

Stretched Thin

The Impact of Rising Housing Expenses
on America's Owners and Renters



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By
Maya Brennan and Barbara J. Lipman
Center for Housing Policy

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Maya Brennan, a Research Associate at the Center for Housing Policy, earned a Master of Science in Urban Policy degree from the Milano Graduate School for Management and Urban Policy at the New School in New York. She was honored by the Milano faculty with a Jacob M. Kaplan award for academic excellence and contributions to the field of urban policy. She previously served as a Research Assistant to the New York-based Community Development Research Center.

Barbara J. Lipman is Research Director at the Center for Housing Policy. Previously, she served three years as Housing Privatization Advisor for the U.S. Agency for International Development, based in Kiev, Ukraine. Ms. Lipman was Director of Housing Research at the National Association of Realtors from 1989-1993 and, prior to that, worked on domestic and international housing and community development issues as a Research Associate for The Urban Institute.

About the Funder

The Chicago Dwellings Association is the oldest not for profit affordable housing developer in the City of Chicago. Founded in 1948, CDA is celebrating 60 years of providing quality affordable housing and services to Chicago's working families, the elderly, students, and medical professionals, as well as families of critically ill local hospital patients.

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Executive Summary

THE FORECLOSURE CRISIS has brought housing to the top of the national agenda and raised questions about the widespread use of subprime and exotic mortgages to boost homeownership. Our research, however, suggests that mortgage payments are only one of several factors contributing to the challenge of rising housing expenses, and that this problem is adversely affecting virtually all segments of the housing market — homeowners and renters, new and longtime homeowners, and households with and without mortgages. Other components of housing costs — notably property taxes, property insurance, and rents — have actually increased faster than mortgage costs. And with rising fuel prices, utility costs appear well on their way to causing additional hardship.

This report draws on the Consumer Expenditure Survey and other sources to put housing expenses in the context of the typical household budget. The conclusions are sobering: many components of housing costs have increased substantially faster than incomes. These housing cost increases could compromise the ability of both homeowners and renters to stay in their homes.

Key Findings

Over the 1996 to 2006 period, a growing share of household income was devoted to housing. In 2006, homeowners typically spent 26.2 percent of their income — up from 21.5 percent in 1996 — while among renters, housing consumed 29.4 percent of income — up from 25.6 percent ten years earlier. These averages mask wide variation. Nearly one-in-six households — nine million homeowners, nine million renters — spent more than half their income on housing in 2006 — a share of income far in excess of the 30 percent threshold generally deemed “affordable.” Most tellingly, the increase in housing expenses between 1996 and 2006 far exceeded increases in other essentials. Housing expenses increased by an average of \$5,314 (64.9 percent) during this period, substantially more than food (\$1,413 or 30 percent) and transportation (\$2,126 or 33.3 percent) and even outpacing healthcare (\$996 or 56.3 percent). Incomes for all households rose 35.8 percent over the same period.

Over the decade, all the major categories of homeowner expenses increased faster than incomes. Mortgage payments increased 46 percent, utilities 43 percent, property taxes 66 percent, and property insurance 83 percent. By contrast, homeowner incomes increased by 36.3 percent.

Rental costs also increased faster than incomes. Rents increased by 51 percent between 1996 and 2006, while renter incomes increased only 31.4 percent over the same period. Moreover, the costs of owning and maintaining rental properties

have also been affected by the cost trends examined in this report — and will likely be passed along to tenants through rent increases.

Current Trends

Comprehensive data on household expenses are currently available only through 2006. But more recent data on specific housing expenses indicate where we're likely to be heading, helping to identify public policy changes that could reduce the adverse impacts on household budgets.

Rising Utility Costs. Costs are on the rise for utilities, particularly natural gas and fuel oil. Currently, a patchwork of federal, state, and local programs assist residents with utility bills and modest energy improvements. However, these are largely stopgap measures. What is needed — especially in the face of galloping fuel oil and natural gas costs — is a more systematic approach to making existing buildings — both owned and rental — more energy-efficient.

Rising Transportation Costs. Shortages of affordable homes close to job centers drove many households to buy on the fringes of metropolitan areas where homes were more affordable. But with rising gas prices, they are now saddled with huge transportation costs. To reduce the combined burdens of housing and transportation costs, incentives are needed for the production of more affordable housing near transit, jobs, and other amenities. Increased investment in public transit, including buses, also would help lighten the load.

