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Rural lending and the need for expanded access to credit: Evaluating and expanded threshold for defining rurality

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Executive summary

Rural communities increasingly confront lower access to essential services, such as healthcare, education, and financial resources. However, rurality is classified differently across federal agencies, concentrating investments in the communities that meet the rigid thresholds and limiting investment in communities above the threshold. To better evaluate the rural classifications defined by federal agencies, we compare access to resources in communities that fall below the most strict threshold -- 2,500 residents, as defined by the Farm Credit Act of 1971[1] -- and between 2,501-10,000 residents, concluding that approximately 30.4 million people live in communities who are currently facing significant disparities in access to housing markets and other services such as healthcare and rural education.

Defining rural population thresholds

Three rural classification thresholds are considered here: places with under 2,500 residents, between 2,501-10,000, and above 10,000 residents. Analysis of U.S. Census Bureau[2] data reveals that approximately 4.4% of the U.S. population lives in places with a population of 2,500 or fewer. However, an additional 9.2% of the population resides in communities with a population of 2,501-10,000 (Figure 1). Figure 2 presents a map of the U.S. showing places of different population size, with the areas in blue representing places of 2,501-10,000 in population size. According to 2020 U.S. Census[3] data, there are about 30.4 million people living in communities with population size between 2,501 and 10,000. This distribution raises questions about whether current population thresholds accurately reflect the communities experiencing rural-like conditions. The subsequent sections analyze disparities in access to essential resources for places based on population size.

Access to banking

A trend is observed where places with lower population count have lower access to credit, measured

[1] Farm Credit Administration. Farm Credit Act of 1971. https://www.fca.gov/template-fca/laws/Statutes.pdf
[2] U.S. Census Bureau. (2020). Decennial Census of Population and Housing. https://www.census.gov/programs-surveys/decennial-census/decade/2020/top-report.html
[3] U.S. Census Bureau. (2020). Decennial Census of Population and Housing. https://www.census.gov/programs-surveys/decennial-census/decade/2020/top-report.html

by the presence of fewer bank branches. According to Federal Depository Insurance Corporation's Summary of Deposits[4] data, 98.7% of people in communities with over 10,000 people have a bank branch within 5 miles, however, this accessibility drops to 94% for communities with a population of 2,501-10,000 and further to 72.2% for communities with a population below 2,500 (Figure 3). While access to banking services improves for communities with populations between 2,501-10,000, it does not fully converge with access levels observed in larger communities. This suggests that, although these communities are better served than the smallest rural areas, they may still face constraints relative to more urbanized markets.

While physical proximity to a bank branch is often used as a proxy for access to financial services, it does not necessarily reflect the availability of mortgage products suited for rural properties. In some cases, borrowers may face constraints in how loans are structured, particularly when properties include multiple parcels or include non-traditional improvements such as barns or accessory dwellings. These structural considerations can influence both the cost and feasibility of financing, even in areas where bank branches are present.

Access to mortgages

Analysis of 2024 Home Mortgage Disclosure Act (HMDA)[5] data reveals the acceptance rate of residential mortgage applications fell gradually from 85.2% for communities with a population above 10,000, to 81.9% for communities of 2,501-10,000, to 76.8% for communities with fewer than 2,500 residents (Figure 4). However, even though the population is double for communities of 2,501-10,000 compared to places under 2,500 residents, the number of loans was not twice as high for these communities. This suggests that access to mortgage credit may not scale proportionally with population growth in these communities. Even for low credit risk applicants with debt-to-income ratios of less than 30 percent, these statistics remained similar, namely that the approval rates remained similar across communities of different population sizes.

For homeowners that received credit from mortgage lenders in 2024, origination fees also varied by communities of various population sizes (Figure 5). Focusing on mortgages under the conforming loan limit of $766,550, the average origination charge per loan was the highest for places with a population between 2,501-10,000 (Figure 6). Further, the average origination charge per loan as a percentage of loan volume was notably higher for loans located in communities with populations under 10,000 (Figure 7).

Housing market

[4] Federal Depository Insurance Corporation (2026). Summary of Deposits https://banks.data.fdic.gov/bankfind-suite/SOD
[5] Federal Financial Institutions Examination Council (FFIEC). (2024). Home Mortgage Disclosure Act (HMDA) Modified Loan/Application Register (LAR) Data. https://ffiec.cfpb.gov/data-publication/modified-lar/2024

The 2024 housing market was characterized by critically low supply of houses. According to Redfin[6] city-level market trackers, the "months of supply" measure—which indicates how long existing inventory would last at the current sales pace—is lowest in communities with a population of 2,501-10,000 (Figure 8). This may indicate a propensity for the so-called seller's market where demand exceeded available housing supply. These conditions suggest that demand for housing in mid-sized rural communities is outpacing available supply, raising questions about whether current financing mechanisms are sufficient to support competitive housing markets in these areas.

