

Austin-Round Rock-Georgetown Housing Affordability Outlook



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Texas Real Estate Research Center

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Austin-Round Rock-Georgetown MSA Housing Affordability Outlook 3Q2022

About this Report

Texas Real Estate Research Center economists continuously monitor many facets of both state and local housing markets. *Austin-Round Rock-Georgetown Housing Affordability Outlook* summarizes significant housing activity and trends as related to affordability in the Austin-Round Rock-Georgetown Metropolitan Statistical Area (MSA). Home prices reflect single-family existing homes unless otherwise stated. This report does not seasonally adjust home prices.

This publication is designed to be a one-stop resource for information on housing affordability for potential homebuyers in the Austin-Round Rock-Georgetown MSA. We hope you find them as useful as we do. Your feedback is always appreciated. Send comments and suggestions to info@recenter.tamu.edu.

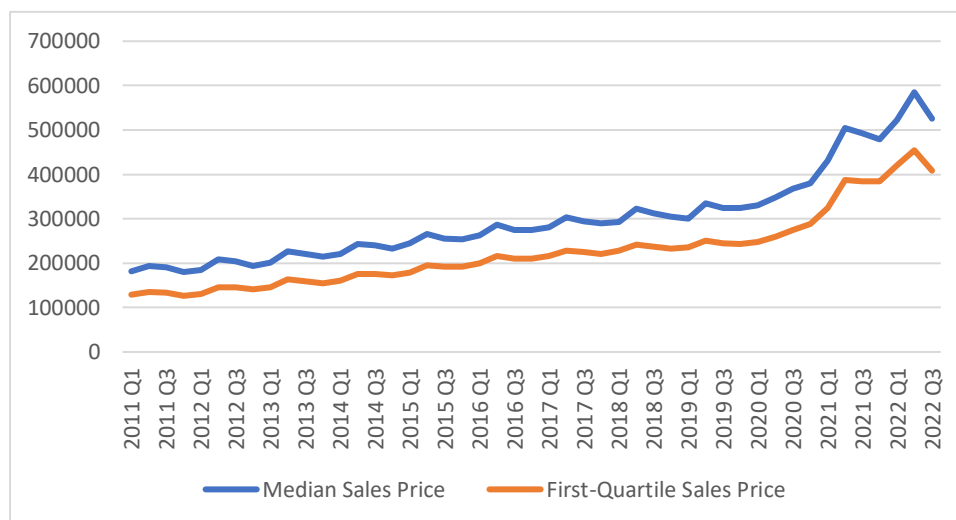
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Purchase Affordability

Despite higher mortgage interest rates, year-over-year (YOY), affordability eased slightly in 3Q2022 amid relatively modest home price growth. Home price appreciation declined from record highs observed in the first two years of the COVID-19 pandemic. YOY growth in both the median and first-quartile sales price measured lower than average, at 6.8 percent and 6.2 percent, respectively (Figure 1 and Table 1).¹ The significant YOY increase in family income followed years of modest rises (Table 2). While the rise in median family income (11.5 percent) outpaced the growth in median home price, the substantial uptick in mortgage rates essentially offset the effect of higher median family income.

The rapid rise in mortgage interest rates in the last two quarters diminished home-purchasing potential. Rates averaged 5.62 percent in 3Q2022, up considerably from 1Q2022 and slightly from 2Q2022, which averaged 3.82 and 5.27 percent, respectively (Figure 2). All other things being equal, lower (higher) mortgage interest rates translate into lower (higher) monthly mortgage payments and ease (diminish) purchase affordability. The Federal Reserve is widely anticipated to continue to raise the federal funds rate over the near-term to reduce inflationary pressures, which will likely prompt additional increases in mortgage interest rates. For more information on the effect of mortgage interest rates on purchase affordability, read “How Higher Interest Rates Affect Homebuying” (<https://www.recenter.tamu.edu/articles/tierra-grande/How-Higher-Interest-Rates-Affect-Homebuying-2339>).

Figure 1. Median and First-Quartile Sales Prices in the Austin-Round Rock-Georgetown MSA



Source: Texas Real Estate Research Center at Texas A&M University

¹ The first quartile reflects the lowest-priced 25 percent of homes sold in a particular geography. The first-quartile sales price represents the highest home price among those lowest-priced 25 percent of homes sold. If the price of the lowest 25 percent of homes sold ranges from \$100,000 to \$150,000, the first-quartile sales price would be \$150,000.

Table 1. Median Sales Price and First-Quartile Sales Price by Quarter

Year	Median Home Price	YOY Change	First-Quartile	YOY Change
3Q2011	\$190,000		\$134,000	
3Q2012	\$204,400	7.6%	\$145,000	8.2%
3Q2013	\$220,000	7.6%	\$159,503	10.0%
3Q2014	\$240,000	9.1%	\$175,000	9.7%
3Q2015	\$255,000	6.3%	\$192,000	9.7%
3Q2016	\$275,000	7.8%	\$210,000	9.4%
3Q2017	\$294,000	6.9%	\$225,000	7.1%
3Q2018	\$312,500	6.3%	\$237,000	5.3%
3Q2019	\$325,000	4.0%	\$245,000	3.4%
3Q2020	\$368,000	13.2%	\$275,000	12.2%
3Q2021	\$491,750	33.6%	\$385,000	40.0%
3Q2022	\$525,000	6.8%	\$409,000	6.2%

Source: Texas Real Estate Research Center at Texas A&M University

Table 2. Median Family Income by Year

Year	Income for First-Time Homebuyers	YOY Change	Median Family Income	YOY Change
2011	\$59,900		\$74,900	
2012	\$60,700	1.3%	\$75,900	1.3%
2013	\$58,550	-3.5%	\$73,200	-3.6%
2014	\$60,300	3.0%	\$75,400	3.0%
2015	\$61,450	1.9%	\$76,800	1.9%
2016	\$62,250	1.3%	\$77,800	1.3%
2017	\$65,100	4.6%	\$81,400	4.6%
2018	\$68,800	5.7%	\$86,000	5.7%
2019	\$75,500	9.7%	\$95,900	11.5%
2020	\$78,100	3.4%	\$97,600	1.8%
2021	\$79,100	1.3%	\$98,900	1.3%
2022	\$88,250	11.6%	\$110,300	11.5%

Note: The income for first-time homebuyers reflects the income limit for low-income families, who earn no more than 80 percent of the median family income. This table reflects income figures for a four-person family.

Source: United States Department of Housing and Urban Development

Figure 2. 30-Year Fixed Rate Mortgage Average in the United States



Sources: Federal Reserve Economic Data and Freddie Mac

Repeat Homebuyer

Despite moderating home price growth, the gap between home price and family income remained wide. For households earning the median family income for Austin-Round Rock-Georgetown in 2022 (\$110,300), the median sales price for 3Q2022 (525,000) was not affordable unless the home price-to-income multiplier approached 5 (Table 3). Only 7.6 percent of homes sold in 3Q2022 were affordable to households earning the median family income with a home price-to-income multiplier of 3 (Table 4). Households would have to earn \$175,000 annually to be able to afford the median sales price with a home price-to-income multiplier of 3.

Table 3. Maximum Home Price Affordable by Family Income and Home Price-to-Income Multiplier

		Home Price-to-Income Multiplier							
	Family Income	2	2.5	3	3.5	4	4.5	5	5.5
	\$90,000	\$180,000	\$225,000	\$270,000	\$315,000	\$360,000	\$405,000	\$450,000	\$495,000
	\$95,000	\$190,000	\$237,500	\$285,000	\$332,500	\$380,000	\$427,500	\$475,000	\$522,500
	\$100,000	\$200,000	\$250,000	\$300,000	\$350,000	\$400,000	\$450,000	\$500,000	\$550,000
	\$105,000	\$210,000	\$262,500	\$315,000	\$367,500	\$420,000	\$472,500	\$525,000	\$577,500
Median Family Income	\$110,300	\$220,600	\$275,750	\$330,900	\$386,050	\$441,200	\$496,350	\$551,500	\$606,650
	\$115,000	\$230,000	\$287,500	\$345,000	\$402,500	\$460,000	\$517,500	\$575,000	\$632,500
	\$120,000	\$240,000	\$300,000	\$360,000	\$420,000	\$480,000	\$540,000	\$600,000	\$660,000
	\$125,000	\$250,000	\$312,500	\$375,000	\$437,500	\$500,000	\$562,500	\$625,000	\$687,500
	\$130,000	\$260,000	\$325,000	\$390,000	\$455,000	\$520,000	\$585,000	\$650,000	\$715,000
Workforce Households (120%)	\$132,400	\$264,800	\$331,000	\$397,200	\$463,400	\$529,600	\$595,800	\$662,000	\$728,200
	\$135,000	\$270,000	\$337,500	\$405,000	\$472,500	\$540,000	\$607,500	\$675,000	\$742,500
	\$140,000	\$280,000	\$350,000	\$420,000	\$490,000	\$560,000	\$630,000	\$700,000	\$770,000
	\$150,000	\$300,000	\$375,000	\$450,000	\$525,000	\$600,000	\$675,000	\$750,000	\$825,000
	\$155,000	\$310,000	\$387,500	\$465,000	\$542,500	\$620,000	\$697,500	\$775,000	\$852,500
	\$160,000	\$320,000	\$400,000	\$480,000	\$560,000	\$640,000	\$720,000	\$800,000	\$880,000
	\$165,000	\$330,000	\$412,500	\$495,000	\$577,500	\$660,000	\$742,500	\$825,000	\$907,500
	\$170,000	\$340,000	\$425,000	\$510,000	\$595,000	\$680,000	\$765,000	\$850,000	\$935,000

Note: Figures in red indicate the maximum affordable home price meets or exceeds the current median sales price.

