

Affordability: Mortgage as Percent of Income – Federal Reserve Data

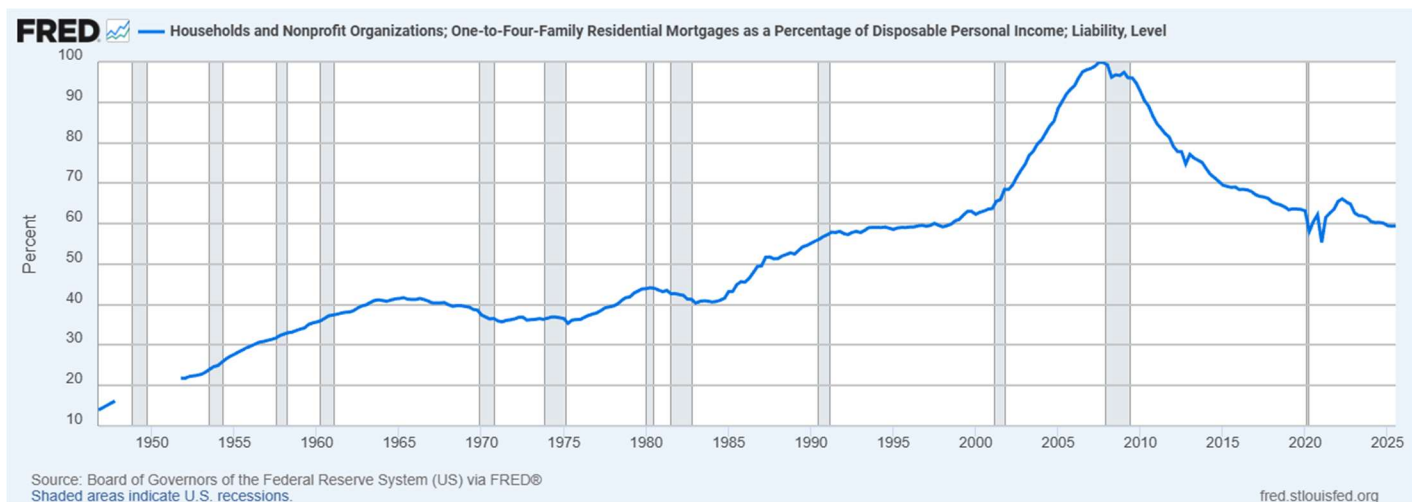
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Please see the graph below. It strongly suggests that a home mortgage takes a much larger share of a household's income today than it did in the post-world-war-two years. The graph implies that residential mortgages were between 10% and 30% of personal income (after taxes), in the 1950s, whilst today they are around 60% of personal income. During the housing bubble of 2008-2009 they reached as high as 100% of income.

What this suggests to me is that home ownership is much more difficult to achieve today than it was, seventy years ago. Mortgages last longer; interest payments are a larger share of the mortgage payment; and the chances of losing the home and equity accumulated in it are greater.

If inflation is 2.7% per year, then a 2.7% increase in the cost of housing and healthcare takes much more of our budget than a 2.7% increase in the cost of any particular food item. Let us say that the cost of housing is \$2,000 per month (a low estimate for a mortgage, but perhaps reasonable for rent). 2.7% of that is \$54. As compared with a year ago, housing now costs \$54 more, *each* month. Let us say that the cost of eggs is \$30 per month. 2.7% of that is 81 cents. Eggs now cost 81 cents more per month. That is a much smaller share of income than the increase in the cost of housing. Let us say that healthcare costs \$300 per month, if the person is insured with a minimal plan. 2.7% of that is \$1.11 per month. But if the health condition is not covered, the price can be much higher.

These data suggest to me that we should be addressing economic inequities in housing, and access to affordable health care, at least as much as focusing on prices in the grocery store.



A full understanding of this graph requires knowledge of the data and how the data were analyzed.

Source: Board of Governors of the Federal Reserve System (US), Households and Nonprofit Organizations; One-to-Four-Family Residential Mortgages as a Percentage of Disposable Personal Income; Liability, Level [BOGZ1FL153165106Q], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/BOGZ1FL153165106Q>, January 21, 2026.