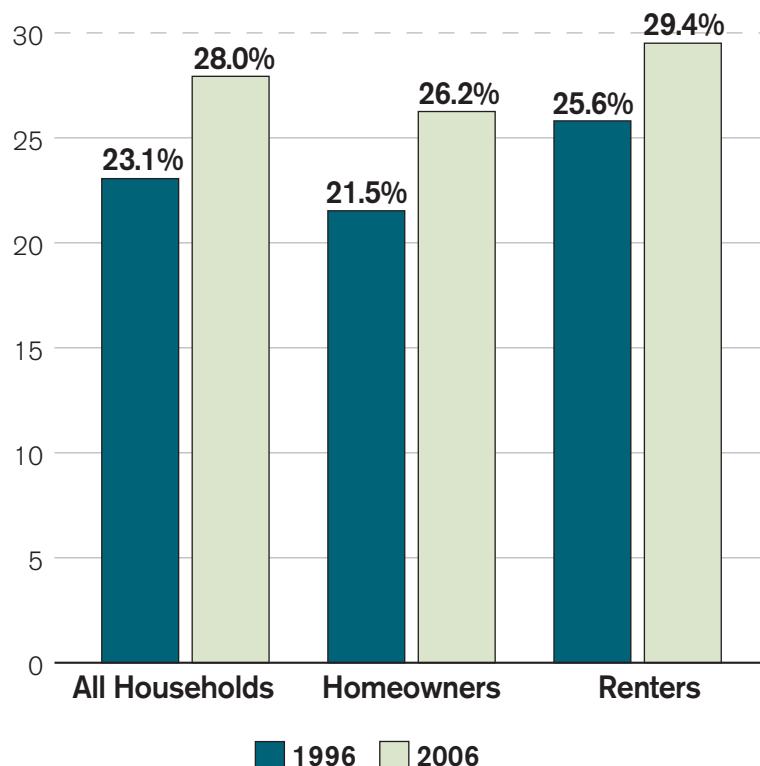
Declining Home Prices but Rising Rents. As housing prices have declined from their mid-decade peaks, they are now somewhat more affordable — though still out of reach of millions of households around the country. However, because credit has tightened and non-traditional mortgage products are harder to come by, mortgage costs have not come down as fast as prices. Similarly, because assessed home values in many areas never reached the levels of peak home prices, property taxes have not necessarily declined as fast as home prices. At the same time, the rental market appears to have tightened, leading to further increase in rents — all while the economy as a whole is struggling.

In short, the nation's housing challenges extend beyond the subprime mortgage crisis. After the crisis passes, what will remain are the daily challenges many American households face in meeting all of their housing expenses while having enough left over for other essentials. Where public policies can play a part — particularly with utility and transportation costs — the budgets of American households can be stretched a little less thin.

American Households are Spending Growing Shares of Income on Housing

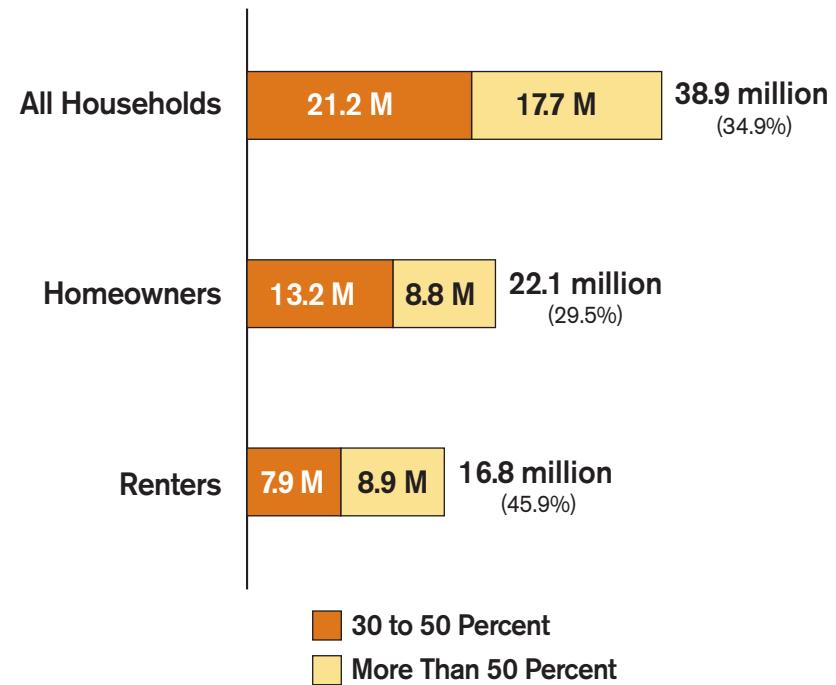
Over the 1996 to 2006 period, growing shares of household income were devoted to housing. In 2006, homeowners typically spent 26.2 percent of their income — up from 21.5 percent — while among renters, housing consumed 29.4 percent of income — up from 25.6 percent ten years earlier. These averages mask wide variation. Nearly one-in-six households — 9 million homeowners, 9 million renters — spent more than half their income on housing — a share of income far in excess of the 30 percent threshold generally deemed “affordable.”