Source: Texas Real Estate Research Center at Texas A&M University

Table 4. Percentage of Homes Sold in 3Q2022 Affordable by Family Income and Home Price-to-Income Multiplier

		Home Price-to-Income Multiplier							
	Family Income	2	2.5	3	3.5	4	4.5	5	5.5
	\$90,000	0.4%	0.9%	2.4%	5.9%	13.2%	24.8%	35.7%	44.4%
	\$95,000	0.5%	1.2%	3.1%	7.8%	17.4%	29.8%	40.8%	49.2%
	\$100,000	0.6%	1.6%	4.5%	11.6%	23.6%	35.7%	46.3%	54.4%
	\$105,000	0.8%	1.9%	5.9%	14.4%	28.3%	39.7%	50.4%	57.5%
Median Family Income	\$110,300	0.9%	2.7%	7.6%	18.9%	32.9%	44.5%	54.4%	61.3%
	\$115,000	1.1%	3.1%	10.0%	23.9%	37.6%	48.4%	57.5%	64.2%
	\$120,000	1.2%	4.5%	13.2%	28.3%	41.7%	52.5%	61.0%	67.6%
	\$125,000	1.6%	5.4%	16.5%	31.8%	46.3%	55.5%	63.7%	70.0%
	\$130,000	1.9%	7.0%	20.2%	36.6%	49.1%	58.7%	66.9%	72.9%
Workforce Households (120%)	\$132,400	1.1%	7.6%	21.4%	37.8%	50.6%	59.6%	67.6%	74.2%
	\$135,000	2.4%	8.7%	24.8%	39.7%	52.5%	61.3%	69.0%	75.1%
	\$140,000	2.9%	11.6%	28.3%	43.5%	55.4%	64.1%	72.0%	77.2%
	\$150,000	4.5%	16.5%	35.7%	50.4%	61.0%	69.0%	76.1%	80.3%
	\$155,000	5.3%	19.0%	38.5%	52.6%	62.8%	70.9%	77.7%	81.9%
	\$160,000	6.3%	23.6%	41.7%	55.4%	65.2%	73.4%	79.4%	83.2%
	\$170,000	9.2%	29.6%	47.1%	59.6%	69.4%	77.0%	81.8%	85.3%

Source: Texas Real Estate Research Center at Texas A&M University

Mortgage Interest Rate

Holding home price constant, the total monthly mortgage payment increases as the mortgage interest rate increases (Table 5). At a 5.62 percent rate, this payment was \$4,166 for the median-priced home in 3Q2022, nearly three times the total monthly mortgage payment for the median-priced home in 3Q2022.

Table 6 shows the home price-to-income multiplier by mortgage interest rate. A 5.62 percent interest rate translates into a home price-to-income multiplier of 3.15², meaning a household could afford a maximum home price of 3.15 times its annual income. The home price-to-income multiplier declines as the mortgage interest rate increases.

The income required to qualify for a loan with a 5.62 percent mortgage interest rate was \$166,657 for the median sales price in 3Q2022 (Table 7). An estimated 35.2 percent of

² The home price-to-income multiplier assumes a 30-year loan term, 80 percent loan-to-value ratio, 30 percent DTI ratio, and property taxes and insurance of 4 percent.



homeowners in the Austin-Round Rock-Georgetown MSA could afford the median sales price in 3Q2022 with a 5.62 percent interest rate (Table 8), a decline of over 30 percentage points from 3Q2011.

Table 5. Total Monthly Mortgage Payment for Repeat Buyers by Mortgage Interest Rate

Year	Home Price	Mortgage Interest Rate						
		3%	4%	5%	5.62%	6%	6.5%	7%
3Q2011	\$190,000	\$1,274	\$1,359	\$1,449	\$1,508	\$1,545	\$1,594	\$1,645
3Q2012	\$204,400	\$1,371	\$1,462	\$1,559	\$1,622	\$1,662	\$1,715	\$1,769
3Q2013	\$220,000	\$1,475	\$1,574	\$1,678	\$1,746	\$1,789	\$1,846	\$1,904
3Q2014	\$240,000	\$1,609	\$1,717	\$1,831	\$1,905	\$1,951	\$2,014	\$2,077
3Q2015	\$255,000	\$1,710	\$1,824	\$1,945	\$2,024	\$2,073	\$2,139	\$2,207
3Q2016	\$275,000	\$1,844	\$1,967	\$2,098	\$2,182	\$2,236	\$2,307	\$2,380
3Q2017	\$294,000	\$1,972	\$2,103	\$2,243	\$2,333	\$2,390	\$2,467	\$2,545
3Q2018	\$312,500	\$2,096	\$2,235	\$2,384	\$2,480	\$2,541	\$2,622	\$2,705
3Q2019	\$325,000	\$2,180	\$2,325	\$2,479	\$2,579	\$2,642	\$2,727	\$2,813
3Q2020	\$368,000	\$2,468	\$2,632	\$2,807	\$2,920	\$2,992	\$3,087	\$3,185
3Q2021	\$491,750	\$3,298	\$3,517	\$3,751	\$3,903	\$3,998	\$4,126	\$4,256
3Q2022	\$525,000	\$3,521	\$3,755	\$4,005	\$4,166	\$4,268	\$4,405	\$4,544

Note: Assumes a 30-year loan term, 80 percent LTV ratio, 30 percent DTI ratio, and additional costs of homeownership at 4 percent of home price.

Source: Texas Real Estate Research Center at Texas A&M University

Table 6. Home Price-to-Income Multiplier for Repeat Buyers by Mortgage Interest Rate

Mortgage Interest Rate	Home Price-to-Income Multiplier
3%	3.73
4%	3.50
5%	3.28
5.62%	3.15
6%	3.08
6.5%	2.98
7%	2.89

Note: Assumes a 30-year loan term, 80 percent LTV ratio, 30 percent DTI ratio, and additional costs of homeownership at 4 percent of home price.

Source: Texas Real Estate Research Center at Texas A&M University

Table 7. Required Qualifying Income for Repeat Buyers by Mortgage Interest Rate

Year	Home Price	Mortgage Interest Rate						
		3%	4%	5%	5.62%	6%	6.5%	7%
3Q2011	\$190,000	\$50,967	\$54,360	\$57,972	\$60,314	\$61,786	\$63,763	\$65,784
3Q2012	\$204,400	\$54,830	\$58,480	\$62,366	\$64,885	\$66,469	\$68,596	\$70,769
3Q2013	\$220,000	\$59,014	\$62,943	\$67,126	\$69,837	\$71,542	\$73,831	\$76,171
3Q2014	\$240,000	\$64,379	\$68,665	\$73,228	\$76,186	\$78,045	\$80,543	\$83,095
3Q2015	\$255,000	\$68,403	\$72,957	\$77,805	\$80,948	\$82,923	\$85,577	\$88,289
3Q2016	\$275,000	\$73,768	\$78,679	\$83,907	\$87,297	\$89,427	\$92,289	\$95,213
3Q2017	\$294,000	\$78,865	\$84,115	\$89,704	\$93,328	\$95,606	\$98,665	\$101,792
3Q2018	\$312,500	\$83,827	\$89,408	\$95,349	\$99,201	\$101,622	\$104,873	\$108,197
3Q2019	\$325,000	\$87,180	\$92,985	\$99,163	\$103,169	\$105,687	\$109,068	\$112,525
3Q2020	\$368,000	\$98,715	\$105,287	\$112,283	\$116,819	\$119,670	\$123,499	\$127,413
3Q2021	\$491,750	\$131,910	\$140,693	\$150,041	\$156,102	\$159,912	\$165,029	\$170,259
3Q2022	\$525,000	\$140,829	\$150,206	\$160,186	\$166,657	\$170,724	\$176,187	\$181,771

Note: The required qualifying income reflects the minimum income a household must earn to qualify for a mortgage loan for a particular home price. Assumes a 30-year loan term, 80 percent LTV ratio, 30 percent DTI ratio, and additional costs of homeownership at 4 percent of home price.

Source: Texas Real Estate Research Center at Texas A&M University

Table 8. Percentage of Repeat Buyers Who Earned Required Qualifying Income by Mortgage Interest Rate

Year	Home Price	Mortgage Interest Rate						
		3%	4%	5%	5.62%	6%	6.5%	7%
3Q2011	\$190,000	73.3%	70.7%	67.9%	66.2%	65.0%	63.5%	62.0%
3Q2012	\$204,400	70.0%	67.3%	64.4%	62.6%	61.4%	59.8%	58.2%
3Q2013	\$220,000	67.5%	64.6%	61.5%	59.5%	58.2%	56.6%	55.0%
3Q2014	\$240,000	64.2%	61.1%	57.9%	55.9%	54.7%	53.2%	51.6%
3Q2015	\$255,000	62.0%	58.8%	55.6%	53.7%	52.4%	50.8%	49.1%
3Q2016	\$275,000	59.8%	56.7%	53.5%	51.4%	50.1%	48.3%	46.5%
3Q2017	\$294,000	58.9%	55.7%	52.3%	50.2%	48.8%	47.0%	45.4%
3Q2018	\$312,500	58.5%	55.3%	51.8%	49.6%	48.4%	46.9%	45.4%
3Q2019	\$325,000	58.8%	55.5%	52.0%	50.1%	49.0%	47.5%	45.9%
3Q2020	\$368,000	54.4%	51.2%	48.0%	45.9%	44.5%	42.7%	40.9%
3Q2021*	\$491,750	41.8%	37.7%	33.4%	33.2%	33.0%	32.9%	32.7%
3Q2022*	\$525,000	40.0%	35.8%	35.4%	35.2%	35.0%	34.8%	34.6%

Note: Assumes a 30-year loan term, 80 percent LTV ratio, 30 percent DTI ratio, and additional costs of homeownership at 4 percent of home price. As repeat homebuyers constitute owner-occupied households, this table reflects income data solely for owner-occupied households.

