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Texas Housing Affordability Index

It is common knowledge that housing in Texas is more affordable than in most other parts of the country. Just how much more affordable is clearer in light of changes to the Real Estate Center's Texas Housing Affordability Index (THAI). The Texas median-income family earns 79 percent more than necessary to acquire the median-priced Texas home at \$129,100.

The equation for the affordability index is: $\text{Index} = \frac{\text{Median Family Income (MFI)}}{\text{Required Income to Qualify for a Conventional Purchase Mortgage (RI)}}$ Where: $\text{RI} = \frac{\text{Required Monthly Mortgage Payment} \times 12}{\text{Qualifying Ratio (QR)}}$

The qualifying ratio is the lender-stipulated maximum ratio of monthly mortgage payment to gross monthly income allowed for a borrower to qualify for a mortgage loan. The required monthly mortgage payment is the amount the borrower will have to pay on an 80 percent, conventional mortgage at the effective interest rate for the area.

What this all means in generic terms is that it is easier for the average family living in Texas to purchase a home than for the average family living in most other areas of the country.

Posted by Christina Whipple at 15:00