Access to other services

Access to healthcare

Rurality is often associated with a longer distance a person must travel to reach essential healthcare services. According to U.S. Centers for Medicare & Medicaid Services[7] data, for residents living in communities with a population of less than 2,500, more than half of the residents must travel farther than 15 miles to access maternal health care. While this statistic is improved for communities of 2,501–10,000 residents, about a third of the population still must travel more than 15 miles to access maternal healthcare (Figure 9). While access improves modestly for communities between 2,501-10,000 residents, the persistence of long travel distances suggests that these communities continue to experience constraints commonly associated with more traditionally defined rural areas.

Access to rural education

Access to rural primary and secondary school education is another indicator of rurality. Eligibility for federal support, such as the Rural Education Achievement Program (REAP)[8], is based on school district sizes of fewer than 600 students or specific low-density population codes. Data shows that 31% of the communities with a population under 2,500 have a rural school district in their community, defined according to these criteria. Only 8.8% of places with a population of 2,501-10,000 and practically none of the places with population of over 10,000 have a rural school district in their community (Figure 10).

Closing

The findings presented in this analysis highlight meaningful differences and similarities in access to essential services across communities of varying population sizes. While smaller rural communities face well-documented challenges, many communities just above traditional rural thresholds exhibit comparable constraints in housing markets, and other services such as healthcare access and

[6] Redfin. (2024). Real Estate Data Center: City-Level Market Trackers. https://www.redfin.com/news/data-center/
[7] Centers for Medicare and Medicaid Services (2026). Access to Maternal Care. https://www.cms.gov/
[8] National Center for Education Statistics (NCES). (2025). Rural Education Achievement Program (REAP) Eligibility and School Locations. https://nces.ed.gov/programs/edge/Geographic/SchoolLocations

education. These similarities suggest that population-based definitions alone may not fully capture the lived realities of these communities.

As population patterns shift and housing demand evolves, the question remains whether existing definitions and frameworks adequately capture the realities of these communities. Access to credit may also influence broader patterns of rural development. As financing availability shapes where households can purchase homes, it can affect population distribution across communities. Over time, population growth is often a key factor in supporting the viability of essential services such as healthcare, schools and local businesses. Understanding these dynamics will be critical for ensuring that financial systems and policies align with the needs of rural America.

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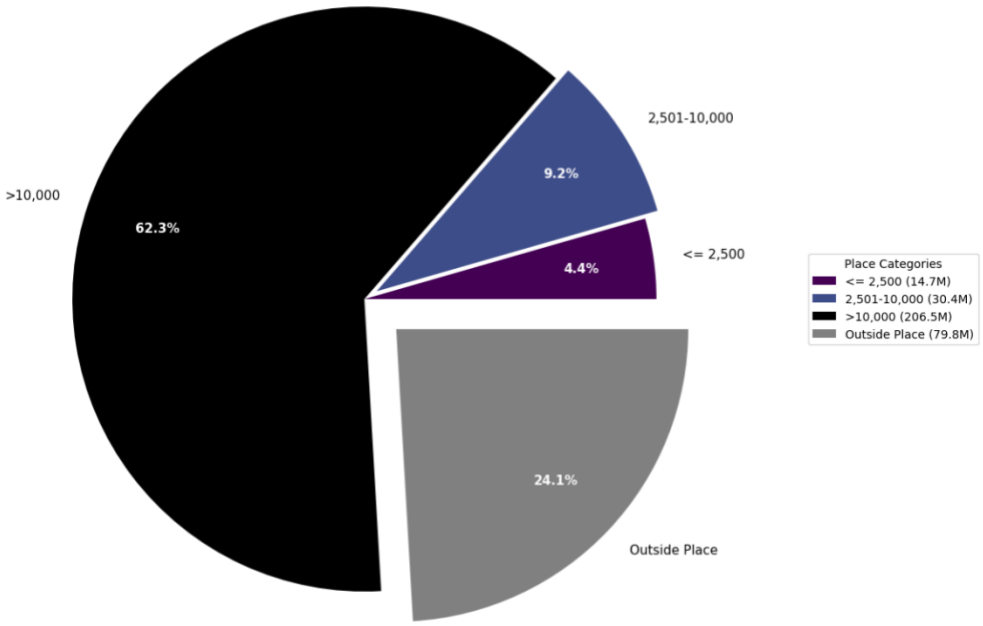
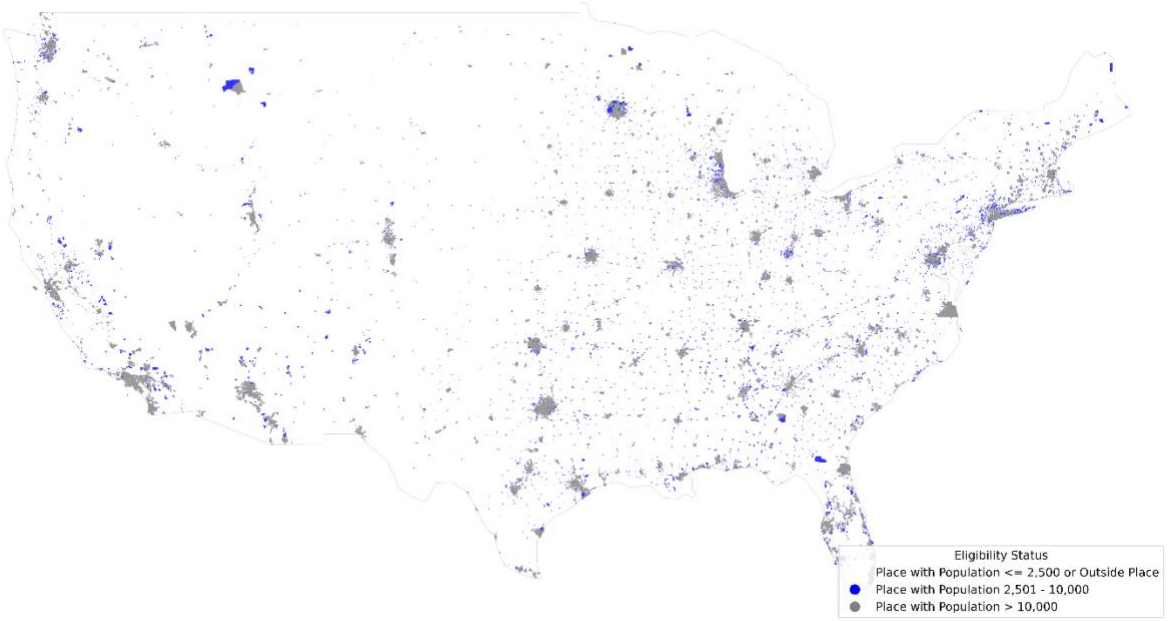
Figure 1: U.S. population distribution by place population size