*Represents estimates using 2020 ACS 1-Year Experimental Data.

Sources: American Community Survey, U.S. Census Bureau, and Texas Real Estate Research Center at Texas A&M University

LTV Ratio

Holding home price constant, the total monthly mortgage payment increases as the LTV ratio increases (Table 9). For an 80 percent LTV ratio, the mortgage payment was \$4,166 for the median sales price in 3Q2022, nearly three times the total monthly mortgage payment for the median-priced home in 3Q2011.

Table 10 shows the home price-to-income multiplier by LTV ratio. An 80 percent LTV ratio translates into a home price-to-income multiplier of 3.15³, meaning a household could afford a maximum home price of 3.15 times its annual income. The home price-to-income multiplier declines as the LTV ratio increases.

The income required to qualify for a loan with an 80 percent LTV ratio was \$166,657 for the median sales price in 3Q2022 (Table 11). An estimated 35.2 percent of homeowners in the Austin-Round Rock-Georgetown MSA could afford the median sales price in 3Q2022 with an 80 percent LTV ratio (Table 12), a decline of over 30 percentage points from 3Q2011.

Table 9. Total Monthly Mortgage Payment for Repeat Buyers by LTV Ratio

Year	Home Price	LTV Ratio				
		80%	85%	90%	95%	100%
3Q2011	\$190,000	\$1,508	\$1,563	\$1,617	\$1,672	\$1,726
3Q2012	\$204,400	\$1,622	\$1,681	\$1,740	\$1,799	\$1,857
3Q2013	\$220,000	\$1,746	\$1,809	\$1,873	\$1,936	\$1,999
3Q2014	\$240,000	\$1,905	\$1,974	\$2,043	\$2,112	\$2,181
3Q2015	\$255,000	\$2,024	\$2,097	\$2,170	\$2,244	\$2,317
3Q2016	\$275,000	\$2,182	\$2,262	\$2,341	\$2,420	\$2,499
3Q2017	\$294,000	\$2,333	\$2,418	\$2,502	\$2,587	\$2,672
3Q2018	\$312,500	\$2,480	\$2,570	\$2,660	\$2,750	\$2,840
3Q2019	\$325,000	\$2,579	\$2,673	\$2,766	\$2,860	\$2,953
3Q2020	\$368,000	\$2,920	\$3,026	\$3,132	\$3,238	\$3,344
3Q2021	\$491,750	\$3,903	\$4,044	\$4,185	\$4,327	\$4,468
3Q2022	\$525,000	\$4,166	\$4,317	\$4,468	\$4,620	\$4,771

Note: Assumes a 30-year loan term, 5.62 percent mortgage interest rate, 30 percent DTI ratio, and additional costs of homeownership at 4 percent of home price. A mortgage insurance premium of 0.5 percent is added to loans with an LTV ratio of 90 percent or more.

Source: Texas Real Estate Research Center at Texas A&M University

³ The home price-to-income multiplier is based on a 30-year loan term, 5.62 percent mortgage interest rate, 30 percent DTI ratio, and property taxes and insurance of 4 percent. A 0.5 percent mortgage insurance premium is added to loans with a 90 percent or more LTV ratio.

**Table 10. Home Price-to-Income Multiplier
for Repeat Buyers by LTV Ratio**

LTV Ratio	Home Price-to-Income Multiplier
80%	3.15
85%	3.04
90%	2.94
95%	2.84
100%	2.75

Note: Assumes a 30-year loan term, 5.62 percent mortgage interest rate, 30 percent DTI ratio, and additional costs of homeownership at 4 percent of home price. A mortgage insurance premium of 0.5 percent is added to loans with an LTV ratio of 90 percent or more.

Source: Texas Real Estate Research Center at Texas A&M University

Table 11. Required Qualifying Income for Repeat Buyers by LTV Ratio

Year	Home Price	LTV Ratio				
		80%	85%	90%	95%	100%
3Q2011	\$190,000	\$60,314	\$62,500	\$64,687	\$66,873	\$69,059
3Q2012	\$204,400	\$64,885	\$67,237	\$69,589	\$71,941	\$74,293
3Q2013	\$220,000	\$69,837	\$72,369	\$74,900	\$77,432	\$79,963
3Q2014	\$240,000	\$76,186	\$78,948	\$81,709	\$84,471	\$87,233
3Q2015	\$255,000	\$80,948	\$83,882	\$86,816	\$89,751	\$92,685
3Q2016	\$275,000	\$87,297	\$90,461	\$93,625	\$96,790	\$99,954
3Q2017	\$294,000	\$93,328	\$96,711	\$100,094	\$103,477	\$106,860
3Q2018	\$312,500	\$99,201	\$102,797	\$106,393	\$109,988	\$113,584
3Q2019	\$325,000	\$103,169	\$106,908	\$110,648	\$114,388	\$118,128
3Q2020	\$368,000	\$116,819	\$121,053	\$125,288	\$129,522	\$133,757
3Q2021	\$491,750	\$156,102	\$161,761	\$167,419	\$173,078	\$178,736
3Q2022	\$525,000	\$166,657	\$172,698	\$178,739	\$184,780	\$190,822

Note: The required qualifying income reflects the minimum income a household must earn to qualify for a mortgage loan for a particular home price. Assumes a 30-year loan term, 5.62 percent mortgage interest rate, 30 percent DTI ratio, and additional costs of homeownership at 4 percent of home price. A mortgage insurance premium of 0.5 percent is added to loans with an LTV ratio of 90 percent or more.

Source: Texas Real Estate Research Center at Texas A&M University

Table 12. Percentage of Repeat Buyers Who Earned Required Qualifying Income by LTV Ratio

Year	Home Price	LTV Ratio				
		80%	85%	90%	95%	100%
3Q2011	\$190,000	66.2%	64.5%	62.8%	61.2%	59.5%
3Q2012	\$204,400	62.6%	60.8%	59.0%	57.3%	55.5%
3Q2013	\$220,000	59.5%	57.6%	55.8%	54.2%	52.6%
3Q2014	\$240,000	55.9%	54.2%	52.4%	50.7%	49.0%
3Q2015	\$255,000	53.7%	51.8%	50.0%	48.1%	46.3%
3Q2016	\$275,000	51.4%	49.4%	47.5%	45.5%	43.6%
3Q2017	\$294,000	50.2%	48.1%	46.1%	44.6%	43.1%
3Q2018	\$312,500	49.6%	47.8%	46.2%	44.6%	42.9%
3Q2019	\$325,000	50.1%	48.4%	46.7%	45.1%	43.4%
3Q2020	\$368,000	45.9%	43.9%	41.9%	39.9%	38.0%
3Q2021*	\$491,750	33.2%	33.0%	32.8%	32.6%	32.3%
3Q2022*	\$525,000	35.2%	34.9%	34.7%	34.5%	34.2%

Note: Assumes a 30-year loan term, 5.62 percent mortgage interest rate, 30 percent DTI ratio, and additional costs of homeownership at 4 percent of home price. A mortgage insurance premium of 0.5 percent is added to loans with an LTV ratio of 90 percent or more. As repeat homebuyers constitute owner-occupied households, this table reflects income data solely for owner-occupied households.

*Represents estimates using 2020 ACS 1-Year Experimental Data.

Sources: American Community Survey, U.S. Census Bureau, Texas Real Estate Research Center at Texas A&M University

DTI Ratio

A 30 percent DTI ratio translates into a home price-to-income multiplier of 3.15⁴ (Table 13), meaning a household could afford a maximum home price of 3.15 times its annual income at that interest rate. The home price-to-income multiplier increases as the DTI ratio increases.

The income required to qualify for a loan with a 30 percent DTI ratio was \$166,657 for the median sales price in 3Q2022 (Table 14). An estimated 35.2 percent of homeowners in the Austin-Round Rock-Georgetown MSA could afford the median sales price in 3Q2022 with a 30 percent DTI ratio (Table 15), a decline of over 30 percentage points from 3Q2011.

⁴ The home price-to-income multiplier is based on a 30-year loan term, 5.62 percent mortgage interest rate, 80 percent LTV ratio, and property taxes and insurance of 4 percent.

**Table 13. Home Price-to-Income Multiplier
for Repeat Buyers by DTI Ratio**

DTI Ratio	Home Price-to-Income Multiplier
20%	2.10
25%	2.63
30%	3.15
35%	3.68
40%	4.20
45%	4.73
50%	5.25

Note: Assumes a 30-year loan term, 5.62 percent mortgage interest rate, 80 percent LTV ratio, and additional costs of homeownership at 4 percent of home price.

