

# Home Price Gains Have Outsized Affordability Impacts

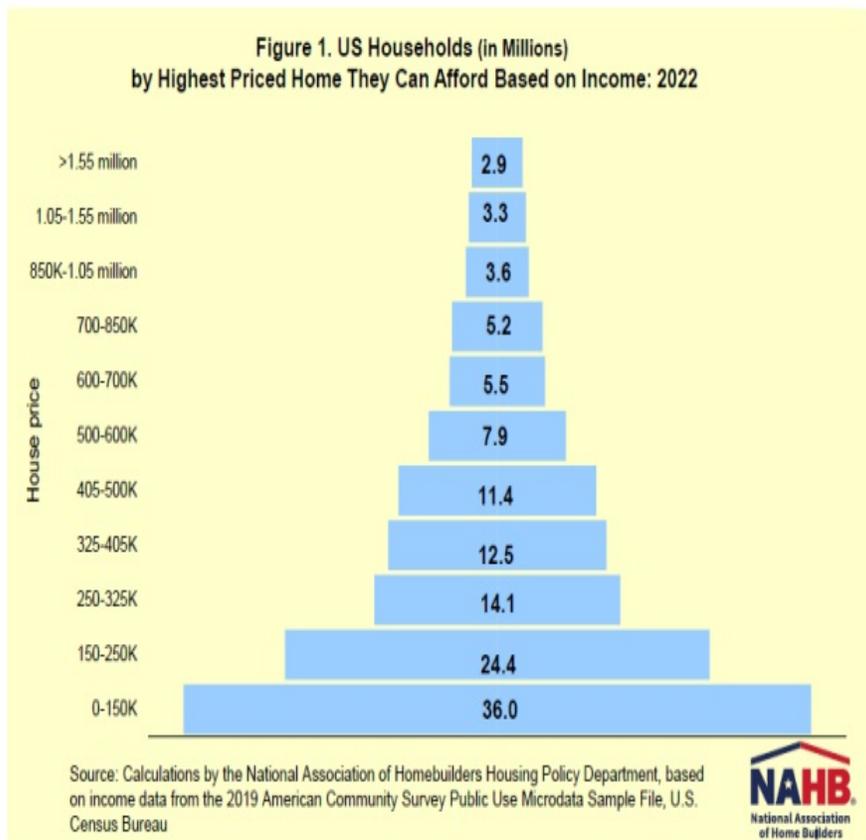
By: Jann Swanson | Mbn, Feb 14 2022, 12:27 PM

According to the National Association of Homebuilders (NAHB), 87.5 million households, 69 percent of the nation’s total, **cannot afford to buy a new median priced home** because they lack sufficient incomes to qualify for a mortgage under standard underwriting criteria. The figure comes from NAHB’s annual “priced out estimates” which show how higher prices and [interest rates](#) affect affordability.

The author of the study, Na Zhao, says affordability was determined using a median new home price of \$412,506 and a mortgage rate of 3.50 percent. This resulted in a monthly mortgage payment of \$1,822. Given those parameters, as well as a fixed price of \$493 for taxes and insurance, he estimated that the **median household income needed to qualify for a mortgage is \$99,205 per year**. With that scenario, 39.205 million households could currently purchase that median priced home.

However, if the home price increased \$1000, with all other criteria remaining the same, the additional \$4 added to the monthly mortgage payment would raise the minimum household income required to \$99,445. **That added \$240 per year would knock 117,932 households out of the ability to qualify for a mortgage.**

NAHB’s housing affordability pyramid (below) represents the number of households that can only afford homes at or below a certain price. Using conventional assumptions and underwriting criteria, an income of \$36,074 is needed to purchase a \$150,000 home and about 36 million households have no more than that income. Each step on the pyramid represents a maximum affordable price range for fewer and fewer households.



The full priced- out study contains affordability figures for all housing markets covered by the Federal Housing Finance Agency’s Housing Price Index. The link to that study can be found [here](#).

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