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# Statistical Brief

## House-Poor/House-Rich

Housing costs often consume a substantial portion of a family's income. Buying a home is the single largest purchase most homeowners will ever make. Ownership, however, has different faces. Using data from the 1989 American Housing Survey, this Brief will examine those for whom homeownership is a relatively easy investment (the "house-rich") and those for whom it's a heavy financial burden (the "house-poor").

### One in ten homeowners are house-poor.

About 6 million homeowners were house-poor in 1989. These were homeowners for whom principal, interest, taxes, insurance, and owner association fees exceeded 28 percent of monthly family income, a benchmark of financial burden according to most secondary mortgage market institutions. Some segments of the population were more likely to be house-poor than others.

### Homeowners in the Northeast and West are more likely to be house-poor.

Since housing costs are higher in the West and Northeast, a larger percentage of owners in these two regions than in the South and

Midwest were house-poor. Fourteen percent in the West and 12 percent in the Northeast were house-poor, compared to 8 percent in the South and 7 percent in the Midwest.

### Recent home buyers and low income homeowners are more likely to be house-poor.

Substantially more owners who moved into their residences after 1980 were house-poor than those who moved in before 1980 (13 versus 7 percent). Twice as many with a mortgage who moved in after 1980 were house-poor as those with a mortgage who moved in during the 1960's (16 versus 8 percent). For owners without a mortgage, the proportion who are house-poor in-

creases with length of residence but never exceeds 7 percent.

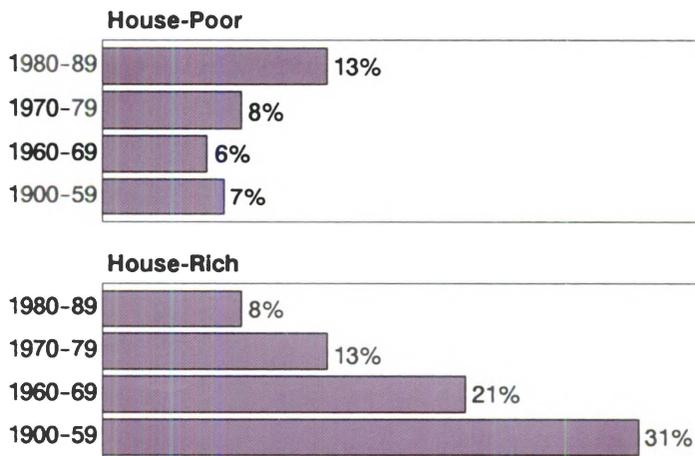
The likelihood of being house-poor is higher at lower incomes. Twenty percent of homeowners with family incomes below \$15,000 were house-poor, compared to only 4 percent of those with incomes of \$55,000 or more.

### Fourteen percent of homeowners are house-rich.

About 8.4 million homeowners were house-rich in 1989. These homeowners spent 28 percent or less of their monthly family income for housing and had homes valued at 4 or more times their annual income. The value to income ratio of 4.0 is arbitrary. This ratio is used because residents who live in major U.S. metropoli-

### Recent Home Buyers Are More Likely to Be House-Poor; Long-Term Owners Are More Likely to Be House-Rich

Percent house-poor and house-rich, by year moved in



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tan areas typically spend 4 or more times their annual income when buying a home. The findings are not substantively affected by using 3.0 or 5.0 as the criterion ratio.

Families with incomes below the poverty income thresholds are not counted as house-rich even if they meet these criteria. Inclusion of these households as house-rich has little effect on the patterns presented here.

**Homeowners in the Northeast and West are more likely than those in other regions to be house-rich.**

About 20 percent of owners in the Northeast and West were house-rich. In comparison, only 11 percent of owners in the South and 9 percent of those in the Midwest were house-rich.

**Long-term residents and low income homeowners are more likely to be house-rich.**

The longer the time homeowners have lived in their residence, the more likely they were to be house-rich. About 31 percent of owners who moved into their residences before 1960 were house-rich compared to only 8 percent who moved in after 1980.

This relationship is particularly true for homeowners without a mortgage. Thirty-three percent of those without a mortgage who moved in prior to 1960 were house-rich, as opposed to 19 percent who moved in during the 1980's. For those with a mortgage, only 13 percent who moved in during the 1960's were house-rich, compared to 4 percent who moved in during the 1980's.

As age of householder increases, the proportion who are house-rich increases. Thirty-two percent of owners aged 65 or older were house-rich. In contrast, only 5 percent of owners 35 to 44 years old were house-rich. This may be because 82 percent of elderly homeowners had no mortgage

compared to 29 percent of owners under age 65.

Surprisingly, homeowners with family incomes below \$15,000 were more likely than owners in other income categories to be house-rich. Twenty-seven percent of these homeowners were house-rich, compared to only 5 percent of those with incomes of \$55,000 or more. Why? Because 78 percent of house-rich owners with incomes under \$15,000 were elderly and didn't have a mortgage.

**Five in eight homeowners are neither house-rich nor house-poor.**

About 37.8 million homeowners (63 percent) have "reasonable" housing costs. They allocated 28 percent or less of their income to housing, and their homes were worth less than 4 times their annual income. Another 1.7 million met the housing criteria for being house-rich but their family incomes were below poverty thresholds. The remaining 6.1 million (10 percent) had either no income, negative income, or didn't report their mortgage payment.

**More information:**

*American Housing Survey for the United States in 1989, Current Housing Reports, Series H-150-89. For sale by U.S. Government Printing Office. Contact Customer Services at the Census Bureau (301-763-4100) for ordering information.*

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