Source: Texas Real Estate Research Center at Texas A&M University

Table 14. Required Qualifying Income for Repeat Buyers by DTI Ratio

Year	Home Price	DTI Ratio						
		20%	25%	30%	35%	40%	45%	50%
3Q2011	\$190,000	\$90,471	\$72,377	\$60,314	\$51,698	\$45,236	\$40,209	\$36,188
3Q2012	\$204,400	\$97,328	\$77,862	\$64,885	\$55,616	\$48,664	\$43,257	\$38,931
3Q2013	\$220,000	\$104,756	\$83,805	\$69,837	\$59,861	\$52,378	\$46,558	\$41,902
3Q2014	\$240,000	\$114,279	\$91,423	\$76,186	\$65,302	\$57,140	\$50,791	\$45,712
3Q2015	\$255,000	\$121,422	\$97,137	\$80,948	\$69,384	\$60,711	\$53,965	\$48,569
3Q2016	\$275,000	\$130,945	\$104,756	\$87,297	\$74,826	\$65,472	\$58,198	\$52,378
3Q2017	\$294,000	\$139,992	\$111,994	\$93,328	\$79,995	\$69,996	\$62,219	\$55,997
3Q2018	\$312,500	\$148,801	\$119,041	\$99,201	\$85,029	\$74,401	\$66,134	\$59,520
3Q2019	\$325,000	\$154,753	\$123,803	\$103,169	\$88,430	\$77,377	\$68,779	\$61,901
3Q2020	\$368,000	\$175,228	\$140,183	\$116,819	\$100,130	\$87,614	\$77,879	\$70,091
3Q2021	\$491,750	\$234,153	\$187,323	\$156,102	\$133,802	\$117,077	\$104,068	\$93,661
3Q2022	\$525,000	\$249,986	\$199,989	\$166,657	\$142,849	\$124,993	\$111,105	\$99,994

Note: The required qualifying income reflects the minimum income a household must earn to qualify for a mortgage loan for a particular home price. Assumes a 30-year loan term, 5.62 percent mortgage interest rate, 80 percent LTV ratio, and additional costs of homeownership at 4 percent of home price.

Source: Texas Real Estate Research Center at Texas A&M University

Table 15. Percentage of Repeat Buyers Who Earned Required Qualifying Income by DTI Ratio

Year	Home Price	DTI Ratio						
		20%	25%	30%	35%	40%	45%	50%
3Q2011	\$190,000	45.0%	57.0%	66.2%	72.7%	77.5%	81.1%	84.0%
3Q2012	\$204,400	40.9%	53.2%	62.6%	69.5%	74.6%	78.6%	81.7%
3Q2013	\$220,000	38.0%	50.2%	59.5%	66.8%	72.3%	76.6%	79.9%
3Q2014	\$240,000	35.0%	46.4%	55.9%	63.5%	69.4%	73.9%	77.4%
3Q2015	\$255,000	32.6%	43.5%	53.7%	61.3%	67.4%	72.1%	75.9%
3Q2016	\$275,000	30.1%	41.5%	51.4%	59.1%	65.4%	70.4%	74.3%
3Q2017	\$294,000	28.5%	40.9%	50.2%	58.2%	64.4%	69.5%	73.6%
3Q2018	\$312,500	26.9%	40.4%	49.6%	57.8%	64.0%	69.1%	73.2%
3Q2019	\$325,000	28.2%	40.8%	50.1%	58.1%	64.3%	69.3%	73.3%
3Q2020	\$368,000	29.5%	35.0%	45.9%	53.6%	60.5%	65.9%	70.3%
3Q2021*	\$491,750	30.3%	32.0%	33.2%	40.9%	48.7%	54.7%	59.9%
3Q2022*	\$525,000	31.9%	33.9%	35.2%	39.1%	47.4%	53.8%	59.0%

Note: Assumes a 30-year loan term, 5.62 percent mortgage interest rate, 80 percent LTV ratio, and additional costs of homeownership at 4 percent of home price. As repeat homebuyers constitute owner-occupied households, this table reflects income data solely for owner-occupied households.

*Represents estimates using 2020 ACS 1-Year Experimental Data.

Sources: American Community Survey, U.S. Census Bureau, and Texas Real Estate Research Center at Texas A&M University

Property Taxes and Insurance

Holding home price constant, the total monthly mortgage payment increases as the annual costs of property taxes and insurance increase (Table 16). Assuming the cost of property taxes and insurance is 4 percent of the home price, the monthly mortgage payment was \$4,166 for the median sales price in 3Q2022, nearly three times the total monthly mortgage payment for the median-priced home in 3Q2011.

Table 17 shows the home price-to-income multiplier by the costs of property taxes and insurance. A 4 percent property tax and insurance rate translates into a home price-to-income multiplier of 3.15⁵, meaning a household could afford a maximum home price of 3.15 times its annual income. The home price-to-income multiplier declines as the mortgage interest rate increases.

The income required to qualify for a loan with property taxes and insurance at 4 percent of home price was \$166,657 for the median sales price in 3Q2022 (Table 18). An estimated 35.2

⁵ The home price-to-income multiplier is based on a 30-year loan term, 5.62 percent mortgage interest rate, 80 percent LTV ratio, and 30 percent DTI ratio.

percent of homeowners in the Austin-Round Rock-Georgetown MSA could afford the median sales price in 3Q2022 with property taxes and insurance of percent of home price (Table 19), a decline of over 30 percentage points from 3Q2011.

Table 16. Total Monthly Mortgage Payment for Repeat Buyers by Additional Homeownership Costs

Year	Home Price	Property Taxes & Insurance				
		2%	3%	4%	5%	6%
3Q2011	\$190,000	\$1,191	\$1,350	\$1,508	\$1,666	\$1,825
3Q2012	\$204,400	\$1,281	\$1,452	\$1,622	\$1,792	\$1,963
3Q2013	\$220,000	\$1,379	\$1,563	\$1,746	\$1,929	\$2,113
3Q2014	\$240,000	\$1,505	\$1,705	\$1,905	\$2,105	\$2,305
3Q2015	\$255,000	\$1,599	\$1,811	\$2,024	\$2,236	\$2,449
3Q2016	\$275,000	\$1,724	\$1,953	\$2,182	\$2,412	\$2,641
3Q2017	\$294,000	\$1,843	\$2,088	\$2,333	\$2,578	\$2,823
3Q2018	\$312,500	\$1,959	\$2,220	\$2,480	\$2,740	\$3,001
3Q2019	\$325,000	\$2,038	\$2,308	\$2,579	\$2,850	\$3,121
3Q2020	\$368,000	\$2,307	\$2,614	\$2,920	\$3,227	\$3,534
3Q2021	\$491,750	\$3,083	\$3,493	\$3,903	\$4,312	\$4,722
3Q2022	\$525,000	\$3,291	\$3,729	\$4,166	\$4,604	\$5,041

Note: Assumes a 30-year loan term, 5.62 percent mortgage interest rate, 80 percent LTV ratio, and 30 percent DTI ratio.

Source: Texas Real Estate Research Center at Texas A&M University

Table 17. Home Price-to-Income Multiplier for Repeat Buyers by Additional Homeownership Costs

Property Taxes and Insurance	Home Price-to-Income Multiplier
2%	3.99
3%	3.52
4%	3.15
5%	2.85
6%	2.60

Note: Assumes a 30-year loan term, 5.62 percent mortgage interest rate, 80 percent LTV ratio, and 30 percent DTI ratio.

Source: Texas Real Estate Research Center at Texas A&M University

Table 18. Required Qualifying Income for Repeat Homebuyers by Additional Homeownership Costs

Year	Home Price	Property Taxes & Insurance				
		2%	3%	4%	5%	6%
3Q2011	\$190,000	\$47,647	\$53,981	\$60,314	\$66,647	\$72,981
3Q2012	\$204,400	\$51,259	\$58,072	\$64,885	\$71,699	\$78,512
3Q2013	\$220,000	\$55,171	\$62,504	\$69,837	\$77,171	\$84,504
3Q2014	\$240,000	\$60,186	\$68,186	\$76,186	\$84,186	\$92,186
3Q2015	\$255,000	\$63,948	\$72,448	\$80,948	\$89,448	\$97,948
3Q2016	\$275,000	\$68,963	\$78,130	\$87,297	\$96,463	\$105,630
3Q2017	\$294,000	\$73,728	\$83,528	\$93,328	\$103,128	\$112,928
3Q2018	\$312,500	\$78,367	\$88,784	\$99,201	\$109,617	\$120,034
3Q2019	\$325,000	\$81,502	\$92,335	\$103,169	\$114,002	\$124,835
3Q2020	\$368,000	\$92,285	\$104,552	\$116,819	\$129,085	\$141,352
3Q2021	\$491,750	\$123,319	\$139,711	\$156,102	\$172,494	\$188,886
3Q2022	\$525,000	\$131,657	\$149,157	\$166,657	\$184,157	\$201,657

Note: The required qualifying income reflects the minimum income a household must earn to qualify for a mortgage loan for a particular home price. Assumes a 30-year loan term, 5.62 percent mortgage interest rate, 80 percent LTV ratio, and 30 percent DTI ratio.

Source: Texas Real Estate Research Center at Texas A&M University

Table 19. Percentage of Repeat Homeowners Who Earned Required Qualifying Income by Additional Homeownership Costs

Year	Home Price	Property Taxes & Insurance				
		2%	3%	4%	5%	6%
3Q2011	\$190,000	75.7%	71.0%	66.2%	61.3%	56.5%
3Q2012	\$204,400	72.7%	67.6%	62.6%	57.5%	52.8%
3Q2013	\$220,000	70.3%	64.9%	59.5%	54.3%	49.7%
3Q2014	\$240,000	67.2%	61.5%	55.9%	50.9%	45.9%
3Q2015	\$255,000	65.1%	59.2%	53.7%	48.3%	43.0%
3Q2016	\$275,000	63.0%	57.0%	51.4%	45.7%	41.1%
3Q2017	\$294,000	62.0%	56.1%	50.2%	44.8%	40.5%
3Q2018	\$312,500	61.7%	55.6%	49.6%	44.7%	40.0%
3Q2019	\$325,000	62.0%	55.9%	50.1%	45.2%	40.4%
3Q2020	\$368,000	58.0%	51.6%	45.9%	40.1%	34.4%
3Q2021*	\$491,750	45.8%	38.2%	33.2%	32.6%	32.0%
3Q2022*	\$525,000	44.3%	36.2%	35.2%	34.5%	33.8%

Note: Assumes a 30-year loan term, 5.62 percent mortgage interest rate, 80 percent LTV ratio, and 30 percent DTI ratio. As repeat homebuyers constitute owner-occupied households, this table reflects income data solely for owner-occupied households.

