



# What the Soaring Housing Affordability Rate Means to You!

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*If you are already working with an agent, this is not meant as a solicitation for that business.*

The National Association of Realtors® (NAR) has just released the quarterly "Housing Affordability Index" – and the news is not just good ... it's great!

The index has been tracked by NAR since 1970, and measures the purchasing power of buyers, and takes into account median home prices, median family income, and an average mortgage interest rate. The higher the index, the more purchase power a buyer has.

The Housing Affordability Index (HAI), for the first quarter of 2012 hit two records!

To provide perspective, an index of 100 means that a household with a median income has exactly enough income to qualify for a median-priced existing single-family home. This assumes both a 20% down payment and that 25% of the households gross income goes toward the mortgage (principle and interest; excluding taxes and insurance).

The great news I mentioned earlier? The HAI hit 205.9 for the first quarter of 2012! This is the first time the index has broken past the 200-mark. A companion index focuses on the ability of first-time buyers to purchase a home ... and that index also set a record!

Moe Veissi, the President of the NAR, stated, "For those with good credit, we've never seen better housing affordability conditions or market opportunities than we see at present." The data that created this index assumed an interest rate of 4.18%, and a median family income of just under \$61,000. In that scenario, a buyer could afford a

home of \$325,500. That's more than double the national median price of \$158,100 for single-family homes! That home, and interest rate, would equate to a monthly mortgage payment of \$617 (excluding taxes and insurance) ... which is just 13.5% of that family's median income.

Are you struggling to save money for your first home? Or are you watching your children – or grandchildren – struggle to purchase their first home? If so, the index may have you breathing easier.

Based on what the companion index shows, it's now easier than ever before for buyers to purchase a home. That index assumes income at 65% of the median family income (or \$39,634), a "starter" home price at 85% of the median home price (or \$134,400), and a down payment of 10%. Under this scenarios, and including the cost of private mortgage insurance, they typical entry-level buyer could afford a home costing \$182,500 – a whopping 27% above the median "starter home" price.

What does a high HAI mean to you? If you're considering the purchase of a home, your money will go farther than ever before. Is selling on your agenda? Good news for you too, because the pool of buyers for your home increases as the HAI goes up.

Either way, the high Housing Affordability Index is great news for you! Of course, the index will fluctuate during the year as interest rates and home prices change, but the NAR predicts the rate will average 191 for the 2012 calendar year.

Ready to take advantage of the housing affordability index? I'm here to help! Just give me a call at 360-620-2690 or send an email to [www.mollyells@windermere.com](mailto:mollyells@windermere.com). I look forward to hearing from you!