Share of Median Household Income Typically Spent on Housing, 1996 and 2006



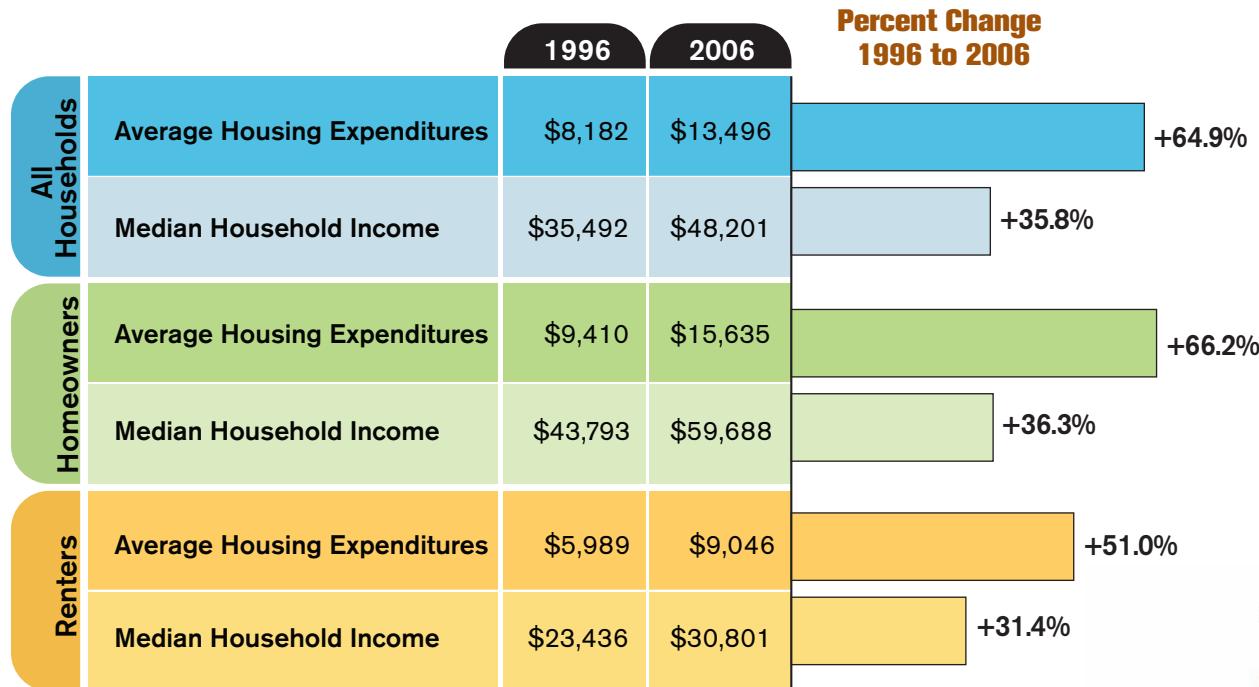
Source: Current Population Survey, Consumer Expenditure Survey, and the authors' calculations.

Number of Households Spending 30 Percent or More of Income on Housing in 2006



Source: Joint Center for Housing Studies of Harvard University tabulations of the 2006 American Community Survey as published in *The State of the Nation's Housing 2008*, and the authors' calculations.

Median Household Income and Average Housing Expenditures



Source: Current Population Survey, Consumer Expenditure Survey, and the authors' calculations.



Incomes Have Not Kept Pace with Rising Homeowner and Renter Expenses

Housing expenses — which include rent or mortgage payments as well as the cost of utilities, property taxes, insurance, and maintenance — grew at a pace that far outstripped growth in median income. Among homeowners, housing expenses increased by 66 percent over the 1996 to 2006 period, while incomes grew by about 36 percent. Similarly, expense increases among renters of 51 percent were not offset by income growth, which lagged behind at 31 percent. In general, the median income of renters is only slightly more than half the median income of homeowners — a ratio that did not improve over the ten-year period.