*Represents estimates using 2020 ACS 1-Year Experimental Data.

Sources: American Community Survey, U.S. Census Bureau, and Texas Real Estate Research Center

First-Time Homebuyer

Higher mortgage interest rates and a still-elevated first-quartile sales price constrained purchase affordability for Austin-Round Rock-Georgetown's first-time buyers in 3Q2022. Table 20 shows the maximum home price affordable by family income and home-purchasing power. For example, households earning between \$33,100 and \$55,150 annually (i.e., between 31 and 50 percent of median family income) could afford a maximum home price between \$99,300 and \$165,450 with a home price-to-income multiplier of 3. Meanwhile, the range in the maximum home price affordable to that range in household income rises to between \$132,400 and \$220,600 should the home price-to-income multiplier measure 4.

Depending on the home price-to-income multiplier, only households earning approximately \$75,000 annually could afford the first-quartile sales price in 3Q2022. Homeownership is largely not feasible to households earning no more than 50 percent of Texas' median family income. In fact, homeownership really only becomes viable for households earning at least 80 percent of area median income. Even at that point it largely depends on whether mortgage lenders are willing to accept loans with high home price-to-income multipliers. Moreover, few homes are available for sale at these income thresholds. For instance, with a home price-to-income multiplier of 3, only 2 percent of homes for sale were affordable to households earning no more than 80 percent of area median income in 3Q2022 (Table 21).

Table 20. Maximum Home Price Affordable by Family Income and Home Price-to-Income Multiplier

		Home Price-to-Income Multiplier							
	Family Income	2	2.5	3	3.5	4	4.5	5	5.5
	\$20,000	\$40,000	\$50,000	\$60,000	\$70,000	\$80,000	\$90,000	\$100,000	\$110,000
	\$25,000	\$50,000	\$62,500	\$75,000	\$87,500	\$100,000	\$112,500	\$125,000	\$137,500
	\$30,000	\$60,000	\$75,000	\$90,000	\$105,000	\$120,000	\$135,000	\$150,000	\$165,000
Extremely Low-Income (30%)	\$33,100	\$66,200	\$82,750	\$99,300	\$115,850	\$132,400	\$148,950	\$165,500	\$182,050
	\$35,000	\$70,000	\$87,500	\$105,000	\$122,500	\$140,000	\$157,500	\$175,000	\$192,500
	\$40,000	\$80,000	\$100,000	\$120,000	\$140,000	\$160,000	\$180,000	\$200,000	\$220,000
	\$45,000	\$90,000	\$112,500	\$135,000	\$157,500	\$180,000	\$202,500	\$225,000	\$247,500
	\$50,000	\$100,000	\$125,000	\$150,000	\$175,000	\$200,000	\$225,000	\$250,000	\$275,000
Very Low-Income (50%)	\$55,150	\$110,300	\$137,875	\$165,450	\$193,025	\$220,600	\$248,175	\$275,750	\$303,325
	\$60,000	\$120,000	\$150,000	\$180,000	\$210,000	\$240,000	\$270,000	\$300,000	\$330,000
	\$65,000	\$130,000	\$162,500	\$195,000	\$227,500	\$260,000	\$292,500	\$325,000	\$357,500
	\$70,000	\$140,000	\$175,000	\$210,000	\$245,000	\$280,000	\$315,000	\$350,000	\$385,000
	\$75,000	\$150,000	\$187,500	\$225,000	\$262,500	\$300,000	\$337,500	\$375,000	\$412,500
	\$80,000	\$160,000	\$200,000	\$240,000	\$280,000	\$320,000	\$360,000	\$400,000	\$440,000
	\$85,000	\$170,000	\$212,500	\$255,000	\$297,500	\$340,000	\$382,500	\$425,000	\$467,500
Low-Income (80%)	\$88,250	\$176,500	\$220,625	\$264,750	\$308,875	\$353,000	\$397,125	\$441,250	\$485,375

Note: Figures in red indicate the maximum affordable home price meets or exceeds the first-quartile home sales price.

Source: Texas Real Estate Research Center at Texas A&M University

Table 21. Percentage of Homes Sold in 3Q2022 Affordable by Family Income and Home Price-to-Income Multiplier

	Family Income	Home Price-to-Income Multiplier							
		2	2.5	3	3.5	4	4.5	5	5.5
Extremely Low-Income (0-30%)	\$20,000	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%
	\$25,000	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%
	\$30,000	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.2%	0.3%
	\$33,100	0.0%	0.1%	0.1%	0.1%	0.1%	0.2%	0.3%	0.4%
Very Low-Income (31-50%)	\$35,000	0.0%	0.1%	0.1%	0.1%	0.1%	0.3%	0.3%	0.5%
	\$40,000	0.0%	0.1%	0.1%	0.1%	0.3%	0.4%	0.6%	0.9%
	\$45,000	0.1%	0.1%	0.1%	0.3%	0.4%	0.6%	0.9%	1.4%
	\$50,000	0.1%	0.1%	0.2%	0.3%	0.6%	0.9%	1.6%	2.7%
	\$55,150	0.1%	0.1%	0.3%	0.5%	0.9%	1.4%	2.7%	4.5%
Low-Income (51-80%)	\$60,000	0.1%	0.2%	0.4%	0.8%	1.2%	2.4%	4.5%	7.6%
	\$65,000	0.1%	0.3%	0.6%	1.0%	1.9%	3.5%	7.0%	12.4%
	\$70,000	0.1%	0.3%	0.8%	1.3%	2.9%	5.9%	11.6%	18.6%
	\$75,000	0.2%	0.4%	0.9%	1.9%	4.5%	8.7%	16.5%	26.3%
	\$80,000	0.3%	0.6%	1.2%	2.9%	6.3%	13.2%	23.6%	32.8%
	\$85,000	0.3%	0.8%	1.8%	3.9%	9.2%	17.7%	29.6%	38.5%
	\$88,250	0.4%	0.9%	2.0%	4.9%	11.8%	21.4%	32.9%	42.7%

Source: Texas Real Estate Research Center at Texas A&M University

Mortgage Interest Rate

Holding home price constant, the total monthly mortgage payment increases as the mortgage interest rate increases (Table 22). A 5.62 percent rate brought the mortgage payment to \$3,723 for the first-quartile sales price in 3Q2022, over three times the total monthly mortgage payment for the same home in 3Q2011.

Table 23 shows the home price-to-income multiplier by mortgage interest rate. A 5.62 percent interest rate translates into a home price-to-income multiplier of 3.2⁶, meaning a household could afford a maximum home price of 3.2 times its annual income. The home price-to-income multiplier declines as the mortgage interest rate increases.

⁶ The home price-to-income multiplier is based on a 30-year loan term, 95 percent LTV ratio, 35 percent DTI ratio, and property taxes and insurance of 4 percent.

The income required to qualify for a loan with a 5.62 percent mortgage interest rate was \$127,644 for the first-quartile sales price in 3Q2022 (Table 24). An estimated 14.4 percent of renters in the Austin-Round Rock-Georgetown MSA could afford the first-quartile sales price in 3Q2022 with a 5.62 percent interest rate (Table 25), a decline of 30 percentage points from 3Q2011.

Table 22. Total Monthly Mortgage Payment for First-Time Buyers by Mortgage Interest Rate

Year	Home Price	Mortgage Interest Rate						
		3%	4%	5%	5.62%	6%	6.5%	7%
3Q2011	\$134,000	\$1,018	\$1,092	\$1,169	\$1,220	\$1,251	\$1,294	\$1,337
3Q2012	\$145,000	\$1,102	\$1,181	\$1,265	\$1,320	\$1,354	\$1,400	\$1,447
3Q2013	\$159,503	\$1,212	\$1,299	\$1,392	\$1,452	\$1,489	\$1,540	\$1,591
3Q2014	\$175,000	\$1,330	\$1,426	\$1,527	\$1,593	\$1,634	\$1,689	\$1,746
3Q2015	\$192,000	\$1,459	\$1,564	\$1,676	\$1,748	\$1,793	\$1,854	\$1,915
3Q2016	\$210,000	\$1,596	\$1,711	\$1,833	\$1,912	\$1,961	\$2,027	\$2,095
3Q2017	\$225,000	\$1,710	\$1,833	\$1,964	\$2,048	\$2,101	\$2,172	\$2,245
3Q2018	\$237,000	\$1,801	\$1,931	\$2,068	\$2,157	\$2,213	\$2,288	\$2,364
3Q2019	\$245,000	\$1,862	\$1,996	\$2,138	\$2,230	\$2,288	\$2,365	\$2,444
3Q2020	\$275,000	\$2,090	\$2,240	\$2,400	\$2,503	\$2,568	\$2,655	\$2,743
3Q2021	\$385,000	\$2,926	\$3,137	\$3,360	\$3,504	\$3,595	\$3,717	\$3,841
3Q2022	\$409,000	\$3,108	\$3,332	\$3,569	\$3,723	\$3,819	\$3,948	\$4,080

Note: Assumes a 30-year loan term, 95 percent LTV ratio, 35 percent DTI ratio, and additional costs of homeownership at 4 percent of home price.

Source: Texas Real Estate Research Center at Texas A&M University

Table 23. Home Price-to-Income Multiplier for First-Time Buyers by Mortgage Interest Rate

Mortgage Interest Rate	Home Price-to-Income Multiplier
3%	3.84
4%	3.58
5%	3.34
5.62%	3.20
6%	3.12
6.5%	3.02
7%	2.92

Note: Assumes a 30-year loan term, 95 percent LTV ratio, 35 percent DTI ratio, and additional costs of homeownership at 4 percent of home price.

