

MAY 2026

# A Quarter of U.S. Homes Cost Under \$200,000. Why Can't Families Buy Them?

*Wanderluster / Getty Images*

## The Crisis Within a Crisis

America is short an estimated 4 million homes.

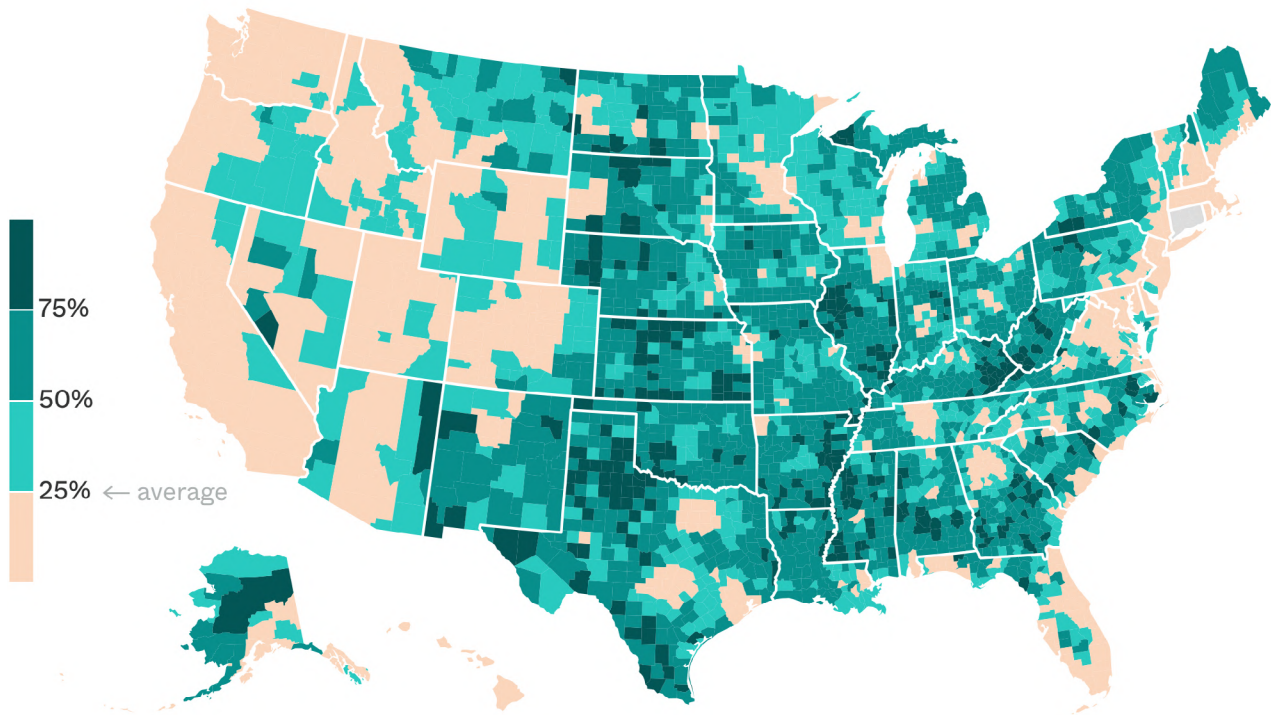
The national conversation about how to fix this housing supply crisis focuses on building new homes, faster. Policy proposals supporting a “build, build, build” agenda are everywhere—from reducing regulatory barriers or boosting incentives for developers to scaling innovative construction methods. And rightfully so. For decades, we have not built enough housing to meet demand, and fixing this calls for new housing construction.

But far less attention is paid to the invisible half of the supply crisis: the financing systems that lock millions of families out of affordable homes that already exist.

In 2025, an estimated **one in four owner-occupied homes in the United States—22 million homes—were valued at less than \$200,000**. While “small-dollar” homes are concentrated in the Plains, the Midwest, and the South, they exist in every U.S. county. They are prevalent in mid-sized cities like Cincinnati, New Orleans, and St. Louis as well as major metro areas like Dallas, Chicago, and Philadelphia.

## Small-Dollar Homes Are More Prevalent in Counties in the Midwest and South

Estimated percentage of owner-occupied housing units valued under \$200,000 in 2025



2025 estimates are derived from ACS 5-Year Data (2019–2023). The weighted national average share of small dollar homes is 25.4%. Connecticut is excluded due to a 2022 ACS change that replaced counties with planning regions.