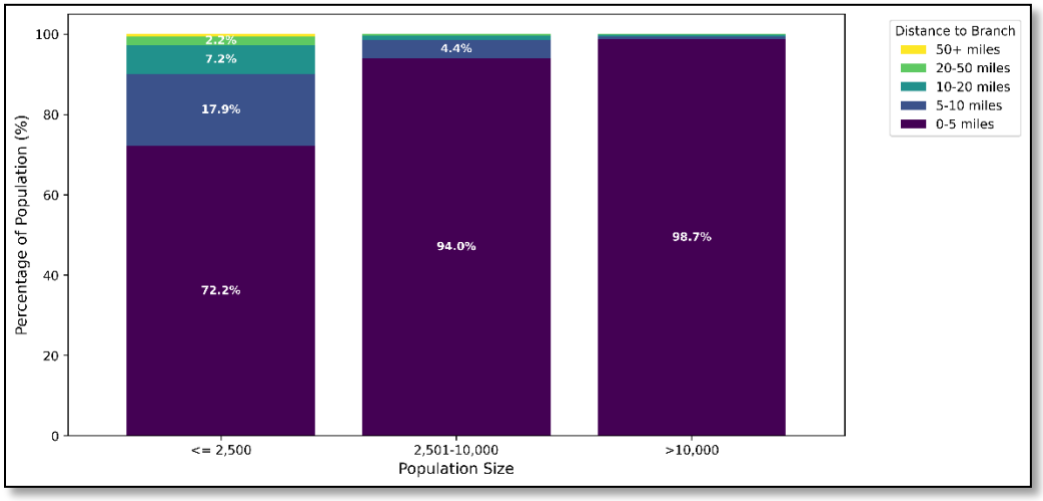
Notes: The population of each place, as defined by the U.S. Census, is determined based on the 2020 U.S. Census Decennial. “Place” geography is based on place-level statistical boundaries maintained by the U.S. Census.