Source: Texas Real Estate Research Center at Texas A&M University

Table 24. Required Qualifying Income by Mortgage Interest Rate

Year	Home Price	Mortgage Interest Rate						
		3%	4%	5%	5.62%	6%	6.5%	7%
3Q2011	\$134,000	\$34,913	\$37,429	\$40,096	\$41,820	\$42,901	\$44,352	\$45,832
3Q2012	\$145,000	\$37,779	\$40,501	\$43,387	\$45,253	\$46,423	\$47,993	\$49,594
3Q2013	\$159,503	\$41,558	\$44,552	\$47,727	\$49,779	\$51,066	\$52,793	\$54,555
3Q2014	\$175,000	\$45,596	\$48,881	\$52,364	\$54,615	\$56,028	\$57,922	\$59,855
3Q2015	\$192,000	\$50,025	\$53,630	\$57,451	\$59,921	\$61,471	\$63,549	\$65,670
3Q2016	\$210,000	\$54,715	\$58,657	\$62,837	\$65,538	\$67,233	\$69,507	\$71,826
3Q2017	\$225,000	\$58,623	\$62,847	\$67,325	\$70,220	\$72,036	\$74,471	\$76,957
3Q2018	\$237,000	\$61,749	\$66,199	\$70,916	\$73,965	\$75,878	\$78,443	\$81,061
3Q2019	\$245,000	\$63,834	\$68,433	\$73,310	\$76,462	\$78,439	\$81,091	\$83,797
3Q2020	\$275,000	\$71,650	\$76,813	\$82,286	\$85,824	\$88,044	\$91,021	\$94,058
3Q2021	\$385,000	\$100,310	\$107,538	\$115,201	\$120,154	\$123,261	\$127,429	\$131,681
3Q2022	\$409,000	\$106,563	\$114,242	\$122,382	\$127,644	\$130,945	\$135,373	\$139,890

Note: The required qualifying income reflects the minimum income a household must earn to qualify for a mortgage loan for a particular home price. Assumes a 30-year loan term, 95 percent LTV ratio, 35 percent DTI ratio, and additional costs of homeownership at 4 percent of home price.

Source: Texas Real Estate Research Center at Texas A&M University

Table 25. Percentage of Renter-Occupied Households That Earned Required Qualifying Income by Mortgage Interest Rate

Year	Home Price	Mortgage Interest Rate						
		3%	4%	5%	5.62%	6%	6.5%	7%
3Q2011	\$134,000	52.5%	49.6%	46.4%	44.4%	43.1%	41.4%	39.7%
3Q2012	\$145,000	50.2%	47.0%	43.6%	41.4%	40.0%	38.1%	36.2%
3Q2013	\$159,503	46.5%	43.0%	39.3%	36.9%	35.9%	34.7%	33.4%
3Q2014	\$175,000	43.3%	39.5%	36.5%	34.8%	33.8%	32.4%	31.0%
3Q2015	\$192,000	40.2%	37.5%	34.7%	32.8%	31.7%	30.1%	28.6%
3Q2016	\$210,000	39.6%	36.4%	33.1%	31.0%	29.6%	27.8%	26.0%
3Q2017	\$225,000	39.1%	35.7%	32.0%	29.6%	28.1%	26.1%	24.8%
3Q2018	\$237,000	39.4%	35.6%	31.7%	29.1%	27.8%	26.7%	25.5%
3Q2019	\$245,000	40.5%	36.6%	32.6%	30.4%	29.5%	28.2%	26.9%
3Q2020	\$275,000	36.8%	33.1%	30.3%	28.4%	27.3%	25.7%	24.1%
3Q2021*	\$385,000	22.0%	19.8%	17.5%	16.0%	15.1%	13.9%	12.6%
3Q2022*	\$409,000	21.2%	18.7%	16.1%	14.4%	13.3%	11.8%	10.4%

Note: Assumes a 30-year loan term, 95 percent LTV ratio, 35 percent DTI ratio, and additional costs of homeownership at 4 percent of home price. As first-time homebuyers constitute renter-occupied households, this table reflects income data solely for renter-occupied households.

*Represents estimates using 2020 ACS 1-Year Experimental Data.

Sources: American Community Survey, U.S. Census Bureau, and Texas Real Estate Research Center at Texas A&M University

LTV Ratio

Holding home price constant, the total monthly mortgage payment increases as the LTV ratio increases (Table 26). For a 95 percent LTV ratio, this payment amounted to \$3,723 for the first-quartile sales price in 3Q2022, over three times the total monthly mortgage payment for the same home in 3Q2011.

Table 27 shows the home price-to-income multiplier by LTV ratio. A 95 percent LTV ratio translates into a home price-to-income multiplier of 3.2⁷, meaning a household could afford a maximum home price of 3.2 times its annual income. The home price-to-income multiplier declines as the LTV ratio increases.

The income required to qualify for a loan with a 95 percent LTV ratio was \$127,644 for the first-quartile sales price in 3Q2022 (Table 28). An estimated 14.4 percent of renters in the Austin-Round Rock-Georgetown MSA could afford the first-quartile sales price in 3Q2022 with a 95 percent LTV ratio (Table 29), a decline of 30 percentage points from 3Q2011.

Table 26. Total Monthly Mortgage Payment by LTV Ratio

Year	Home Price	LTV Ratio				
		95%	96.5%	97%	98%	100%
3Q2011	\$134,000	\$1,220	\$1,232	\$1,236	\$1,244	\$1,260
3Q2012	\$145,000	\$1,320	\$1,333	\$1,337	\$1,346	\$1,364
3Q2013	\$159,503	\$1,452	\$1,466	\$1,471	\$1,481	\$1,500
3Q2014	\$175,000	\$1,593	\$1,609	\$1,614	\$1,625	\$1,646
3Q2015	\$192,000	\$1,748	\$1,765	\$1,771	\$1,783	\$1,806
3Q2016	\$210,000	\$1,912	\$1,931	\$1,937	\$1,950	\$1,975
3Q2017	\$225,000	\$2,048	\$2,069	\$2,075	\$2,089	\$2,116
3Q2018	\$237,000	\$2,157	\$2,179	\$2,186	\$2,200	\$2,229
3Q2019	\$245,000	\$2,230	\$2,252	\$2,260	\$2,275	\$2,305
3Q2020	\$275,000	\$2,503	\$2,528	\$2,537	\$2,553	\$2,587
3Q2021	\$385,000	\$3,504	\$3,540	\$3,551	\$3,575	\$3,621
3Q2022	\$409,000	\$3,723	\$3,760	\$3,773	\$3,797	\$3,847

Note: Assumes a 30-year loan term, 5.62 percent mortgage interest rate, 0.5 percent mortgage insurance premium, 35 percent DTI ratio, and additional costs of homeownership at 4 percent of home price.

Source: Texas Real Estate Research Center at Texas A&M University

⁷ The home price-to-income multiplier is based on a 30-year loan term, 5.62percent mortgage interest rate, 0.5 percent mortgage insurance premium, 35 percent DTI ratio, and property taxes and insurance of 4 percent.

**Table 27. Home Price-to-Income Multiplier
for First-Time Buyers by LTV Ratio**

LTV Ratio	Home-Purchasing Power
95%	3.20
96.5%	3.17
97%	3.16
98%	3.14
100%	3.10

Note: Assumes a 30-year loan term, 5.62 percent mortgage interest rate, 0.5 percent mortgage insurance premium, 35 percent DTI ratio, and additional costs of homeownership at 4 percent of home price.

Source: Texas Real Estate Research Center at Texas A&M University

Table 28. Required Qualifying Income by LTV Ratio

Year	Home Price	LTV Ratio				
		95%	96.5%	97%	98%	100%
3Q2011	\$134,000	\$41,820	\$42,238	\$42,378	\$42,657	\$43,215
3Q2012	\$145,000	\$45,253	\$45,706	\$45,857	\$46,158	\$46,762
3Q2013	\$159,503	\$49,779	\$50,277	\$50,443	\$50,775	\$51,439
3Q2014	\$175,000	\$54,615	\$55,162	\$55,344	\$55,708	\$56,437
3Q2015	\$192,000	\$59,921	\$60,521	\$60,720	\$61,120	\$61,920
3Q2016	\$210,000	\$65,538	\$66,194	\$66,413	\$66,850	\$67,725
3Q2017	\$225,000	\$70,220	\$70,922	\$71,157	\$71,625	\$72,562
3Q2018	\$237,000	\$73,965	\$74,705	\$74,952	\$75,445	\$76,432
3Q2019	\$245,000	\$76,462	\$77,227	\$77,482	\$77,992	\$79,012
3Q2020	\$275,000	\$85,824	\$86,683	\$86,969	\$87,542	\$88,687
3Q2021	\$385,000	\$120,154	\$121,356	\$121,757	\$122,559	\$124,162
3Q2022	\$409,000	\$127,644	\$128,921	\$129,347	\$130,199	\$131,902

Note: The required qualifying income reflects the minimum income a household must earn to qualify for a mortgage loan for a particular home price. Assumes a 30-year loan term, 5.62 percent mortgage interest rate, 0.5 percent mortgage insurance premium, 35 percent DTI ratio, and additional costs of homeownership at 4 percent of home price.