The Household Budget



+**\$5,314**



HOUSING

1996.....	\$8,182
2006.....	\$13,496
Percent Change, 1996 to 2006.....	64.9%



+**\$2,126**

TRANSPORTATION

1996.....	\$6,382
2006.....	\$8,508
Percent Change, 1996 to 2006.....	33.3%



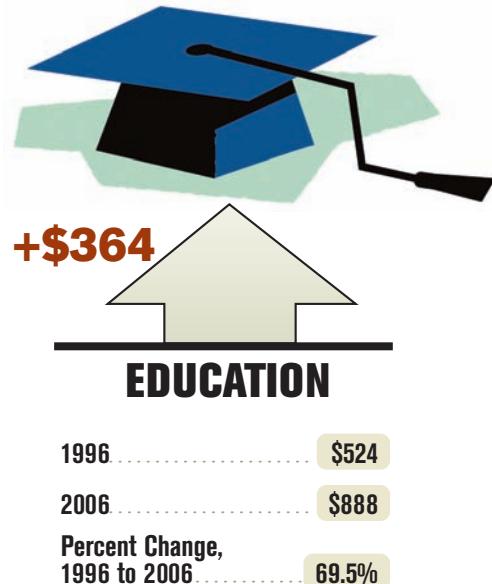
+**\$1,412**

FOOD

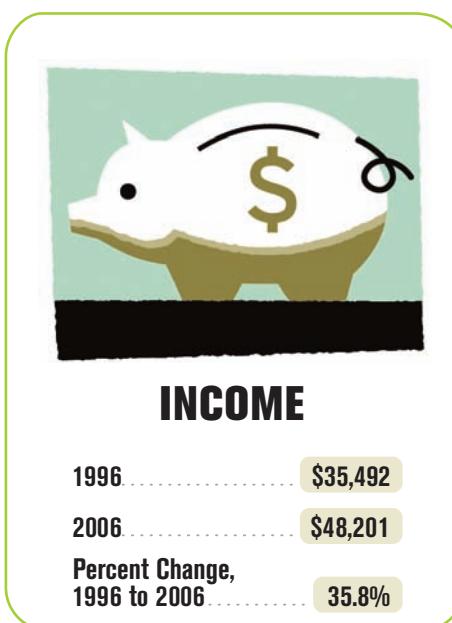
1996.....	\$4,699
2006.....	\$6,111
Percent Change, 1996 to 2006.....	30.1%

Stretched Thin

Change in Average Annual Expenditures 1996 to 2006



Household budgets have been stretched thin by increased costs of essentials — particularly housing, transportation, and food. The increase in housing expenses between 1996 and 2006 took the largest bite out of families' budgets compared to other essentials. Housing expenses increased by an average of \$5,314 (64.9 percent), substantially more than other major expenses such as food (\$1,412 or 30.1 percent), transportation (\$2,126 or 33.3 percent), and even outpacing healthcare (\$996 or 56.3 percent). Median incomes for all families rose 35.8 percent over the same period.



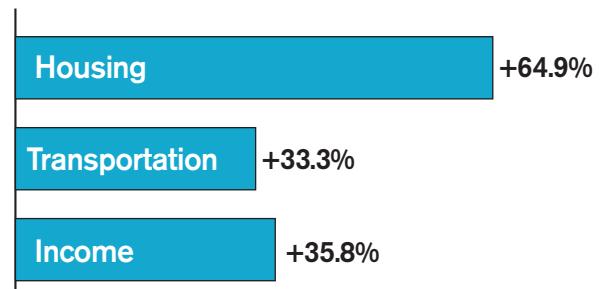
Source: Consumer Expenditure Survey, Current Population Survey, and the authors' calculations.

Rising Gasoline Prices Are Likely to Fuel an Increase in Transportation Expenses

The one-third increase in average transportation expenses shown between 1996 and 2006 occurred before the recent spike in gasoline prices. High gas prices combined with a heavy reliance on private vehicles for commuting portends greater increases in transportation expenses in the coming years.

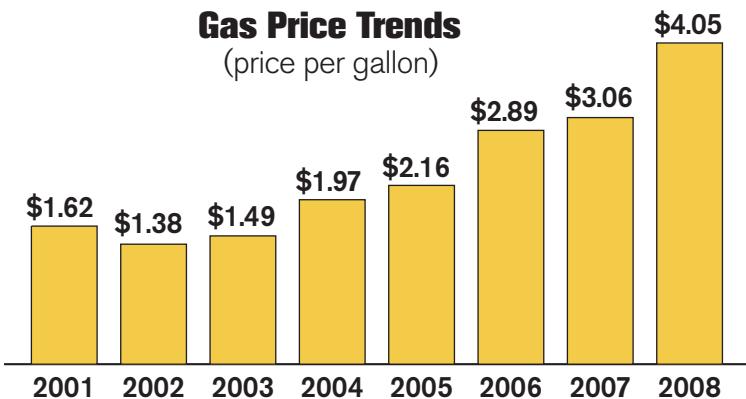


Housing and Transportation Expenses: Percent Change, 1996 to 2006



Source: Current Population Survey, Consumer Expenditure Survey, and the authors' calculations.

Gas Price Trends (price per gallon)



Source: Energy Information Administration.

How Low- to Moderate-Income Workers Get to Work

Metro Area	Percent Private Vehicle	Percent Public Transit	Percent Biking or Walking	Percent Working from Home or Other
Atlanta, GA	89.8%	5.4%	1.5%	3.2%
Boston, MA	79.8%	11.9%	5.4%	2.9%
Chicago, IL	79.2%	13.5%	4.1%	3.3%
Houston, TX	90.5%	4.0%	2.5%	3.0%
Los Angeles, CA	85.2%	6.7%	4.0%	4.0%

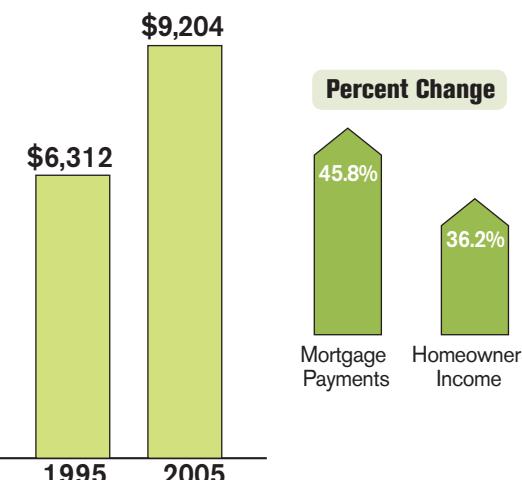
Source: Center for Neighborhood Technology calculations from the 2000 U.S. Census.