Map: New America • Source: Data-Driven Insights, LLC

These primarily single-family homes tend to be older, more affordable, and, yes, smaller, than newly constructed homes. For first-time or first-generation buyers, especially those of color, small-dollar homes represent a critical pathway to affordable homeownership.

Existing small-dollar homes are also the only reliable source of starter homes we have. New builds have increasingly become larger and more expensive, while small-dollar homes make up a shrinking share of new construction—only 8 percent of new homes built in 2022 met the criteria for a starter home, compared to 70 percent in the 1940s. This effectively makes the starter home of the past the starter homes of the future as well.

**And yet, families find it increasingly difficult to buy these homes.** That’s because financing and repair failures make small-dollar mortgage loans harder to access, more expensive to administer, or simply unavailable. And these failures are largely invisible: loans that aren’t made, mortgage applications that are abandoned mid-process, and homes that don’t sell because the repairs that would make them mortgage-ready cannot be financed.

The result? Millions of otherwise affordable homes sit functionally off-limits and out of reach for families across the United States. Families stay locked out of homeownership. Neighborhoods see declining property values. And the wealth gap continues to widen, especially for communities of color.

## Who gets locked out when small-dollar homes can't be purchased or repaired?



**Maria** (34, medical assistant, \$62K income)

**Mark** (36, caterer, \$65K income)

**Deanna** (3)

Maria and Mark see that a \$155,000 small-dollar home is available in St. Louis. The house is structurally sound and has a much needed second bedroom. The monthly mortgage payment would be lower than their rent.

They can't find a lender that will offer a mortgage of that size—not because they're risky, but because the loan isn't profitable. So the house stays on the market, and the family keeps on renting.

BARRIER

**Mortgage loan financing**



**Olivia** (86, retired, fixed income)

Olivia lives in a stately craftsman home in the South Side of Chicago, where she was raised. She wants to pass her home on to her grandchildren, but the roof leaks and the downstairs plumbing doesn't work. Repairs would cost \$30,000 to fix.

Olivia doesn't have that kind of money in cash, and she can't find a bank or city program that will lend it to her. Her grandkids don't have the money for repairs either, so repairs are not made, and the home continues to depreciate.

BARRIER

**Repair loan financing**



These experiences aren't outliers. They're symptoms of a deeper financing crisis that, if not solved, means that families across the United States will remain locked out of homeownership and the economic stability it can offer.

**If we want to unlock small-dollar homes and fix the housing crisis, we must make it easier for regular people like Maria, Mark, and Olivia to buy and repair homes.**

