

Coloradans Are Locked Out of Homeownership



Far too many Coloradans are struggling to achieve the dream of homeownership:

- A lack of available, affordable homes means many people are priced out of homeownership.
- Lack of financial literacy makes it harder for families to reduce debt, improve credit, and save for a down payment.
- Barriers to homeownership disproportionately impact communities of color.

"As a millennial REALTOR®, the most common thing I hear from my friends is that they'll 'never be able to afford a house.' Crippling student debt and the rapid increase in prices makes it difficult—on top of a year that threatened or ended many small businesses."

– Casey, REALTOR® from Larimer County

A Look Inside the Numbers at Affordability

Colorado has the 4th highest median home prices in the country, as of January 2021.

Median Colorado Home Value: \$445,000

+11.5% 1-year change

COUNTY	MEDIAN PRICE (Jan '21)	1-YEAR INCREASE
Pueblo	\$267,000	32.2%
Fremont	\$290,000	24.7%
Gunnison	\$722,450	17.2%
La Plata	\$565,000	15.4%
Mesa	\$313,250	15.2%
El Paso	\$385,550	13.9%
Douglas	\$591,000	13.7%
Denver	\$530,000	12.8%
Adams	\$434,750	12.3%
Boulder	\$647,900	10.6%

Source: Colorado Association of REALTORS® data

"There was very little in our price point as new homebuyers that we would have considered. We had a large radius and had to lower our standards, as homes were expensive then too."

– David from Elbert County

Colorado Must Prioritize Growing Homeownership Opportunities

"I'm saving to buy a home, and I have been looking for about a year. I found something (affordable) in other areas, but not mine... I don't consider this a dream; I just wish they would have more programs to help people buy a home."

- LaShawn from Weld County

State Lawmakers Are the Key to Unlocking the Door to Homeownership

Colorado state lawmakers can help more Coloradans secure the dream of homeownership, including:

1. Financial Literacy Education

Residents should receive the education they need to achieve upward mobility. Financial literacy high-school curriculum should include understanding credit, debt, and student loans, as well as preparing for homeownership and retirement.

2. Requiring Division of Housing Annual Reporting

Colorado lawmakers should pass legislation to annually get a comprehensive picture of the state's housing needs, be transparent about how we are meeting those needs, and base long-term affordable housing decisions on data.

3. Incentivizing Best Practices in Affordable Housing Development

We should empower and reward local governments that pursue policies that increase the potential for building or developing more supply of affordable housing to meet Colorado's needs.

4. Credit Building Programs

Colorado should promote pilot programs that level the playing field for populations of color and give renters opportunities to build their credit so they can access homeownership.

Understanding the Obstacles

- **Homeownership is one of the most important vehicles for building wealth.** According to U.S. Census data, 35% of median American households' net worth is attributable to the equity in their own home.
- **The gap in homeownership rates between blacks and non-Hispanic whites is larger now than it was in 1934.** In Colorado, 68% of whites own their home, compared to 37% of blacks, 52% of Hispanics, and 61% of Asians.¹
- **The obstacles to homeownership are greater for people of color:**
 - About **17% of successful black loan applicants** in 2017 **received high-cost loans.**
 - 31% were denied due to debt-to-income ratio (the most common reason).
 - 25% were denied due to credit history (the 2nd most prevalent reason).
 - Most black households put down less than 10% as a down payment, resulting in **higher monthly mortgage payments.**
 - The median debt-to-income ratio for Latino homebuyers in 2018 was **42% higher than for the general population.**
 - Most Latinos **rely on low down payment products** to purchase a home.
 - 72% purchased homes with less than a 10% down payment in 2018.
 - More than 33% used FHA loans, which can be costlier than conventional financing.

"I have many buyers all vying for the same properties, and multiple bidding wars are wearing them down. It is such a shame that kids who grow up here or have gone to college here cannot stay and start their homeowner journey."

