



## Affordability Actually Improved in August Despite Surging Prices

A new report from the National Association of Realtors (NAR) says housing affordability in the U.S. **improved** in August for the second straight month. NAR's Housing Affordability Index rose from 150.6 in July to 151.3 but was down from 165.8 the prior August.

The month-over-month increase was the result of a **1.1 percent dip** in the monthly mortgage payment and a more modest decline of 0.7 percent in the median income. However, on an annual basis the monthly mortgage payment was up 13.9 percent while family income increased by 3.9 percent. The effective 30-year fixed mortgage rate was down 11 basis points from August 2020 to 2.89% and the median existing-home sales price rose 15.6 percent from one year ago.

Housing Affordability Index



The HAI is constructed using median household income compared to the level of income needed to qualify for a 30-year fixed rate mortgage on a median priced home without exceeding 25 percent of that income. A value of 100 means that a family with the median income has exactly enough income to qualify for a mortgage on a median-priced home assuming a 20 percent down payment. An index of 120 signifies that a family earning the median income has 20 percent more than the level of income needed to pay the mortgage on a median-priced home.

The index exceeded 100 in all four major regions, meaning that a family with the median income had more than the income required to afford a median-priced home. The most affordable region was the Midwest, with an index value of 196.8 (median family income of \$86,614 with the qualifying income of \$44,016). The least affordable region remained the West, where the index was 114.9 (median family income of \$94,372 and the qualifying income of \$82,128).



### Jason Wood

Mortgage Advisor & VA  
Loan Specialist, VA Loan  
Guy

[www.valoanguyusa.com](http://www.valoanguyusa.com)

P: (760) 350-3989

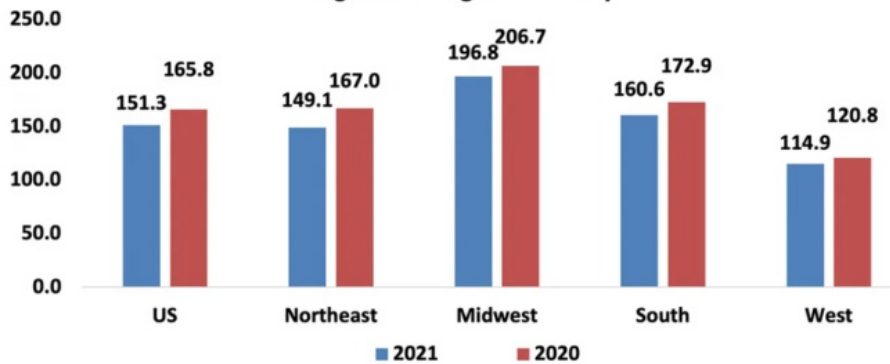
M: (760) 217-0820

2714 Loker Ave. W.  
Carlsbad CA 92010\_\_\_\_  
317293

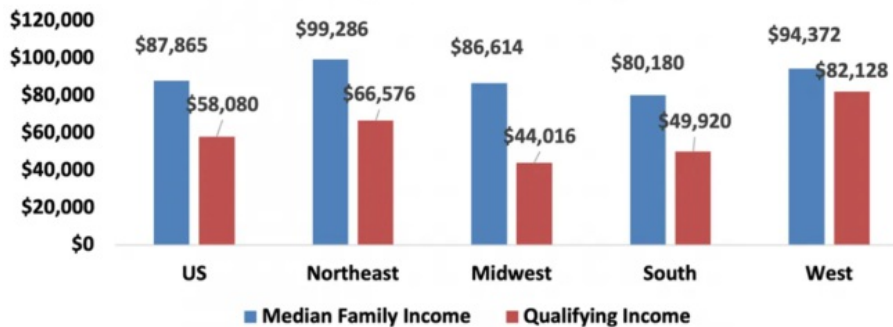
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August Housing Affordability



Median Family Income and Qualifying Income



Affordability **rose** by 0.4 percent or less in three regions compared to July and was **unchanged** in the **West**, but it declined everywhere on an annual basis. The **Northeast** had the biggest decline, 10.7 percent followed by the **South** which was down 7.1 percent. The West and **Midwest** dropped by 4.9 percent and 4.8 percent, respectively.

Compared to one year ago, the monthly mortgage payment nationally **rose to \$1,210 from \$1,062** and increased as a percentage of income to 16.5 percent from 15.1 percent. The payment to income share was highest in the West at 21.8 percent and lowest in the Midwest at 12.7 percent.

Mortgage Payment as a Percent of Income