Figure 2: U.S. population distribution by place population size



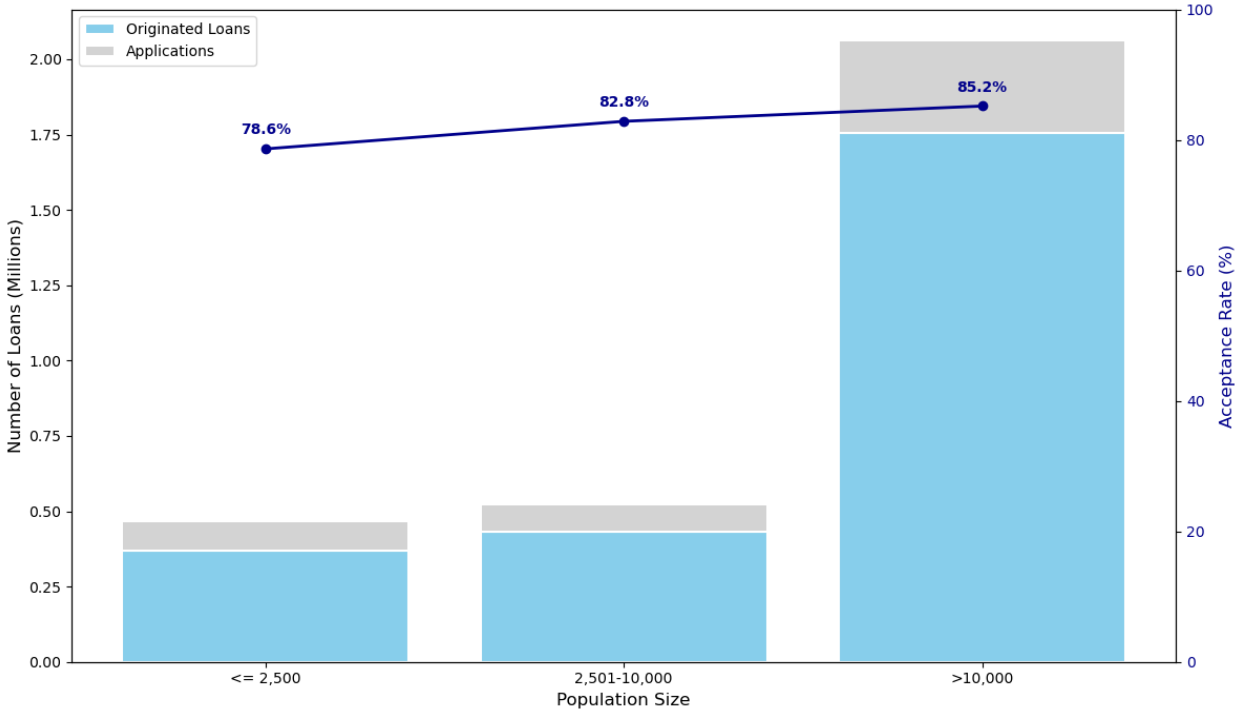
Notes: The population of each place, as defined by the U.S. Census, is determined based on the 2020 U.S. Census Decennial. “Place” geography is based on place-level statistical boundaries maintained by the U.S. Census.

Figure 3: Bank branch access by community size



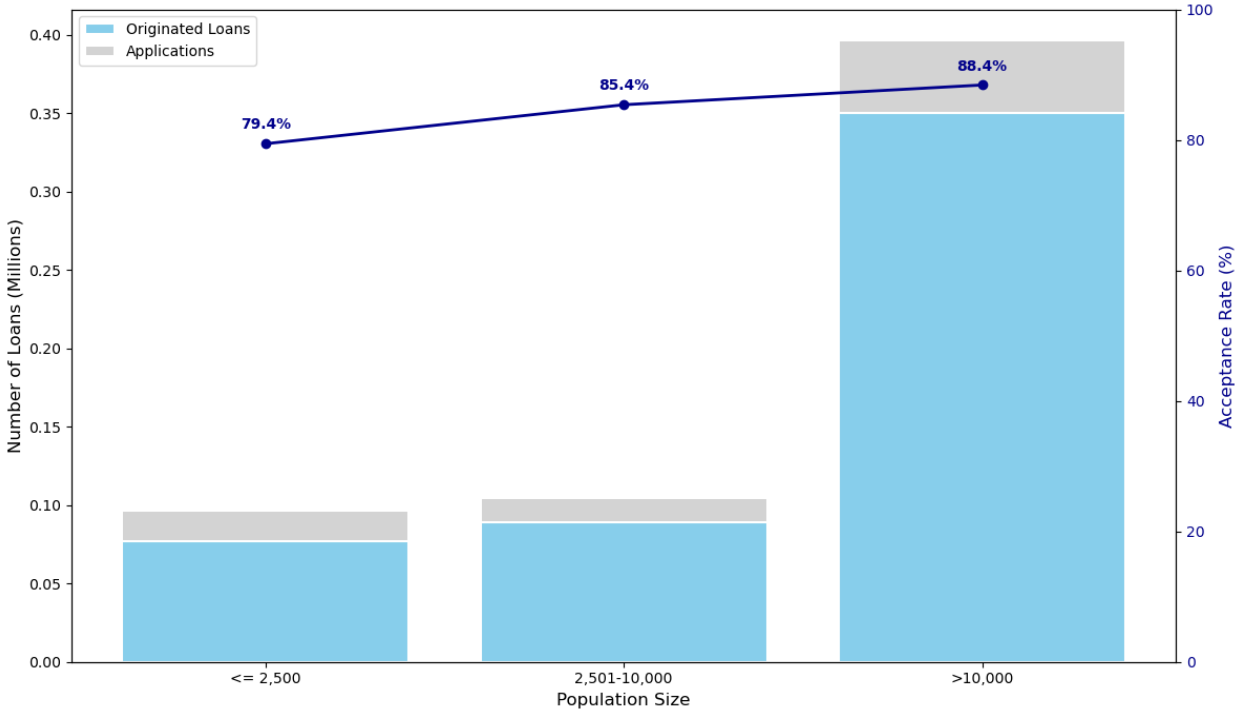
Notes: Access to bank branches is measured using the list of FDIC-certified bank branches provided by the Federal Depository Insurance Corporation's Summary of Deposits data, excluding branches that report holding no deposits as of 2024. The distance to the nearest branch is calculated for each "place", as defined by the U.S. census, based on the centroid of the geographical boundary of the place. For context, the Federal Reserve defines banking deserts as a census tract without a bank branch located within a 10-mile radius for rural communities, where the average place is comprised of 1.4 census tracts (based on calculations performed by the authors using National Historical Geographic Information System crosswalk files).

