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Home Price Increases Outpace Income Gains - Again

Fewer homes on the market are affordable than a year ago, and fewer households can afford them with their current income. The National Association of Realtors® (NAR) and the realtor.com website have released a list of the least and the most affordable locations nationwide based on the area's income and the website's active listings.

The maximum affordable home price assumes that **30 percent of a purchaser's income** can go to pay for the financing, property tax, homeowner's insurance costs, and a mortgage insurance premium if required. It is also assumed that the purchase will be financed with a vanilla 30-year mortgage at the prevailing rate advertised by lenders on the realtor.com site. A score of one or higher generally suggests a market where homes for sale are more affordable to households in proportion to their income distribution.

The study found a decrease in affordability nationwide. The national score decreased from 0.86 to 0.84 during the 12 months ended in March. Both rising home prices and a spike in mortgage rates contributed to that decrease.

Lawrence Yun, NAR chief economist found a notable imbalance between what potential home buyers can afford and what is listed for sale. "The survey confirms that the lack of entry-level supply is putting affordability pressures on too many buyers - especially those at the lower end of the market, where demand is the strongest. This is why first-time buyers continue to struggle finding affordable properties to buy and are making up less than a third of home sales so far this year," Yun said.

The states with the **least affordable housing stock** were Hawaii, California, Oregon, the District of Columbia, Montana, and Rhode Island. Those states had Affordability Scores ranging from 0.52 to 0.64. This means that households with the median level of income in those areas could afford only 19 to 23 percent of the housing inventory available in March. At the other extreme, in Ohio, Indiana, Kansas, Iowa, and West Virginia 54 to 63 percent of households could afford to buy from current inventory. Those states had Affordability Scores ranging from 1.12 down to 1.05.

The markets with the lowest affordability scores were **all in California**; Los Angeles-Long Beach, San Diego, San Jose, Oxnard-Ventura, and San Francisco-Oakland. Their scores, ranging from 0.35 to 0.48 indicate that a typical household can only afford only 3 to 11 percent of the active housing

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.43%	+0.02	0.00
15 Yr. Fixed	5.95%	0.00	0.00
30 Yr. FHA	5.82%	+0.02	0.00
30 Yr. Jumbo	6.62%	0.00	0.00
5/1 ARM	6.28%	-0.01	0.00

Freddie Mac

30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00

Mortgage Bankers Assoc.

30 Yr. Fixed	6.44%	-0.06	0.54
15 Yr. Fixed	5.88%	-0.16	0.68
30 Yr. FHA	6.36%	-0.06	0.85
30 Yr. Jumbo	6.75%	+0.07	0.39
5/1 ARM	5.98%	-0.27	0.65

Rates as of: 8/30

Recent Housing Data

		Value	Change
Mortgage Apps	Aug 28	226.9	+0.49%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%

inventory.

Value Change

Builder Confidence Mar 51 +6.25%

The most affordable areas, where the current inventory is affordable to about 75 percent of households, include Youngstown, Dayton, Toledo, and Akron, Ohio and Scranton-Wilkes-Barre, Pennsylvania. Scores in those metros ranged from 1.25 to 1.11.

While affordability declined nationally, **it improved in 14 states and 35 metro areas**. At the same time, it grew worse in 45 metros. Improvement was greatest in the District of Columbia, Vermont, Hawaii, and North Dakota. Among the improving metro areas were Austin, Texas; Syracuse, Sarasota, and Palm-Bay-Melbourne, Florida. Among those states and metros Syracuse was the only place where the improved score was 1.0 or higher.

"Wages are growing, which is welcome news for prospective buyers, but prices are increasing at a faster rate, up almost 6 percent in the first two months of 2018. Solutions to improve these conditions include more homeowners selling, investors releasing their portfolio of single-family homes back onto the market and more single-family housing construction," Yun said.