiado en El Paso, y a través del país.
Ayuda a las investigadoras en contar una historia sobre su experiencia en comprando una vivienda.
New America es una organización sin fines de lucro ubicada en Washington, DC que investiga y escribe sobre la vivienda, el cuidado infantil, la educación, y las políticas.
https://bit.ly/EPCompraCasas