Figure 4: Residential mortgage applications and acceptance rates by community size



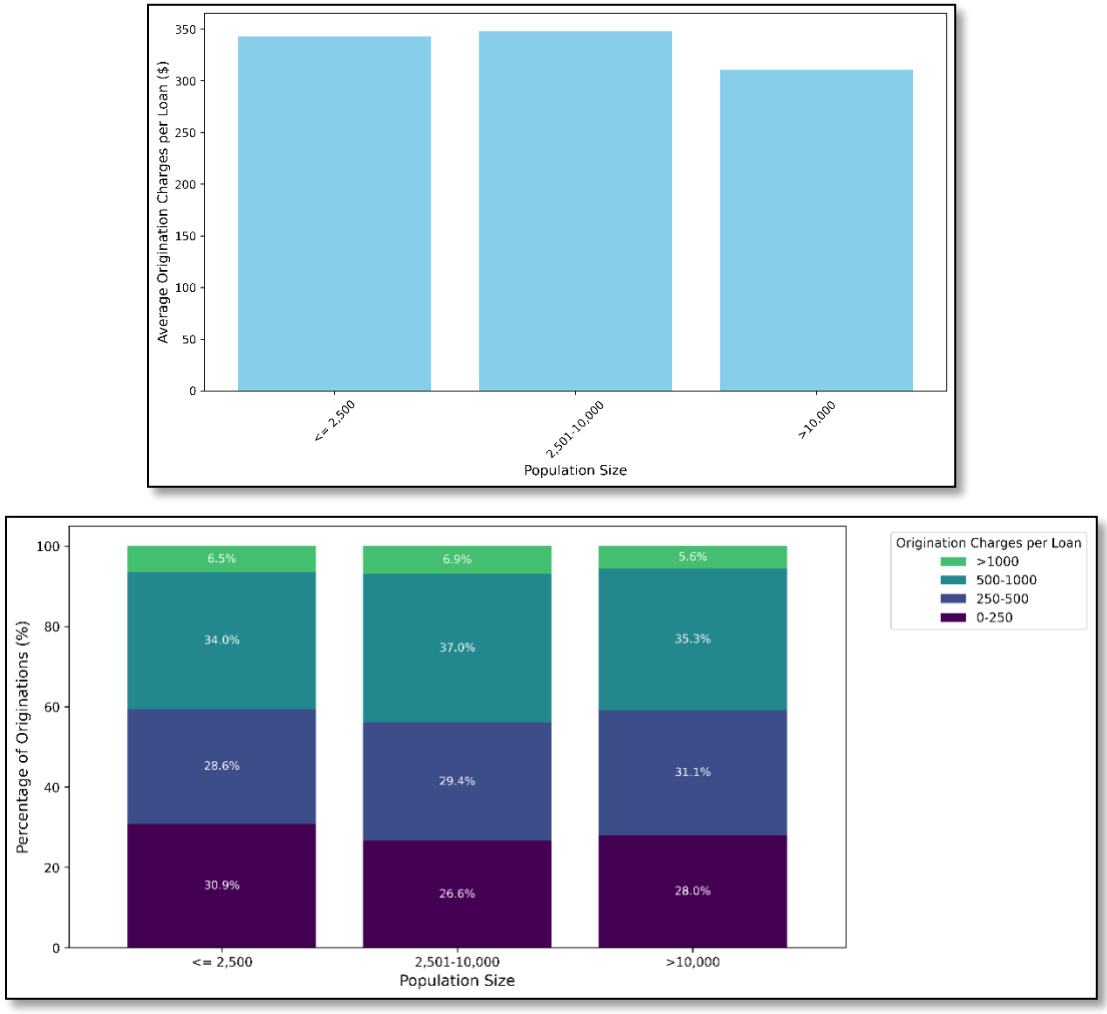
Notes: The residential mortgage lending data is collected from the Home Mortgage Disclosure Act data for the 2024 filing year. The mortgages included in the analysis are home-purchase, owner-occupied, conventional, and first-lien mortgages, excluding reverse mortgages and open-end line of credits. Mortgage applications that were withdrawn by applicants, were closed for incompleteness by the lender, and were related to preapprovals were excluded from the analysis. Given that the HMDA filing requirements can lead to under representative reporting by banks without branches located in metropolitan statistical areas ("MSAs"), only mortgage loans originated in census tracts that fall within MSAs or combined statistical areas (CBAs) are included in the analysis. After applying the statistical area filter, the following percent of places are represented within the final set of home mortgage loans: 36% of places with populations less than 1,000, 57% of places with populations greater than 1,000 and less than 2,500, 69% of places with populations greater than 2,500 and less than 5,000, 76% of places with populations greater than 5,000 and less than 7,500, 78% of places with populations greater than 7,500 and less than 10,000, and 88% of places with populations greater than 10,000.