Source: Texas Real Estate Research Center at Texas A&M University

Table 29. Percentage of Renter-Occupied Households That Earned Required Qualifying Income by LTV Ratio

Year	Home Price	LTV Ratio				
		95%	96.5%	97%	98%	100%
3Q2011	\$134,000	44.4%	43.9%	43.7%	43.4%	42.8%
3Q2012	\$145,000	41.4%	40.8%	40.6%	40.3%	39.6%
3Q2013	\$159,503	36.9%	36.4%	36.3%	36.1%	35.6%
3Q2014	\$175,000	34.8%	34.4%	34.3%	34.0%	33.5%
3Q2015	\$192,000	32.8%	32.4%	32.2%	32.0%	31.4%
3Q2016	\$210,000	31.0%	30.4%	30.3%	29.9%	29.2%
3Q2017	\$225,000	29.6%	29.1%	28.9%	28.5%	27.7%
3Q2018	\$237,000	29.1%	28.5%	28.3%	28.0%	27.6%
3Q2019	\$245,000	30.4%	30.1%	29.9%	29.7%	29.2%
3Q2020	\$275,000	28.4%	28.0%	27.8%	27.5%	26.9%
3Q2021*	\$385,000	16.0%	15.7%	15.6%	15.3%	14.8%
3Q2022*	\$409,000	14.4%	13.9%	13.8%	13.5%	13.0%

Note: Assumes a 30-year loan term, 5.62 percent mortgage interest rate, 0.5 percent mortgage insurance premium, 35 percent DTI ratio, and additional costs of homeownership at 4 percent of home price. As first-time homebuyers constitute renter-occupied households, this table reflects income data solely for renter-occupied households.

*Represents estimates using 2020 ACS 1-Year Experimental Data.

Sources: American Community Survey, U.S. Census Bureau, and Texas Real Estate Research Center at Texas A&M University

DTI Ratio

A 35 percent DTI ratio translates into a home price-to-income multiplier of 3.2⁸ (Table 30), meaning a household could afford a maximum home price of 3.2 times its annual income. The home price-to-income multiplier increases as the DTI ratio increases.

The income required to qualify for a loan with a 35 percent DTI ratio was \$127,644 for the first-quartile sales price in 3Q2022 (Table 31). An estimated 14.4 percent of Texas households could afford the first-quartile sales price in 3Q2022 with a 35 percent DTI ratio (Table 32), a decline of 30 percentage points from 3Q2011.

⁸ The home price-to-income multiplier is based on a 30-year loan term, 5.62 percent mortgage interest rate, 0.5 percent mortgage insurance premium, 95 percent LTV ratio, and property taxes and insurance of 4 percent.

**Table 30. Home Price-to-Income Multiplier
for First-Time Buyers by DTI Ratio**

DTI Ratio	Home Price-to-Income Multiplier
20%	1.83
25%	2.29
30%	2.75
35%	3.20
40%	3.66
45%	4.12
50%	4.58

Note: Assumes a 30-year loan term, 5.62 percent mortgage interest rate, 0.5 percent mortgage insurance premium, 95 percent LTV ratio, and additional costs of homeownership at 4 percent of home price.

Source: Texas Real Estate Research Center at Texas A&M University

Table 31. Required Qualifying Income for First-Time Buyers by DTI Ratio

Year	Home Price	DTI Ratio						
		20%	25%	30%	35%	40%	45%	50%
3Q2011	\$134,000	\$73,185	\$58,548	\$48,790	\$41,820	\$36,592	\$32,526	\$29,274
3Q2012	\$145,000	\$79,192	\$63,354	\$52,795	\$45,253	\$39,596	\$35,197	\$31,677
3Q2013	\$159,503	\$87,113	\$69,691	\$58,075	\$49,779	\$43,557	\$38,717	\$34,845
3Q2014	\$175,000	\$95,577	\$76,462	\$63,718	\$54,615	\$47,788	\$42,479	\$38,231
3Q2015	\$192,000	\$104,862	\$83,889	\$69,908	\$59,921	\$52,431	\$46,605	\$41,945
3Q2016	\$210,000	\$114,692	\$91,754	\$76,462	\$65,538	\$57,346	\$50,974	\$45,877
3Q2017	\$225,000	\$122,885	\$98,308	\$81,923	\$70,220	\$61,442	\$54,615	\$49,154
3Q2018	\$237,000	\$129,438	\$103,551	\$86,292	\$73,965	\$64,719	\$57,528	\$51,775
3Q2019	\$245,000	\$133,808	\$107,046	\$89,205	\$76,462	\$66,904	\$59,470	\$53,523
3Q2020	\$275,000	\$150,192	\$120,154	\$100,128	\$85,824	\$75,096	\$66,752	\$60,077
3Q2021	\$385,000	\$210,269	\$168,215	\$140,179	\$120,154	\$105,135	\$93,453	\$84,108
3Q2022	\$409,000	\$223,377	\$178,701	\$148,918	\$127,644	\$111,688	\$99,279	\$89,351

Note: The required qualifying income reflects the minimum income a household must earn to qualify for a mortgage loan for a particular home price. Assumes a 30-year loan term, 5.62 percent mortgage interest rate, 0.5 percent mortgage insurance premium, 95 percent LTV ratio, and additional costs of homeownership at 4 percent of home price.

Source: Texas Real Estate Research Center at Texas A&M University

**Table 32. Percentage of Households That Earned
Required Qualifying Income by DTI Ratio**

Year	Home Price	DTI Ratio						
		20%	25%	30%	35%	40%	45%	50%
3Q2011	\$134,000	17.7%	28.5%	36.2%	44.4%	50.5%	56.0%	60.6%
3Q2012	\$145,000	16.5%	26.3%	33.8%	41.4%	48.0%	53.2%	58.1%
3Q2013	\$159,503	14.5%	22.7%	30.9%	36.9%	44.1%	49.8%	54.3%
3Q2014	\$175,000	12.0%	19.3%	28.1%	34.8%	40.8%	46.8%	51.7%
3Q2015	\$192,000	10.8%	18.0%	25.4%	32.8%	38.4%	44.2%	49.5%
3Q2016	\$210,000	10.4%	16.4%	22.8%	31.0%	37.5%	42.6%	47.9%
3Q2017	\$225,000	10.2%	15.4%	22.6%	29.6%	36.8%	42.4%	47.2%
3Q2018	\$237,000	10.4%	16.0%	23.1%	29.1%	36.9%	42.9%	47.8%
3Q2019	\$245,000	10.9%	17.3%	24.2%	30.4%	37.9%	44.1%	49.1%
3Q2020	\$275,000	7.5%	15.6%	21.0%	28.4%	34.0%	40.8%	46.3%
3Q2021*	\$385,000	6.6%	7.0%	10.1%	16.0%	20.5%	25.7%	30.8%
3Q2022*	\$409,000	6.3%	6.8%	7.4%	14.4%	19.5%	23.8%	29.6%

Note: Assumes a 30-year loan term, 5.62 percent mortgage interest rate, 0.5 percent mortgage insurance premium, 95 percent LTV ratio, and additional costs of homeownership at 4 percent of home price. As first-time homebuyers constitute renter-occupied households, this table reflects income data solely for renter-occupied households.

*Represents estimates using 2020 ACS 1-Year Experimental Data.

Sources: American Community Survey, U.S. Census Bureau, and Texas Real Estate Research Center at Texas A&M University

Property Taxes and Insurance

Holding home price constant, the total monthly mortgage payment increases as additional annual homeownership costs (property taxes and insurance) increase (Table 33). With a rate of 4 percent of home price, this payment amounted to \$3,723 for the first-quartile sales price in 3Q2022, over three times the total monthly mortgage payment for the same home in 3Q2011.

Table 34 shows the home price-to-income multiplier by the costs of property taxes and insurance. A 4 percent property tax and insurance rate translates into a home price-to-income multiplier of 3.2⁹, meaning a household could afford a maximum home price of 3.2 times its annual income. The home price-to-income multiplier declines as the mortgage interest rate increases.

The income required to qualify for a loan with property taxes and insurance at 4 percent of home price was \$127,644 for the first-quartile sales price in 3Q2022 (Table 35). An estimated 14.4 percent of Texas households could afford the first-quartile sales price in 3Q2022 with

⁹ The home price-to-income multiplier is based on a 30-year loan term, 5.62 percent mortgage interest rate, 0.5 percent mortgage insurance premium, 95 percent LTV ratio, and 35 percent DTI ratio.

property taxes and insurance at 4 percent of home price (Table 36), a decline of 30 percentage points from 3Q2011.

**Table 33. Total Monthly Mortgage Payment
by Additional Homeownership Costs**

Year	Home Price	Property Taxes & Insurance				
		2%	3%	4%	5%	6%
3Q2011	\$134,000	\$996	\$1,108	\$1,220	\$1,331	\$1,443
3Q2012	\$145,000	\$1,078	\$1,199	\$1,320	\$1,441	\$1,562
3Q2013	\$159,503	\$1,186	\$1,319	\$1,452	\$1,585	\$1,718
3Q2014	\$175,000	\$1,301	\$1,447	\$1,593	\$1,739	\$1,885
3Q2015	\$192,000	\$1,428	\$1,588	\$1,748	\$1,908	\$2,068
3Q2016	\$210,000	\$1,562	\$1,737	\$1,912	\$2,087	\$2,262
3Q2017	\$225,000	\$1,673	\$1,861	\$2,048	\$2,236	\$2,423
3Q2018	\$237,000	\$1,762	\$1,960	\$2,157	\$2,355	\$2,552
3Q2019	\$245,000	\$1,822	\$2,026	\$2,230	\$2,434	\$2,638
3Q2020	\$275,000	\$2,045	\$2,274	\$2,503	\$2,732	\$2,962
3Q2021	\$385,000	\$2,863	\$3,184	\$3,504	\$3,825	\$4,146
3Q2022	\$409,000	\$3,041	\$3,382	\$3,723	\$4,064	\$4,405

Note: Assumes a 30-year loan term, 5.62 percent mortgage interest rate, 0.5 percent mortgage insurance premium, 95 percent LTV ratio, and 35 percent DTI ratio.