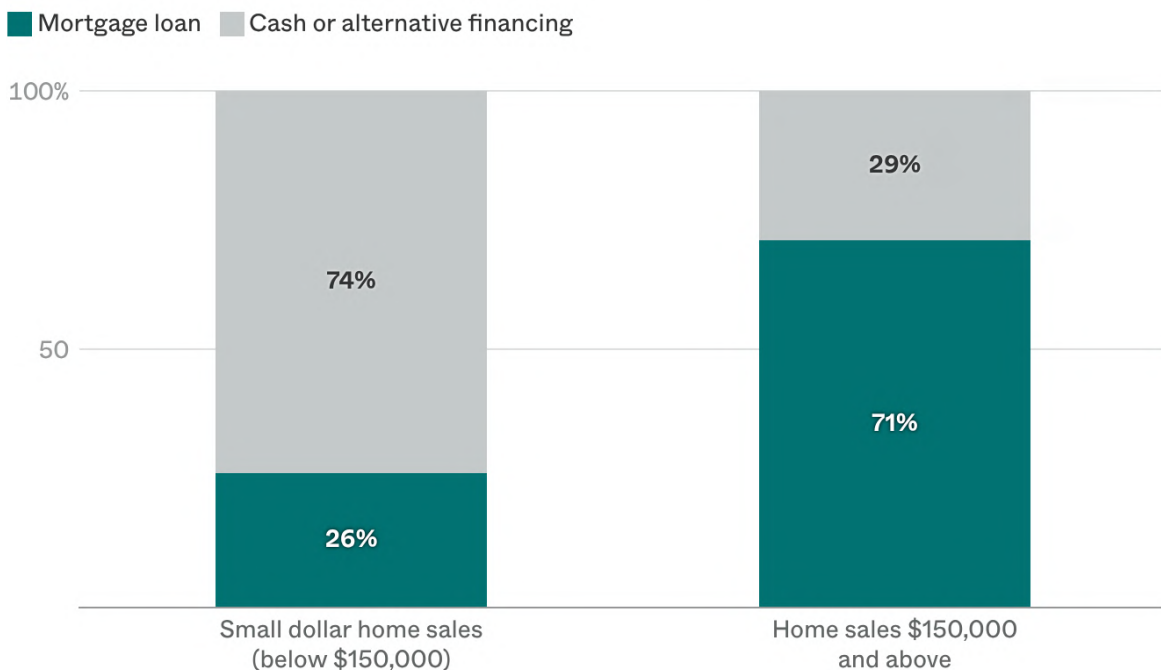
# The Broken Financing Systems

The financing systems that low- and moderate-income families rely on to buy, sell, and fix up small-dollar homes are broken.

The vast majority of American homebuyers rely on a mortgage loan to finance their purchase: 78 percent of all buyers, and 97 percent of first-time buyers, use a mortgage loan. But the availability of mortgage loans below \$150,000 has shrunk dramatically over the last 15 years. From 2004 to 2021, mortgage lending below \$150,000 fell by nearly 70 percent, while lending for larger loans grew by 52 percent, according to analysis from Pew Charitable Trusts. This lack of small-dollar financing reveals a troubling trend: Only 26 percent of homes valued under \$150,000 are purchased with a mortgage loan, while the remaining 74 percent are bought in cash.

## Only About a Quarter of Small Dollar Homes in the U.S. Are Purchased With a Mortgage Loan

Percent of U.S. home sales by financing method, 2018–2021



Between 2018 and 2021, Pew tracked 19.9 million home sales across 1,440 counties. Of these, 5.3 million sold for less than \$150,000 (small dollar), while 14.6 million homes sold for more.

Source: The Pew Charitable Trusts, 2023

New America

Since the overwhelming majority of families rely on mortgage financing, it is likely that the 77 percent of small-dollar homes being purchased in cash each year are going not to families moving into a starter home, but instead to wealthy individuals, second-home buyers, and investors who hold these homes as speculative assets, flip them, or turn them into rentals.

Two barriers to extending small-dollar mortgage loans for lenders are:

### **Small-dollar loans are unprofitable**

Rising fixed costs of lending, driven in part by Dodd-Frank regulations, have made it unprofitable for banks to write small-mortgage loans. For banks and other lenders, the fixed cost to originate a \$150,000 loan is nearly the same as to originate a \$500,000 loan. But because revenue is based on loan size, the profit from a small-dollar mortgage loan is only a fraction of that from a larger loan. And so over time, originating small-dollar loans became more trouble than it's worth, particularly for larger banks.

### **Disrepair makes small-dollar homes mortgage ineligible**

As small-dollar homes age and fall into disrepair, they often don't appraise (meaning that the home's appraised value is lower than the agreed-upon purchase price) or don't meet minimum property conditions required for a mortgage loan. However, families living in small-dollar homes often cannot afford the repairs to make their homes mortgage eligible, and financial assistance programs for repairs are underfunded and scant.

The fact that homes in need of repair are often ineligible for a mortgage loan creates an inescapable catch-22: These homes don't qualify for a mortgage loan because they're in disrepair, but there's virtually no financing available *to* repair them. As a result, they can't be sold to—or purchased by—families who could otherwise afford it.



Detroit, Michigan

Source: SNAPVIEWSTUDIO / Shutterstock.com







# The Consequences

When buyers can't obtain a mortgage loan for a house they can otherwise afford—or when sellers can't fix their home up to be habitable or mortgage-ready—the ripple effects are damaging.

Take a \$175,000 house with a leaky roof owned by a retiree looking to downsize. The home won't pass inspection and repairs cost \$20,000. The retiree doesn't have the savings to pay for repairs, and can't find a repair loan. The house doesn't appraise and the retiree can't sell it. Instead, it continues to deteriorate. Maybe she eventually sells it for cheap to an investor, who either flips and sells it at a much higher price or turns it into a rental property. A \$20,000 repair financing gap has effectively moved a \$175,000 starter home out of reach.

**The financing gap doesn't affect just one homeowner.** As this pattern compounds over years and across neighborhoods, it drains the affordable housing supply and removes a crucial first rung of the economic mobility ladder for millions of families. Instead, it increases risk of displacement, and funnels wealth to those living outside the neighborhood.