Figure 5: Residential mortgage applications and acceptance rates for low credit risk applicants by community size



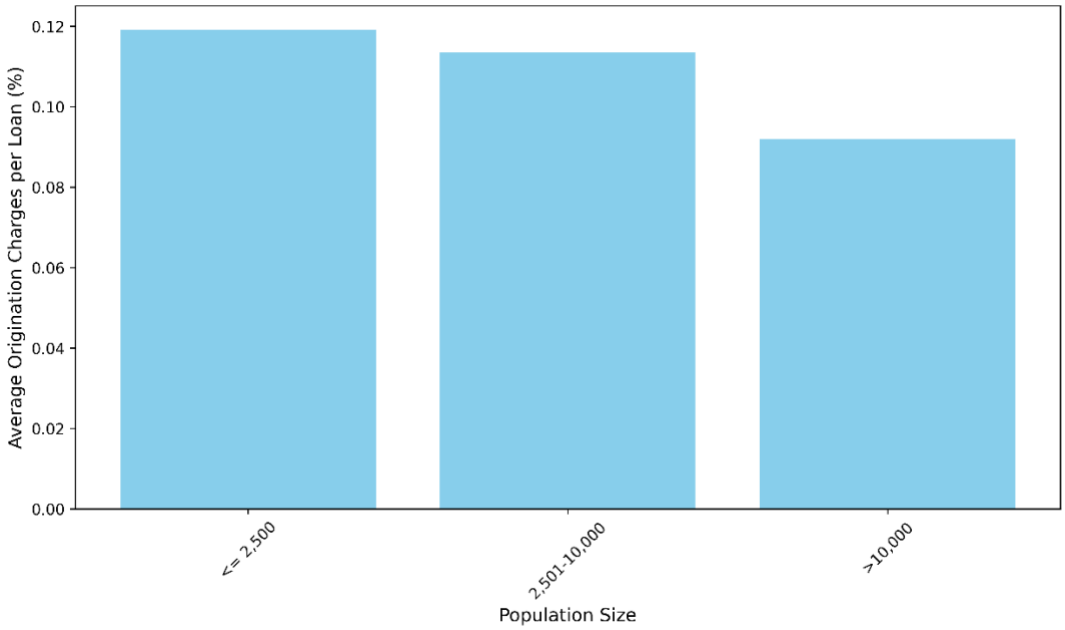
Notes: The residential mortgage lending data is collected from the Home Mortgage Disclosure Act data for the 2024 filing year. The mortgages included in the analysis are home-purchase, owner-occupied, conventional, and first-lien mortgages, excluding reverse mortgages and open-end line of credits. Mortgage applications that were withdrawn by applicants, were closed for incompleteness by the lender, and were related to preapprovals were excluded from the analysis. Low credit risk applicants are identified as those who report debt-to-income ratios less than 30 percent. Given that the HMDA filing requirements can lead to under representative reporting by banks without branches located in metropolitan statistical areas ("MSAs"), only mortgage loans originated in census tracts that fall within MSAs or combined statistical areas (CBAs) are included in the analysis. After applying the statistical area filter, the following percent of places are represented within the final set of home mortgage loans: 36% of places with populations less than 1,000, 57% of places with populations greater than 1,000 and less than 2,500, 69% of places with populations greater than 2,500 and less than 5,000, 76% of places with populations greater than 5,000 and less than 7,500, 78% of places with populations greater than 7,500 and less than 10,000, and 88% of places with populations greater than 10,000.

