

Who Can Afford to Pay for a Home?

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Introduction

With creative financing in the present day housing market, housing values are increasing and homeowners are taking chances with alternative financing methods and consequently putting their homes on the line.

The 2006 American Community Survey (ACS) shows that 46 percent of renters nationwide pay 30 percent or more of their income on housing costs. Thirty-seven percent of owners with mortgages and 16 percent of owners without mortgages spend 30 percent or more of their income on housing costs.

Objective

This poster examines the ability of different demographic groups to comfortably afford to pay for their renter or owner related costs. It also looks at the disparities in different areas of the country.

Data

This poster uses data from the 2006 American Community Survey (ACS). The American Community Survey is a nationwide survey designed to provide communities a fresh look at how they are changing. It will replace the decennial long form in future censuses and is a critical element in the Census Bureau's reengineered 2010 census.

The ACS is a vehicle for providing the data communities need every year instead of once in ten years. Now that the survey is in full implementation, data are collected from housing units and group quarters in every county of the United States. The survey includes approximately three million households every year. Data are collected by mail and Census Bureau staff who follow up with those who do not respond.

As with the decennial census long form questionnaire, the ACS will provide estimates of demographic, housing, social, and economic characteristics every year for all states, as well as for all cities, counties, metropolitan areas, and population groups of 65,000 people or more.

For smaller areas, it will take three to five years to accumulate sufficient sample to produce data into averages for areas as small as census tracts. These averages can be updated every year. Eventually, we will be able to measure changes over time for small areas and population groups.

Monthly owner costs come from questions on the following:

- Mortgage

- Second mortgage and/or home equity loans
- Real estate taxes
- Homeowners insurance
- Condo fee (if applicable)
- Mobile home cost (if applicable)
- Utilities – Electricity, Gas, Water and Sewer, and Other Utilities

Monthly gross rent costs come from the following questions:

- Contract rent
- Utilities – Electricity, Gas, Water and Sewer, and Other Utilities

These two items are divided by monthly household income to calculate Monthly Owner Costs as a percentage of income, and gross rent as a percentage of income.

Methods

The ACS questionnaire captures the housing related expenses specified above as reported by the respondent. This reflects the expenses for the household.

We will look at the monthly housing costs as a percentage of income as a proxy of “affordability” of suitable housing. A household that pays 30 percent or more of their income on housing costs are considered to be burdened. We will determine the affordability for renters, owners with a mortgage, and owners without a mortgage.

We will also examine this characteristic for householders by age, race, Hispanic origin, income, and household composition.

We will examine the change in housing burden in 2006, using ACS data for the U.S., Louisiana, and New Orleans in order to look at differences for an area that has been devastated by a natural disaster.

Finally, we will look at this characteristic for selected metropolitan areas.

Tables

Some of the Charts and Tables included in the presentation are:

Chart. Occupied Housing Units Paying 30 Percent or More of Their Income on Housing Costs by Rent and Mortgage Status

Chart. Occupied Housing Units Paying 30 Percent or More of Their Income on Housing Costs for Race and Hispanic Origin of Householder by Rent and Mortgage Status

Chart. Occupied Housing Units Paying 30 Percent or More of Their Income on Housing Costs for Age of Householder by Rent and Mortgage Status

Chart. Occupied Housing Units Paying 30 Percent or More of Their Income on Housing Costs for Household Type by Rent and Mortgage Status

Chart. Occupied Housing Units Paying 30 Percent or More of Their Income on Housing Costs for Louisiana, New Orleans, and selected other states and cities

Table. Occupied Housing Units Paying 30 Percent or More of Their Income on Housing Costs for Selected Metropolitan Areas by Rent and Mortgage Status