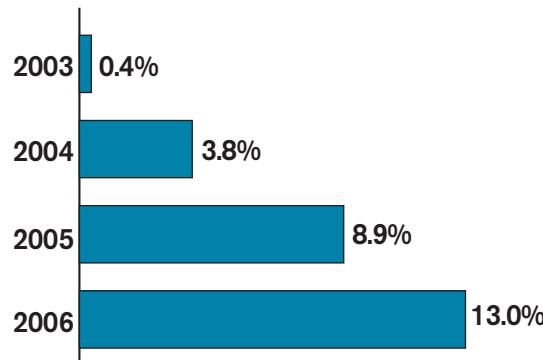
Mortgage Costs Increased More Than Income Nationally

Mortgage Payments¹

Median Annual Principal and Interest for Homeowners with a Mortgage



Option ARM Loans as a Share of New Mortgages³



Home Prices and Incomes in Five Metro Areas: 2006²

Metro Area	Median Home Price	Median Homeowner Income	Percent Income Needed for Principal & Interest
Atlanta, GA	\$186,000	\$69,503	20.0%
Boston, MA	\$355,000	\$83,756	31.7%
Chicago, IL	\$254,000	\$71,646	26.5%
Houston, TX	\$169,000	\$67,010	18.9%
Los Angeles, CA	\$523,000	\$78,949	49.5%
NATIONAL	\$248,000	\$59,688	31.1%

Sources: ¹American Housing Survey and Current Population Survey, ²Center for Housing Policy Paycheck to Paycheck, Current Population Survey, American Community Survey and the authors' calculations, and ³First American Loan Performance, as reported by the *Washington Post*.

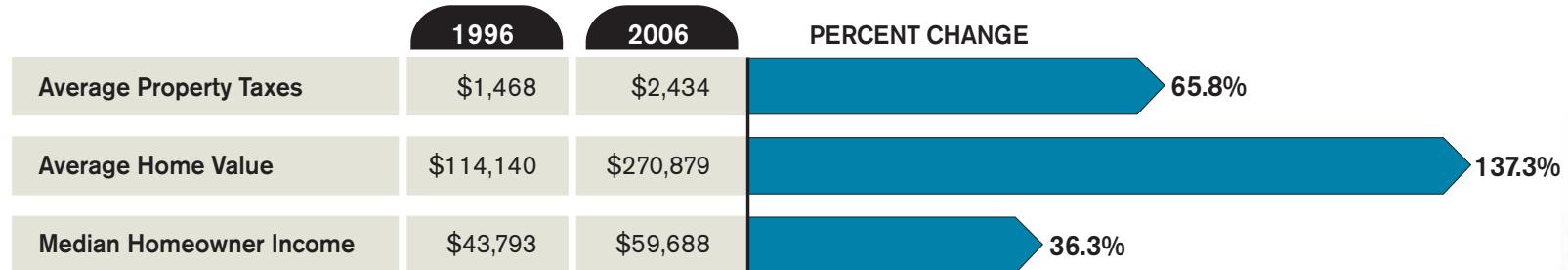
Mortgage Costs Vary Across the Country

Home prices, and therefore mortgage burdens, vary tremendously across housing markets. For example, the typical mortgage payment on a newly purchased median-priced home in 2006 was 31 percent of median homeowner income nationally, but ranged from a low of 19 percent in Houston to a high of 49.5 percent in Los Angeles.

Mortgage principal and interest payments are generally the largest housing expense for homeowners with mortgages, consuming over one fifth of homeowners' incomes. Over the 1995 to 2005 period, these payments increased almost 46 percent, outpacing the increase in median homeowner income of just over 36 percent.

Tellingly, the figures here do not fully reflect interest rate re-sets and the aftermath of the increasing use of Option ARMs — adjustable rate mortgages in which borrowers can choose their payment levels. As the increase in Option ARMs between 2003 and 2006 suggests, more homeowners may face payment shocks and increases in housing cost burdens in the coming years — factors that may extend and deepen the current foreclosure crisis.

Property Taxes Paid by Homeowners, 1996 and 2006



Source: Current Population Survey, Consumer Expenditure Survey, and the authors' calculations.



Property Tax Bills Vary Substantially Across the Nation, 2006

Metro Area	Median Property Taxes, 2006	Median Home Value, 2006
Atlanta (Fulton County, GA)	\$2,679	\$270,000
Boston (Suffolk County, MA)	\$2,819	\$418,500
Chicago (Cook County, IL)	\$3,334	\$273,300
Houston (Harris County, TX)	\$2,802	\$126,000
Los Angeles (Los Angeles County, CA)	\$2,651	\$574,100

Source: The Tax Foundation's calculations from the American Community Survey.