Figure 6: Residential mortgage origination charges ($) by community size



Notes: The residential mortgage lending data is collected from the Home Mortgage Disclosure Act data for the 2024 filing year. The mortgages included in the analysis are home-purchase, owner-occupied, conventional, and first-lien mortgages, excluding reverse mortgages and open-end line of credits. We focus on loans below the 2024 conforming loan limit ($766,550 in most of the U.S.) to exclude particularly large-volume mortgages which may carry higher origination charges. Mortgage applications that were withdrawn by applicants, were closed for incompleteness by the lender, and were related to preapprovals were excluded from the analysis. Origination charges measure the fees charged by the lender and paid by the borrower for originating a loan, excluding the cost of purchasing discount points. Given that the HMDA filing requirements can lead to under representative reporting by banks without branches located in metropolitan statistical areas ("MSAs"), only mortgage loans originated in census tracts that fall within MSAs or combined statistical areas (CBAs) are included in the analysis. After applying the statistical area filter, the following percent of places are represented within the final set of home mortgage loans: 36% of places with populations less than 1,000, 57% of places with populations greater than 1,000 and less than 2,500, 69% of places with populations greater than 2,500 and less than 5,000, 76% of places with populations greater than 5,000 and less than 7,500, 78% of places with populations greater than 7,500 and less than 10,000, and 88% of places with populations greater than 10,000.

Figure 7: Residential mortgage origination charges (% of loan amount) by community size



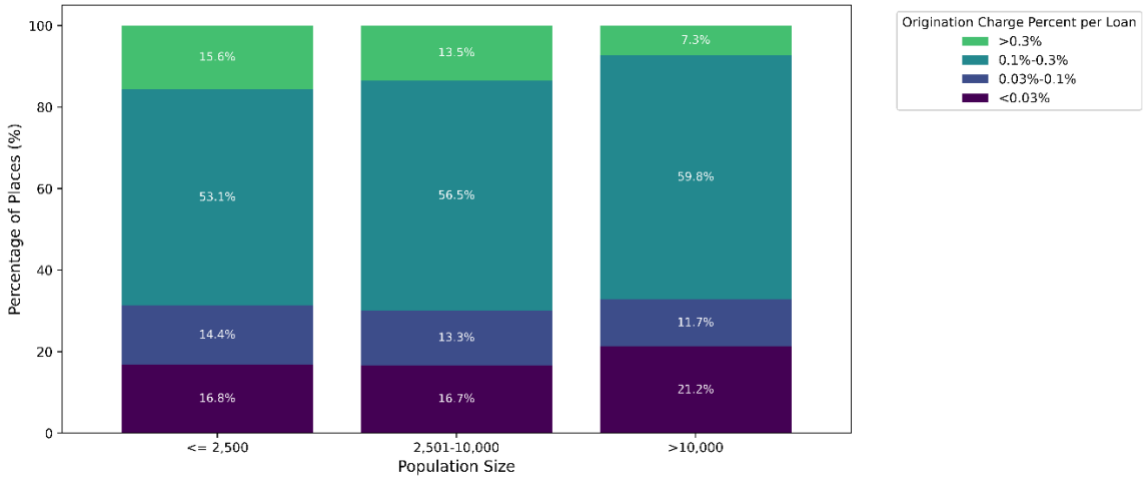


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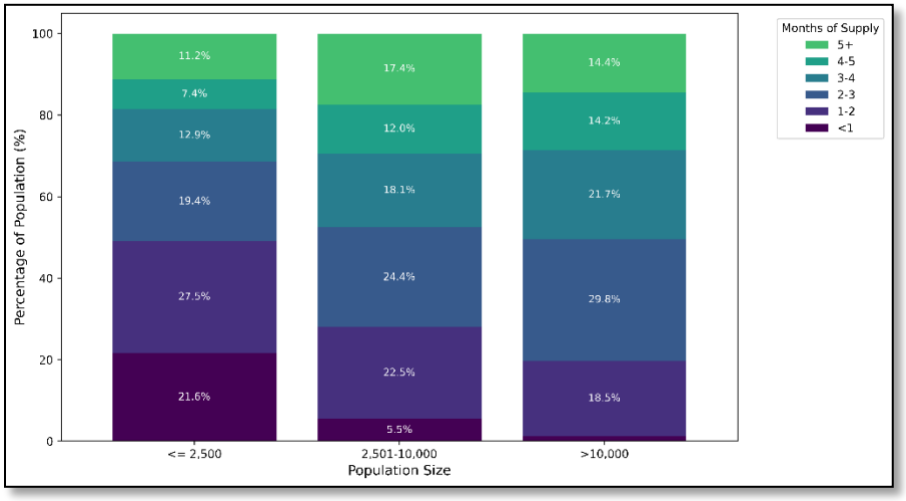
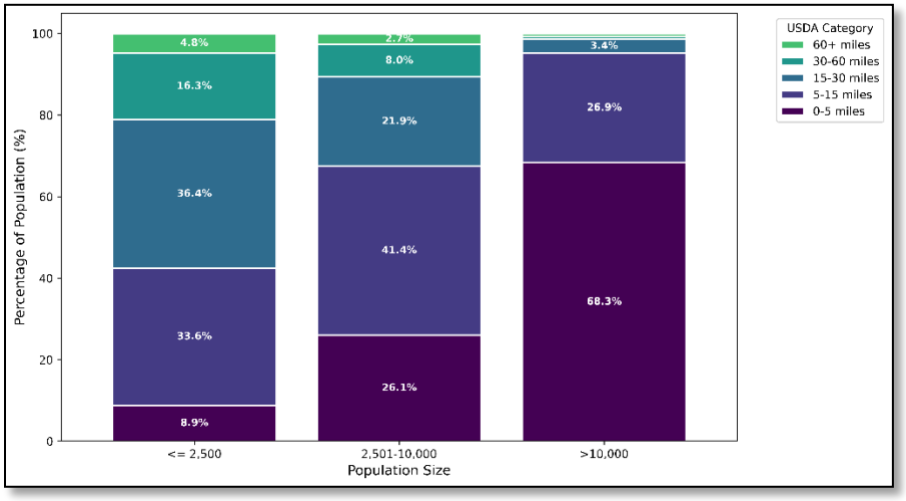
Figure 8: Single family residential housing months of supply by community size