Source: Texas Real Estate Research Center at Texas A&M University

**Table 34. Home Price-to-Income Multiplier for First-Time
Buyers by Additional Homeownership Costs**

Property Taxes & Insurance	Home Price-to-Income Multiplier
2%	3.92
3%	3.53
4%	3.20
5%	2.94
6%	2.71

Note: Assumes a 30-year loan term, 5.62 percent mortgage interest rate, 0.5 percent mortgage insurance premium, 95 percent LTV ratio, and 35 percent DTI ratio.

Source: Texas Real Estate Research Center at Texas A&M University

Table 35. Required Qualifying Income by Additional Homeownership Costs

Year	Home Price	Property Taxes & Insurance				
		2%	3%	4%	5%	6%
3Q2011	\$134,000	\$34,163	\$37,991	\$41,820	\$45,648	\$49,477
3Q2012	\$145,000	\$36,967	\$41,110	\$45,253	\$49,396	\$53,538
3Q2013	\$159,503	\$40,664	\$45,222	\$49,779	\$54,336	\$58,893
3Q2014	\$175,000	\$44,615	\$49,615	\$54,615	\$59,615	\$64,615
3Q2015	\$192,000	\$48,949	\$54,435	\$59,921	\$65,407	\$70,892
3Q2016	\$210,000	\$53,538	\$59,538	\$65,538	\$71,538	\$77,538
3Q2017	\$225,000	\$57,363	\$63,791	\$70,220	\$76,648	\$83,077
3Q2018	\$237,000	\$60,422	\$67,193	\$73,965	\$80,736	\$87,508
3Q2019	\$245,000	\$62,462	\$69,462	\$76,462	\$83,462	\$90,462
3Q2020	\$275,000	\$70,110	\$77,967	\$85,824	\$93,681	\$101,538
3Q2021	\$385,000	\$98,154	\$109,154	\$120,154	\$131,154	\$142,154
3Q2022	\$409,000	\$104,272	\$115,958	\$127,644	\$139,330	\$151,015

Note: The required qualifying income reflects the minimum income a household must earn to qualify for a mortgage loan for a particular home price. Assumes a 30-year loan term, 5.62 percent mortgage interest rate, 0.5 percent mortgage insurance premium, 95 percent LTV ratio, and 35 percent DTI ratio.

Source: Texas Real Estate Research Center at Texas A&M University

Table 36. Percentage of Households That Earned the Required Qualifying Income by Additional Homeownership Costs

Year	Home Price	Property Taxes & Insurance				
		2%	3%	4%	5%	6%
3Q2011	\$134,000	53.6%	48.9%	44.4%	39.9%	35.4%
3Q2012	\$145,000	50.1%	45.2%	40.4%	35.5%	32.2%
3Q2013	\$159,503	45.8%	40.4%	35.1%	31.6%	28.3%
3Q2014	\$175,000	41.1%	35.3%	31.4%	27.7%	24.0%
3Q2015	\$192,000	36.0%	31.5%	27.5%	23.5%	19.4%
3Q2016	\$210,000	32.2%	27.8%	23.4%	18.9%	15.5%
3Q2017	\$225,000	29.4%	24.6%	19.9%	15.8%	13.6%
3Q2018	\$237,000	27.1%	22.1%	17.2%	14.4%	12.1%
3Q2019	\$245,000	25.6%	20.5%	15.9%	13.5%	11.1%
3Q2020	\$275,000	20.0%	15.4%	12.7%	10.0%	7.6%
3Q2021*	\$385,000	24.4%	20.4%	16.8%	13.2%	9.6%
3Q2022*	\$409,000	21.9%	18.2%	14.4%	10.6%	7.1%

Note: Because first-time homebuyers constitute renter-occupied households, this table reflects income data solely for renter-occupied households. Assumes a 30-year loan term, 5.62 percent mortgage interest rate, 0.5 percent mortgage insurance premium, 95 percent LTV ratio, and 35 percent DTI ratio.

*Represents estimates using 2020 ACS 1-Year Experimental Data.

Sources: American Community Survey, U.S. Census Bureau, and Texas Real Estate Research Center at Texas A&M University

Overview of Housing Affordability

Housing affordability persistently proves one of the most salient topics in housing markets across the state. Although definitions vary, housing affordability broadly denotes the relationship between home price (or rent) and household (or family) income.¹⁰ As such, housing affordability generally reflects the two housing tenures: owner- and renter-occupied housing. However, Center economists further classify owner-occupied housing affordability into two distinct categories: purchase and repayment affordability.

This report focuses only on purchase affordability. Purchase affordability measures the ability of a household to buy a home. In other words, it reflects home-purchasing potential. Repayment affordability, on the other hand, measures an existing homeowner's ability to make timely monthly mortgage payments. While purchase affordability involves all potential homebuyers, regardless of whether a household already owns a home, repayment affordability solely involves current homeowners (i.e., only owner-occupied households).

Measuring Purchase Affordability

The vast majority of homebuyers—86 percent in Texas in 2020—rely on mortgage financing to purchase a home. As such, purchase affordability largely acts as a function of income, wealth, and credit. These three factors typically constitute the primary determinants of a mortgage applicant's creditworthiness, or the applicant's ability to repay the mortgage loan, a factor heavily weighed by the mortgage lender in the decision to extend mortgage financing to an applicant. In mortgage financing, income, wealth, and credit materialize through the debt-to-income ratio (DTI), loan-to-value (LTV) ratio, and credit score.¹¹

Other factors that affect purchase affordability include the mortgage interest rate, any additional costs of borrowing mortgage capital (such as the mortgage insurance premium, which is generally charged if the LTV ratio is 80 percent or higher), and the additional costs of homeownership—property taxes and insurance.

Table 37 shows how characteristics of a mortgage loan or applicant affect the maximum home price affordable to a particular household. Holding all else equal, an increase in the loan term decreases the total monthly mortgage payment, which increases the maximum affordable home price. Meanwhile, an increase in the DTI ratio also raises the maximum affordable home price. However, an increase in the mortgage interest rate, LTV ratio, additional costs of

¹⁰ Household income reflects all households in the income distribution, including both family and nonfamily households, which consist of a householder living alone or a householder who shares his/her home with individual(s) of no relation to him/her. Meanwhile, family income includes only households in which the householder lives with at least one other related family member.

¹¹ There are two types of DTI ratios: "front-end" and "back-end" ratios. The front-end DTI ratio measures mortgage debt as a percentage of household income, while the back-end ratio reflects total household debt—mortgage loans, car loans, credit card loans, student loans, etc.—as a percentage of household income. Should mortgage debt equal \$800 per month and the monthly household income equal \$2,400, then the front-end DTI ratio is 30 percent. Should total household debt equal \$1,200 per month, then the back-end DTI ratio is 50 percent. This report uses the front-end DTI ratio. The LTV ratio measures the household's down payment as a percentage of the home price. A 5 percent down payment translates into a 95 percent LTV ratio.

homeownership, and additional costs of borrowing mortgage capital increase the total monthly mortgage payment, which decreases the maximum affordable home price and reduces home-purchasing potential.

Table 37. How Loan, Applicant Characteristics Affect Purchase Affordability

Loan or Applicant Characteristics	Effect on Purchase Affordability
Mortgage interest rate	An increase in the mortgage interest rate diminishes purchase affordability
Loan term	An increase in the loan term increases purchase affordability
LTV ratio	An increase in the loan-to-value ratio diminishes purchase affordability
DTI ratio	An increase in the DTI ratio increases purchase affordability
Additional costs of homeownership (property taxes and insurance)	An increase in the additional costs of homeownership diminishes purchase affordability
Additional costs of borrowing mortgage capital (such as the mortgage insurance premium)	An increase in the additional costs of borrowing mortgage capital diminishes purchase affordability

Source: Texas Real Estate Research Center at Texas A&M University

The Center uses the home price-to-income multiplier (also known as “home-purchasing power”) to find the ratio between home price and household income, or the maximum home price affordable to a household of a particular income. For example, a multiplier of 3 indicates a household could afford a home priced at three times the household’s income (so, a household earning \$50,000 annually could afford a maximum home price of \$150,000).

The multiplier generally measures lower for conventional borrowers, a function of the lower DTI ratios that such borrowers tend to present, and higher for first-time borrowers, who depict higher DTI ratios. The home price-to-income multiplier typically measures around 3 for the repeat homebuyer, and between 3 and 4 for first-time homebuyers.

This report computes purchase affordability for both repeat and first-time homebuyers. For the repeat buyer, calculations in this report assume the prevailing mortgage interest rate (5.62 percent in 3Q2022)¹², 80 percent LTV ratio, 30 percent DTI ratio, and property taxes and insurance of 4 percent of home value. First-time homebuyers, who tend to be younger and therefore have not accumulated as much wealth or achieved peak earnings, tend to have higher LTV and DTI ratios. The lower income, wealth, and credit of first-time homebuyers generally reduces the maximum home price affordable to them. The calculations of purchase affordability for first-time homebuyers reflect the prevailing mortgage interest rate (5.62 percent in 3Q2022),

¹² The source for the prevailing mortgage interest rate is FRED/Freddie Mac.

0.5 percent mortgage insurance premium, 95 percent LTV ratio, 35 percent DTI ratio, and property taxes and insurance of 4 percent of home value.



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RUSSELL CAIN Port Lavaca	TED NELSON Houston
VICKI FULLERTON The Woodlands	BECKY VAJDAK Temple
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