Property Taxes Increased Faster Than Incomes, but Some of the Most Vulnerable Families Have Been Protected

Unlike mortgages that eventually can be paid off, property taxes are a recurring expense for all homeowners. Typically, property taxes account for just over four percent of homeowners' overall incomes. From 1996 to 2006, average property tax bills increased nearly 66 percent, a rate far above the 36.3 percent change in homeowner income, but less than half the rise in average home values of 137.3 percent. Many states have taken steps to protect low-income families, or older homeowners on fixed incomes, from rapid increases in taxes by instituting "circuit breakers" or limits on taxes owed. More than half had a circuit breaker to reduce property taxes for the elderly, disabled, or low-income homeowners.

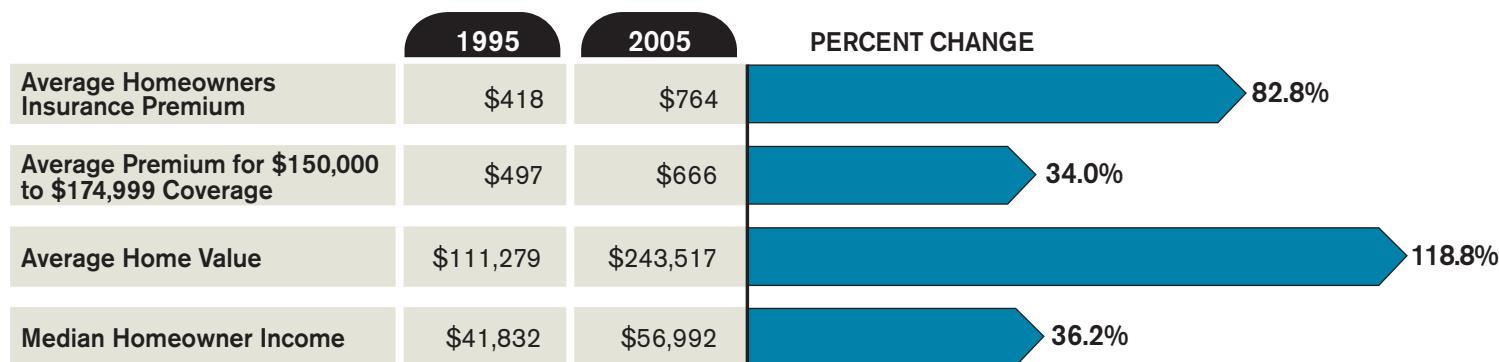
Property Taxes: What Does the Future Hold?

Because many jurisdictions limit rates of growth in property value assessments, assessments in many areas never reached the heights of peak market values. As a result, property tax bills in some areas may have continued to rise (or at least not declined) even as market values were declining in the 2005 to 2008 period. Where market values have declined substantially, tax bills may be flat or even reduced for individual property owners. However, tax reductions mean some localities may be hard-pressed to maintain the quality and quantity of local services — water, roads, or even schools — that in turn, affect property values.

Homeowner Insurance Payments Rose Substantially Due to Disaster Risks and a Rise in Home Construction Costs

The average cost of homeowner insurance rose nearly 83 percent over the 1995 to 2005 period, likely as a result of disaster risks and increases in construction costs and the cost of repairs. The average premium for a flat level of coverage (e.g., \$150,000) increased more or less in tandem with the rise in homeowner incomes over the period 1995 to 2005. Homeowner insurance premiums are a relatively small part of homeowners' budgets, at just over one percent of incomes. Unfortunately, future spikes in insurance costs may be in store. Recent disasters such as Hurricane Katrina, flooding in the Midwest, and fires in California have caused large-scale losses. As a result, in some communities private insurance for disasters may not be available and in other areas, premiums for homeowner insurance may increase substantially.

Annual Property Insurance Payments, 1995 and 2005



Another common expense for homeowners

Private Mortgage Insurance (PMI)

PMI is calculated as a percent of the mortgage.

Increases in typical PMI payments over the last 10 years have been due to larger mortgages. According to industry representatives, the base rates have stayed the same.

For a median-priced home in 2007, PMI would cost between \$600 and \$1,000 per year.

Differences in Property Insurance Premiums by State, 1995 and 2005

	Georgia	Illinois	Massachusetts	Texas
Average Premium, 2005	\$672	\$660	\$827	\$1,372
Percent Change in Premium, 1995 to 2005	67.2%	101.8%	67.4%	74.8%
Percent Change in Household Income, 1995–1996 to 2005–2006 (All Households)	43.2%	25.3%	42.9%	30.3%