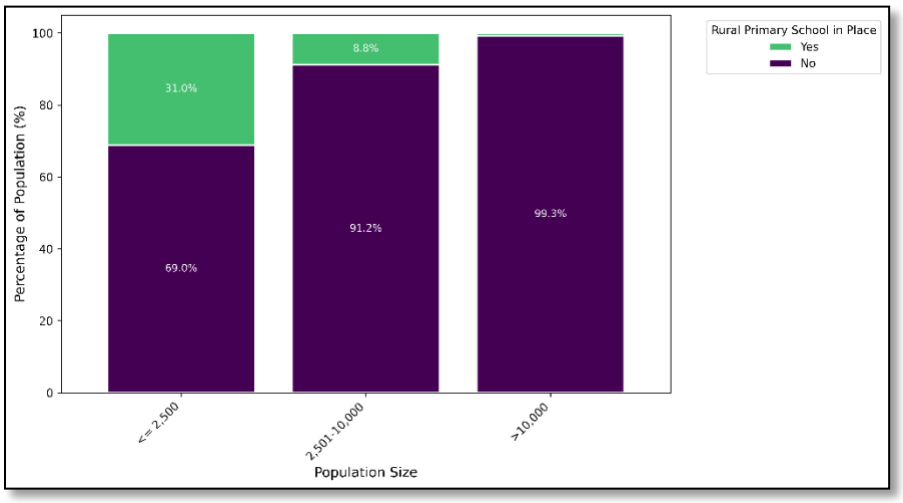
Notes: The months of supply measure is sourced from the Redfin city-level market tracker and represents the length of time it would take for the existing supply of homes to be sold based on the market's current pace of sales, assuming no new houses came onto the market. The measure is calculated by dividing inventory by home sales, where a lower supply is representative of a seller's market. The Redfin data is released monthly, and we use the median value for each place during 2024, focusing on the months of supply measure for single family residential houses.

Figure 9: Maternal care access by community size



Notes: Access to maternal care is measured using the list of birthing friendly hospitals provided by the U.S. Centers for Medicare & Medicaid Services ("CMS"). The measure is prepared for Medicare-certified hospitals, Veteran Administration medical centers, and Department of Defense hospitals based on the hospital or health system has participated in a statewide or national perinatal quality improvement collaborative program or implemented evidence-based quality interventions in hospital settings to improve maternal health. The distance to the nearest birthing friendly hospital is calculated for each "place", as defined by the U.S. census, based on the centroid of the geographical boundary of the place.

Figure 10: Access to rural primary and secondary school districts by community size



Notes: Access to rural primary and secondary school education is measured based on the 2024 district-level eligibility to the Rural Education Achievement Program (REAP), a program comprised of the Small, Rural School Achievement (SRSA) program and the Rural and Low-Income School (RLIS) program and authorized by Title V, Part B of the Elementary and Secondary Education Act of 1965. To be eligible for the SRSA program, a district must a) have fewer than 600 students or located in counties with population density less than 10 people per square mile and b) be defined as rural (codes 41, 42, and 43) by the National Center for Education Statistics or the state of operation. To be eligible for the RLIS program, a district must a) have 20% or more children of school age be from families with income below the poverty line and b) be defined as either rural or a distant / remote town (codes 32, 33, 41, 42, and 43) by the National Center for Education Statistics or the state of operation.