- Sarah, REALTOR® from Boulder County

The Keys to Homeownership Start with Financial Literacy



Coloradans Can Unlock the Door to Homeownership—With the Right Key

Homeownership is one of the fastest ways to build wealth, yet many Coloradans find themselves locked out. **Financial literacy** – understanding how to manage debt, save for a down payment, and repair your credit, among other things – is required to prepare to enter homeownership.

*“There should be a path to homeownership for single parents, for people with good credit but crushing student debt, for average working people who pay more for a rental than a purchase would cost. **The cost of rent is more than a mortgage would be, and it is a huge barrier for people not to be able to get into decent, safe, affordable housing.**”*

- Mariquita from Johnstown

A Look Inside the Numbers of Financial Literacy

Average FICO® credit score in CO:	725 (14th highest)
Average credit score of CO homebuyers:	734 (tied for 16th highest)
Average credit card debt in CO:	\$5,541 (11th highest)
Average student loan debt in CO:	\$35,658

Average credit score by race	
Asian	745
White	734
Other	732
Hispanic	701
Black	677

Average credit score by generation	
Silent generation (75+)	758
Baby boomers (56-74)	736
Gen X (40-55)	699
Millennials (24-39)	680
Gen Z (18-23)	674

For the same loan, **low credit scores cost consumers tens of thousands of dollars** more than they cost those with high credit scores. For example, on a \$216,000 30-year fixed-rate mortgage, a person with a FICO® score of 760 or better will pay \$187 less per month than will a person with a score of 620—that’s a savings of \$2,244 per year, or **more than \$67,000 over the life of the loan!**

What Are the Biggest Obstacles to Homeownership?

“My credit and savings in this economy.”
- Jeremiah from Arvada

“For myself and most, I think the hardest part is saving for a down payment.”
- Leo from Fort Collins

“Credit! Everyone I know had to clean up their credit and have it stay good for at least a year before getting accepted for a home.”
- Neima from Aurora

Lack of Affordable Housing Restricts Economic Growth



In many markets throughout Colorado, residents are having a difficult time finding affordable housing to meet their needs. This is a serious problem that affects all Coloradans – and restricts the state's economic growth.

- A lack of affordable housing drives up housing costs for all. Whether you live by yourself or have three generations under the same roof, you need options in your price range.
- Families can't pay down debt or save for a down payment to buy a home when there are such limited affordable housing options available.
- Without affordable housing, it's difficult for businesses to accommodate their workforce. In Colorado's resort communities, service sector workers are commuting long distances.

A Lack of Affordable Housing Inventory Has Far-Reaching Implications.

Who is Left Out?

First-Time Homebuyers

"I love working with first-time homebuyers. Many people would love to own a home instead of renting, but **finding affordable housing is impossible here**. It truly breaks my heart that **people who go to work every day and do everything that they can to provide for their families can't go home to a place that they can call their own** and be able to build equity/wealth for themselves."

- Jessica, REALTOR® from Weld County

High Debt-to-Income Ratios

"I've been paying rent consistently for about 5 years in Chaffee County and found out a mortgage on buying my rental house at market value would be four hundred dollars less a month than my rent. But **the banks won't lend to me despite excellent credit**, because of my debt-to-income ratio – **debt I could pay off much faster if I were paying a mortgage at hundreds less a month.**"

- Cami from Fremont County

Seniors and Retirees

"Over the years as home prices have gone up, **I see people move to other parts of the state and country** where they can buy a home and live more comfortably on their incomes. **I also see retired people leaving metro Denver to live in less expensive areas** (where) they have family ... (and) can make their retirement income go further."

- Cynthia from Arapahoe County

Employers Looking to Attract Top Talent

"I had some first-time homebuyers who were moving to Colorado from Portland, Oregon. They were so excited about the mountains and lifestyle offered by Colorado ... (But) due to the diminished inventory ... after two months of trying, the buyers elected to return to Oregon. **Both buyers would have been employed in white collar positions and could have been a positive asset to our state.**"

- David, REALTOR® from Arapahoe County

We Can Do More to Keep Colorado Affordable!

