

## Who Could Afford to Buy a House in 1991?

For an ever-increasing share of families, buying a house is a difficult goal to achieve. In spring 1991, 51 percent of families couldn't afford a median-priced house in the area where they lived, using conventional, fixed-rate, 30-year financing with a 5-percent down payment. Just 3 years earlier, the figure was 49 percent. The percentage of unrelated individuals unable to afford a median-priced house remained at 76 percent.

This Brief uses data collected by the Survey of Income and Program Participation (SIPP) to examine which families were most likely to be unable to afford a median-priced home, why they couldn't buy one, what homes they *could* afford, and more. Some data are provided for all householders, rather than for just families.

### Who can buy and who can't?

- **Family type** — The percent of families unable to afford a median-priced home in 1991 varied from 34 percent of married couples without chil-

dren to 92 percent of female householders with children.

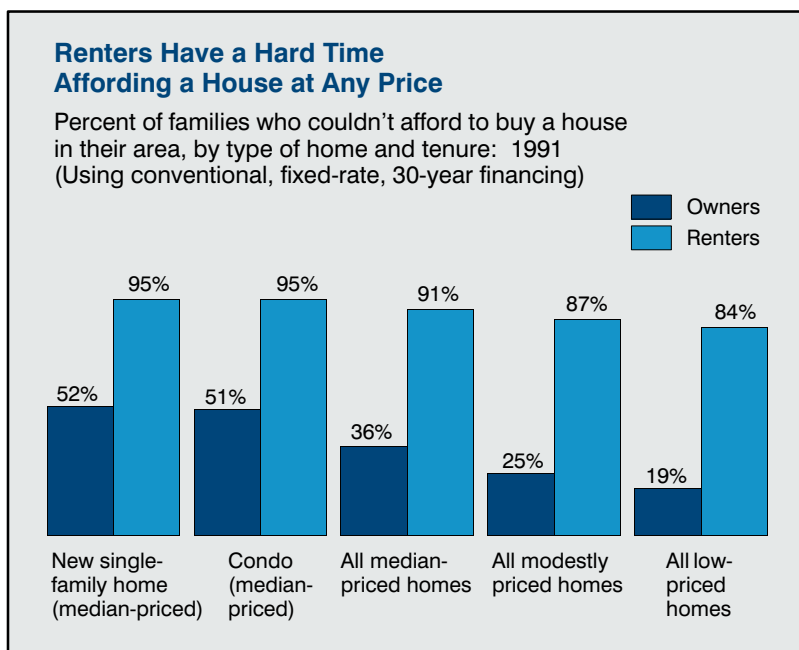
- **Race and Hispanic origin** — While 47 percent of White families couldn't afford a median-priced home, 78 percent of Black and a similar percent of Hispanic families (79 percent) were unable to buy.
- **Age** — The chances of being able to buy a home improved with age — 97 percent of families with a householder under age 25 couldn't afford to buy; for families with an elderly householder, the figure was 31 percent.
- **Tenure** — As the graph below shows, renter families had an extraordinarily difficult time affording a home — 91

percent couldn't afford a median-priced house, compared with 36 percent of families who already owned a home.

- **Income** — Not surprisingly, the likelihood of being able to buy a house improves with rising income. While 95 percent of families without income couldn't buy one, 15 percent whose income was \$60,000 or more could not.

### Why can't families afford one?

The most common single reason owner families couldn't buy a median-priced house was because they couldn't afford the monthly mortgage payments (42 percent). For 12 percent of owners, excessive consumer debts were the only reason. Not having enough cash for the down



SB/93-16  
Issued September 1993

U.S. Department of Commerce  
Economics and Statistics Administration  
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payment was the only factor for 8 percent of owners. For 38 percent of owners, it was a combination of the above reasons that kept them from buying. Almost all renters (82 percent) could not afford to buy a median-priced house because of a combination of factors. (See graph at bottom right.)

**Which price is right?**

The median highest-priced home owner families could afford in 1991 cost \$121,500, far higher than the median of \$72,400 for non-family owners. For renters, the median was under \$20,000. For all of these household types, the median *affordability deficit* (the difference between a median-priced home in the area and the maximum price a householder could afford) was more than \$40,000.

**Aiming for a less expensive house helps.**

Just because a family can't afford a median-priced home doesn't mean it can't buy a house. Although slightly more than half of families couldn't afford a median-priced home, just 42 percent were unable to buy a "modestly" priced home — one priced lower than three-quarters of all houses in the area. Fewer (37 percent) couldn't afford a "low"-priced house — one priced lower than 90 percent in the area.

**Locale makes a difference.**

Of *all* householders, 60 percent nationwide couldn't afford a median-priced house; 51 percent weren't able to buy a modestly priced one.

But where they lived made a big difference. Housing was most affordable in the Midwest, where 53 percent couldn't afford a median-priced home and 46 percent couldn't buy a modestly priced one. On the other hand, the Pacific Division (California,

Oregon, Washington, Alaska, and Hawaii) was the least affordable area — the respective figures there were 69 and 57 percent.

**What if .....**

Just over 42 million householders *could* afford a median-priced house in their area in 1991, using a conventional mortgage with 5 percent down. Under different financial scenarios, however, more could have joined them:

- If the average interest rate on a conventional mortgage between February and May 1991 had been 8.5 percent rather than 9.5 percent, about 900,000 more householders would have qualified. Two million more could have bought at 7.5 percent, 3 million more at 6.5 percent.
- If each householder had been given a *down payment subsidy* of \$5,000, an additional 3.7 million would have been able to afford a house. *Reducing the down payment to zero* would have permitted 1.2 million more to buy.

**More information:**

*Who Can Afford to Buy a House in 1991?* Current Housing Reports, Series H121/93-3. Contact Customer Services (301-763-4100) for ordering information.

**Contacts:**

Housing Affordability — Howard Savage  
301-763-8165

Statistical Briefs — Robert Bernstein  
301-763-1584

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