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# Mortgages Originated for the Purchase of Owner-Occupied Single-Unit Properties in Nevada, By County and Loan Type

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## Introduction

The Home Mortgage Disclosure Act (HMDA) was established to promote transparency in the housing and mortgage industries. Financial institutions that meet certain criteria are mandated to report their mortgage lending activities to HMDA. Specifically, these institutions include banks, credit unions, and other mortgage lenders that conduct business within metropolitan areas and meet specific asset-size, location, and loan activity thresholds. In this report we will focus only on primary residence purchase loans. These are loans made to people who have the intention of using the loan to purchase a home in which they intend to live in.

HMDA data breaks up loans into 4 different categories: **Conventional**, **FHA**, **USDA** and **VA**. In this report we also look at **Jumbo** loans. Detailed definitions for the different loan types are provided below[1].

### Conventional

- **Definition**: A conventional loan is a type of mortgage loan that is not insured or guaranteed by the federal government. Instead, it is backed by private lenders, and its insurance is usually paid by the borrower.
- **Pros**: Typically, conventional loans have flexible terms and a wide range of down payment options. They can be used for primary residences, second homes, and investment properties.
- **Cons**: Borrowers might need a higher credit score to qualify, and they might need to pay private mortgage insurance (PMI) if their down payment is less than 20%.

### Jumbo

- **Definition**: A jumbo loan, also known as a jumbo mortgage, is a type of conventional loan that exceeds the limits set by the Federal Housing Finance Agency (FHFA)[2]. Unlike conventional mortgages, jumbo loans are not eligible to be purchased, guaranteed, or securitized by Fannie Mae or Freddie Mac.
- **Pros**: Allows individuals to purchase luxury homes and properties in highly competitive real estate markets. They also often have competitive interest rates compared to smaller loan amounts.

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[1] Loan definitions were based on information from: https://www.consumerfinance.gov/owning-a-home/loan-options/

[2] The conventional conforming limits for single-unit homes in Nevada were $453,100 for 2018, $484,350 for 2019, $510,400 for 2020, $548,250 for 2021, and $647,200 for 2022. Source: https://www.fhfa.gov/DataTools/Downloads/Pages/Conforming-Loan-Limit.aspx

- **Cons**: Typically require a higher credit score, larger down payments, and stricter underwriting standards due to the larger loan amounts. They also might have slightly higher interest rates than non-jumbo loans.

**FHA (Federal Housing Administration)**

- **Definition**: FHA loans are mortgages insured by the Federal Housing Administration. These loans are designed for low-to-moderate-income borrowers who may have lower than average credit scores.
- **Pros**: They require a lower minimum down payment and credit score than many conventional loans. First-time homebuyers and those with less-than-stellar credit often choose FHA loans.
- **Cons**: Borrowers must pay a mortgage insurance premium, which can increase the overall cost of the mortgage.