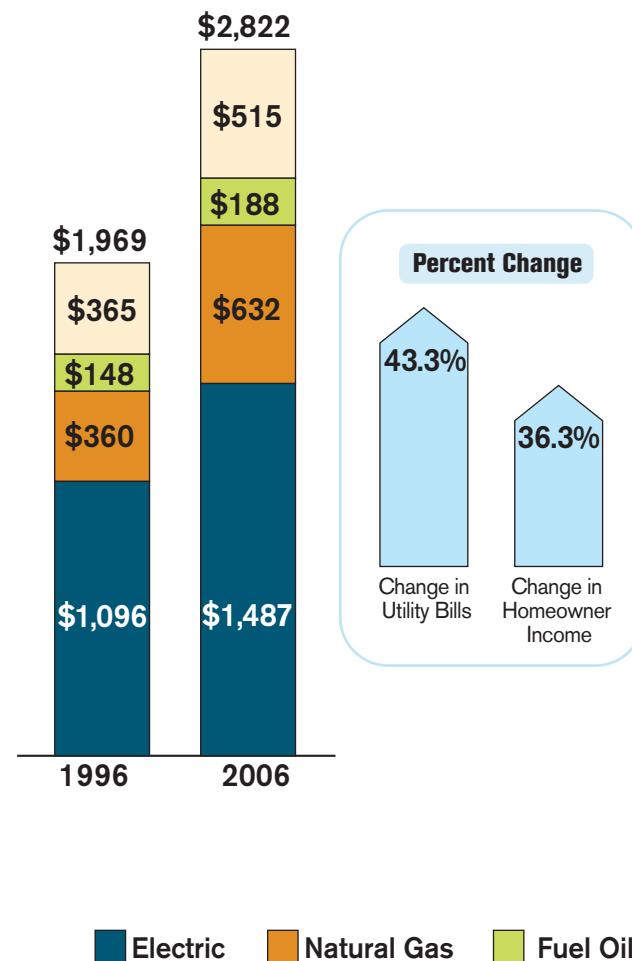
Source: The National Association of Insurance Commissioners (NAIC) (see disclaimer in Appendix), Current Population Survey, and the authors' calculations.

Utility Bills Rose Faster Than Homeowner Incomes

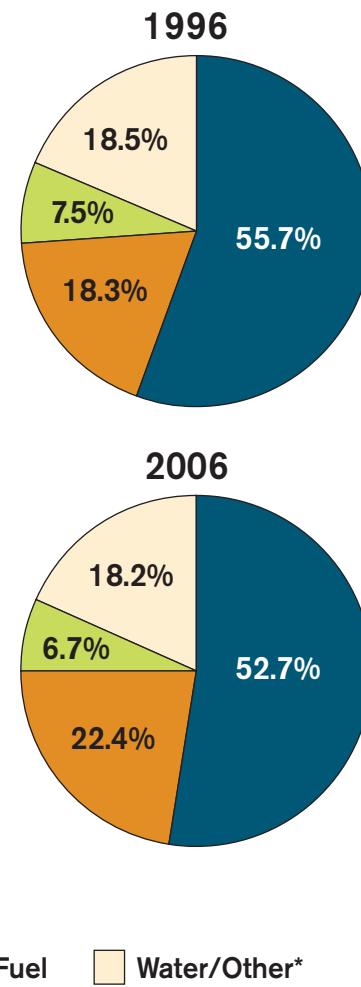
Homeowners' average total utility bills rose 43 percent between 1996 and 2006, in contrast with a rise of 36 percent in homeowners' median incomes. Over half of average utility spending is for electricity. Utility bills consume nearly five percent of median homeowner income.



Average Total Utility Bill: Homeowners
1996–2006



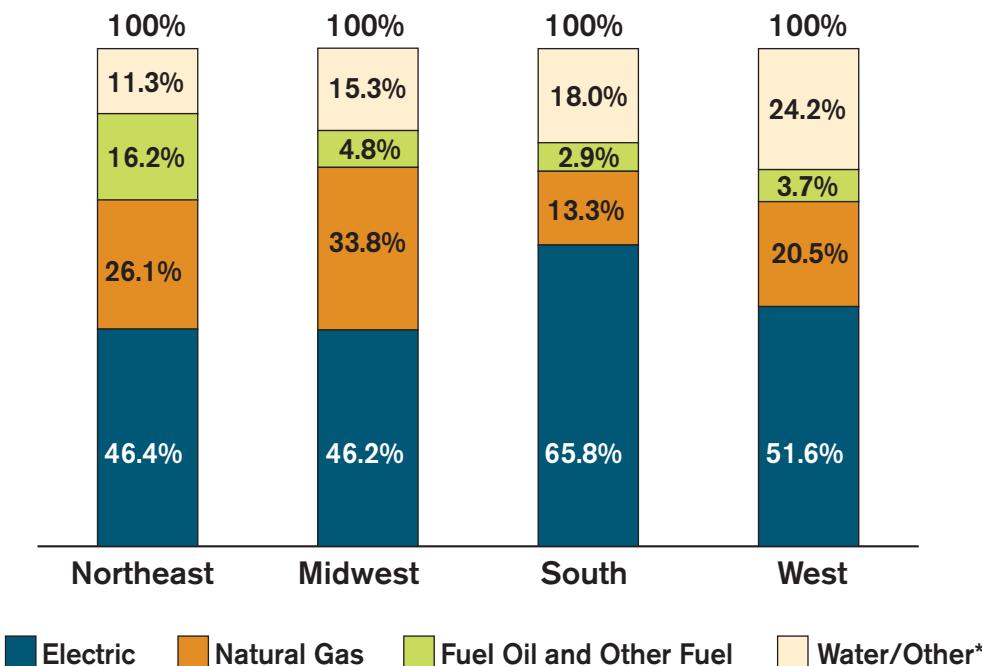
Components of the Average Utility Bill



Source: Current Population Survey, Consumer Expenditure Survey, and the authors' calculations.