Colorado is stronger when it works for all of us! We need to ensure we all have affordable housing options, no matter what part of Colorado we call home.

Understanding the Challenge of Affordable Housing

Colorado Median Household Income: \$77,127*

ACTIVE LISTINGS / DEC 2020

COUNTY	<\$200k	\$200k-\$300k	\$300k-\$400k	\$400k-\$500k	>\$500k	GRAND TOTAL
STATEWIDE	1,035	990	1,192	1,215	4,488	8,920
Adams	14	34	82	78	120	328
Boulder	10	13	39	42	322	426
Denver	72	137	141	109	523	982
Douglas	4	4	26	38	248	320
El Paso	59	98	108	119	252	636
Fremont	25	26	19	15	36	121
Gunnison	27	13	14	16	111	181
La Plata	12	20	22	21	148	223
Mesa	31	72	68	35	123	329
Pitkin	1	2	13	2	299	317
Pueblo	67	37	34	17	39	194

*Data shows 2019 figures, the latest available. 2020 Census ACS data (including 2020 Colorado household income numbers) will be released in September 2021.

Colorado Lawmakers Can Help Solve Our State's Affordable Housing Crisis

There are several pieces of legislation Colorado lawmakers must pass to solve the state's affordable housing crisis and help put more Coloradans on the path toward homeownership.

1. Incentivizing Best Practices in Affordable Housing Development

We should empower and reward local governments that pursue policies that increase the potential for building or developing more supply of affordable housing to meet Colorado's needs.

2. Requiring Division of Housing Annual Reporting

Colorado lawmakers should pass legislation to annually get a comprehensive picture of the state's housing needs, be transparent about how we are meeting those needs, and base long-term affordable housing decisions on data.

3. Financial Literacy Education

Residents should receive the education they need to achieve upward mobility. A financial literacy high-school curriculum should include understanding credit, debt, and student loans as well as preparing for homeownership and retirement.

4. Credit Building Programs

Colorado should promote pilot programs that level the playing field for populations of color and give renters opportunities to build their credit so they can access homeownership.

We Need Financial Literacy for All Coloradans

Colorado can do more to help grow financial literacy among all Coloradans. Lawmakers play an important role in making this a reality. First, we need to understand the obstacles facing many Coloradans.

Understanding the Challenge of Financial Literacy*

- The gap in homeownership rates between Blacks and non-Hispanic whites is growing:
 - Homeownership rate in 2017 among Black millennials is 16%, versus 46% for non-Hispanic whites.
 - About 17% of successful Black applicants in 2017 received high-cost loans.
 - 31% of Black loan applicants were denied due to their debt-to-income ratio (the most common reason).
 - 25% were denied due to their credit history (the second most prevalent reason).
- More than 60% of Latinos in Colorado are millennials or younger and face the same obstacles to homeownership as do other young people. It's more important than ever to prepare them for economic mobility:
 - Of Latino graduates in 2016, 66% held student debt, with an average loan balance of \$25,452.
 - The median debt-to-income ratio for Latino homebuyers in 2018 was 42% higher than that of the general population.
- 69% of Asian-American/Pacific Islanders do not view themselves as well prepared to make financial decisions.
 - Of AAPIs over age 25, 25% say their student loan debt is a major obstacle to buying a home.
- Of NAGLREP members, 77% report a lack of funds as a major factor limiting LGBTQ+ homeownership.
 - 71% report a lack of short- and long-term financial stability.
 - 50% of LGBTQ+ renters do not have three years' savings for a down payment.

"(Homeowners) are lucky and obviously financially stable. They worked hard. I am different because ***I lacked the knowledge that would've helped me be more prepared to buy a home.***"
- Lily from Aurora

Colorado Lawmakers Can Usher in a Century of Opportunity

Colorado legislation that will help more Coloradans overcome obstacles to homeownership includes:

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