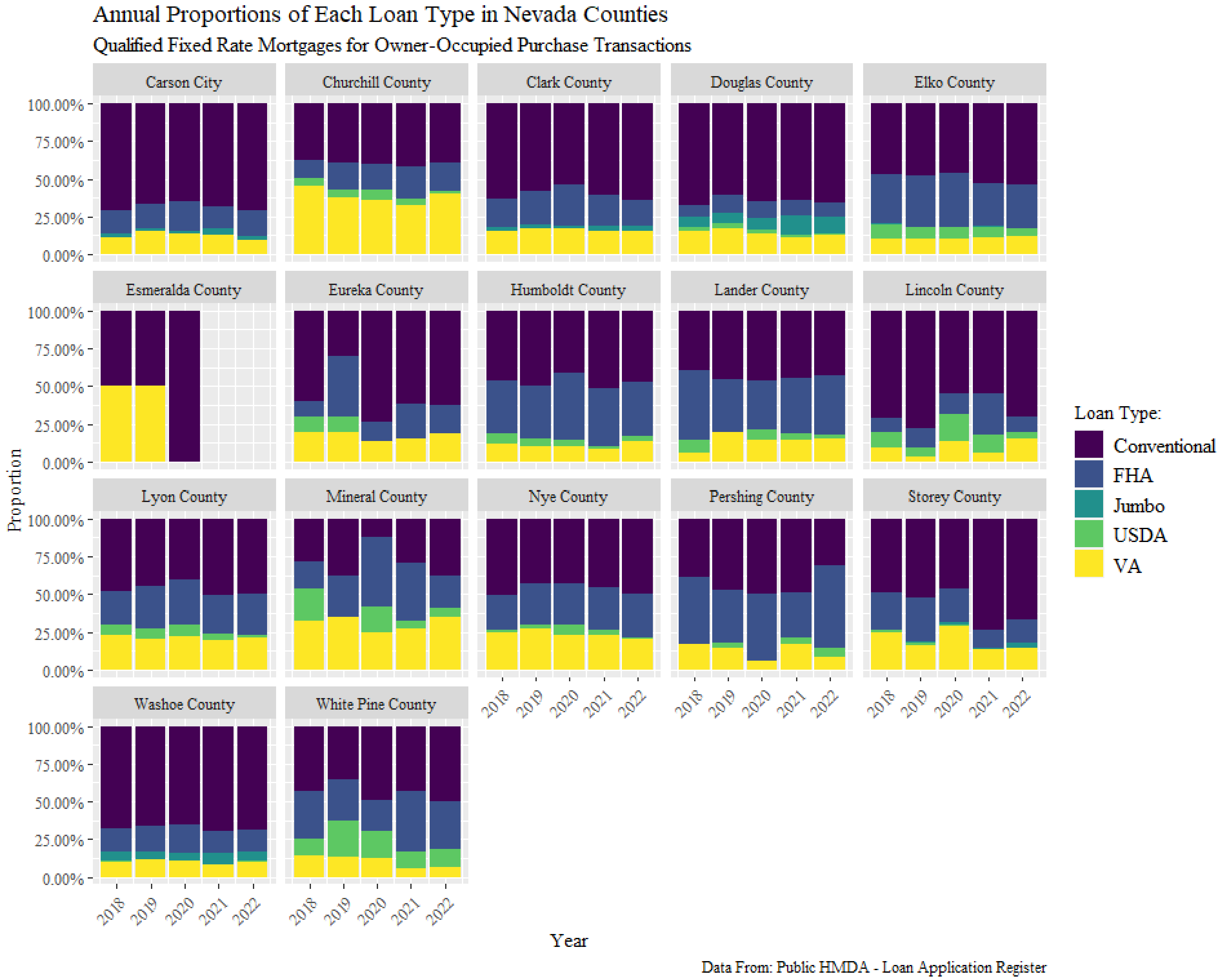
**USDA (United States Department of Agriculture)**

- **Definition**: USDA loans are mortgages backed by the U.S. Department of Agriculture as part of its USDA Rural Development Guaranteed Housing Loan program. They are designed to help rural and suburban homebuyers achieve homeownership.
- **Pros**: They offer zero down payment options and competitive interest rates for eligible rural and suburban homebuyers.
- **Cons**: There are geographical and income restrictions. Not all properties qualify, and borrowers must meet certain income requirements.

**VA (Veterans Affairs)**

- **Definition**: VA loans are mortgages guaranteed by the U.S. Department of Veterans Affairs, designed to offer long-term financing to eligible American veterans or their surviving spouses.
- **Pros**: They offer benefits like zero down payment, competitive interest rates, and no private mortgage insurance requirement.
- **Cons**: There's a one-time VA funding fee that can be included in the total loan amount. The loan is available only to veterans, active-duty military members, and certain members of the National Guard and Reserves.

## *Figure 1.*[3]

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[3] Esmeralda County didn't have any reported loans in 2022 or 2021

**Insights from *Figure 1.***

- **Conventional Loan Dominance**: Counties like Carson City, Washoe County, and Douglas County have the highest proportions of conventional loans. These loans are generally preferred due to their flexibility in terms, absence of mortgage insurance when putting down 20% or more, potential for lower interest rates, and broader acceptance in the real estate market.
- **FHA Loan Popularity**: Counties like Elko and Humboldt have a considerable proportion of FHA loans, which are more accessible for low-to-moderate-income borrowers.
- **Strong VA Loan Presence**: Churchill County stands out with a significant proportion of VA loans. Likely due to the presence of the Naval Air Station in Fallon.
- **Dominance of Clark County**: Clark County, encompassing Las Vegas, overwhelmingly leads in loan originations. Its volume is significantly higher than other counties, which is expected given its population and urban development.
- **Loan Type Preferences**: Across all counties, Conventional loans are the predominant type. FHA and VA loans also have a notable presence, particularly in Clark County, while Jumbo loans are less common.
- **Emerging Trends in Clark County**: In Clark County, there's an observable mild upward trend in the proportion of Conventional loans from mid-2020 onwards. Conversely, the proportion of FHA loans appears to be declining gradually.
- **Loan Distribution Disparity**: There's a stark disparity in the number of loans originated across counties. For instance, while Clark County reported a staggering 158,323 loans, Esmeralda County had only 5 loans during the same period.This occurs due to the strong correlation between population size and the amount of home purchase transactions.

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