## The Consequences of Mortgage and Repair Financing Gaps: For Homeowners, Buyers, and Housing Supply

	WHEN FINANCING IS ACCESSIBLE	WHEN FINANCING IS NOT ACCESSIBLE
HOMEOWNERS	 <p>Existing homeowners can sell and move, or they can pass their asset to the next generation.</p>	 <p>Existing homeowners are stuck—unable to move, pass their home to their families as an asset, or sell and benefit from the full value accrued to their home over time.</p>
BUYERS	 <p>Potential homeowners have options to build wealth and stability through a home purchase, instead of renting indefinitely.</p>	 <p>Potential homeowners are locked out, continuing to rent or entering into riskier alternative financing arrangements.</p>
HOUSING SUPPLY	 <p>Cities maintain affordable housing supply, as small-dollar homes remain a viable part of the affordable housing mix.</p>	 <p>Cities lose affordable housing stock, as small-dollar homes deteriorate beyond repair or are purchased by investors who hold them off the market, flip and sell them at a higher price, or turn them into rental properties.</p>

# The Solution

Building more homes is essential. But unlocking access to millions of existing homes is a supply solution that's faster, cheaper, greener, and available right now.

This promising approach has recently seen policy momentum at the federal level, and state and local housing leaders are already finding innovative ways to unlock access to existing small-dollar homes. Here are three models that work.

## Increasing capital for repairs and home purchases in Detroit

A coalition of banks, foundations, and local nonprofits created the Detroit Home Mortgage Program, a regional loan loss reserve fund designed to unlock financing for homebuyers purchasing properties in need of repair. Buyers can access up to \$75,000 in financing to cover renovation costs and appraisal gaps, alongside a mortgage for the home's purchase price. By reducing lender risk, the reserve fund expands access to financing for buyers in markets where small-dollar homes are concentrated.

## Unlocking the value of a home for longtime homeowners in Cincinnati

The Revive + Thrive Home Repair Loan Program in Hamilton County, Ohio—developed by Local Initiatives Support Corporation Greater Cincinnati—offers longtime homeowners access to financing for home repairs. Many residents live in older housing stock and are unable to unlock the value of their home. Access to financing from nontraditional lenders helps residents protect and benefit from the value of their home, while also maintaining its condition for future Cincinnati families.

Where these strategies are effective, they don't replace new construction—they allow existing homes to re-enter the market, expanding homeownership opportunities and restoring access to a crucial first rung of the economic mobility ladder for millions of families.

## Building capacity to support financing across Appalachia

Fahe—a Kentucky-based nonprofit—operates as a central hub supporting more than 50 nonprofit organizations and community development financial institutions (CDFIs), helping deliver homeownership financing to lower-income communities across Appalachia. Some smaller nonprofit members have strong community ties but limited capacity to close loans, while larger CDFI members may be able to originate loans but need a secondary purchaser to free up capital. By filling these gaps, Fahe enables its members to reach more borrowers while also strengthening the effectiveness of federal financing programs for lower-income rural borrowers that are critical but commonly understaffed and oversubscribed.



Black Mountain, North Carolina  
Source: *Frame Craft 8 / Shutterstock.com*

# Our Work to Unlock Small-Dollar Homes

Over the last five years, New America has investigated the real barriers that keep families from purchasing small-dollar homes. We've partnered with the Chicago Community Trust to study access challenges to homeownership financing for low-income families. We've assessed small-dollar financing challenges through mixed-methods research nationwide and in cities like Winston-Salem, St. Louis, El Paso, and Philadelphia with our partners at Winston-Salem State University and Pew Charitable Trusts. We've examined Federal Housing Administration small-dollar lending patterns and corporate ownership of small-dollar homes in North Carolina. Alongside our partners at New America Chicago, we've sat down with older homeowners in the Englewood neighborhood on the city's South Side and small-building owners in Pilsen to learn more about what policies and programs would help them preserve wealth and stay in place.

Most recently, the Department of Housing and Urban Development (HUD) supported us to conduct a comprehensive scan of the financing, supply, and repair solutions at the local and federal levels that can help unlock small-dollar homeownership access. Our findings from this study will be available soon.

As policymakers invest in building, millions of affordable homes across the United States already exist but sit functionally off limits due to financing and repair failures. We're working to solve that hidden side of the equation.

## Learn More

Explore our work and partner with us  
[newamerica.org/programs/future-of-land-and-housing](https://newamerica.org/programs/future-of-land-and-housing)

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