*Water/other includes water, sewer, trash, and septic bills.

Utility Usage by Region, 2005-2006 Average: All Households (Percent of Total Utility Bill)



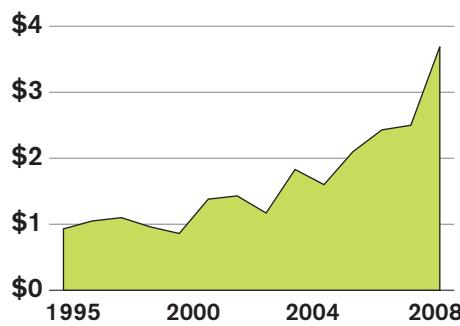
NOTE: Regional utility figures are not broken out by tenure.
*See note on page 10.

Source: Consumer Expenditure Survey.

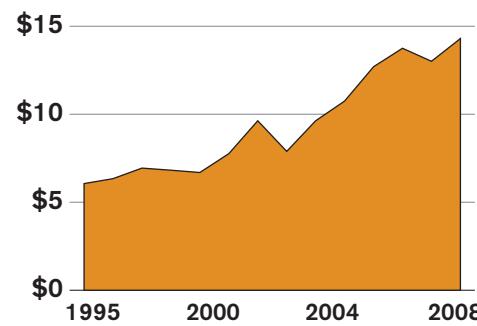
Families in the Northeast and Midwest Regions Will See Rising Utility Bills as Fuel Oil and Natural Gas Prices Increase

Climate plays a large role in the variations in regional utility usage. Households in the Northeast tend to rely on fuel oil, while those in the Midwest use more natural gas. Prices for both of these commodities have been rising in recent years — with particularly steep jumps between 2007 and 2008 — suggesting that utility bills may consume a larger portion of families' budgets in these regions. Electricity comprises a large share of household utility usage in the South and West, but its average price has held relatively steady. Households in the West tend to spend more on the combination of water, sewer, trash, and septic bills than in other regions.

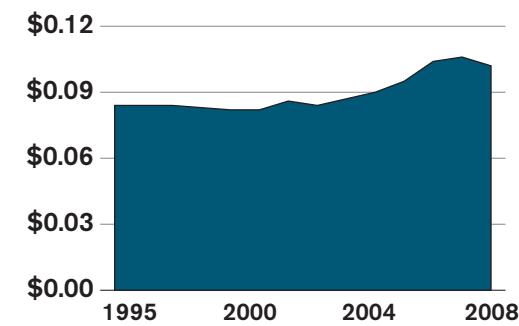
Fuel Oil Price (per gallon)
1995–2008



Natural Gas Price (per thousand cubic feet)
1995–2008



Electric Price (per kilowatt hour)
1995–2008



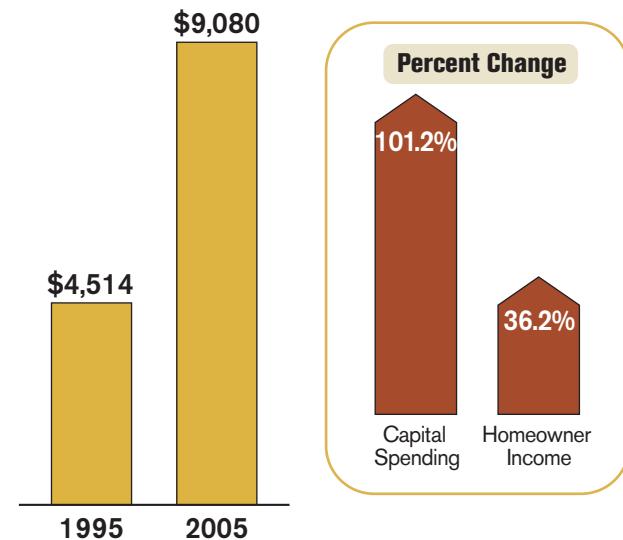
NOTE: Fuel oil prices are from March of each year. The 2008 natural gas price is from April. The 2008 electricity price is from February.

Source: Energy Information Administration.

Nothing Lasts Forever — Capital Expenses for Homeowners are Inevitable and Costly

Many essential components of the home — furnaces, water heaters, and the like — have a lifespan of 20 years or less. Roofing can last from 20 to 50 years, depending on the material. These major capital expenses can be deferred, but not indefinitely. Between 1995 and 2005, homeowners' spending on capital repairs and improvements doubled. Although some capital spending may reflect discretionary projects, expenditures on essential repairs and replacements — disaster repairs, plumbing, electrical systems, and major appliances — also increased faster than incomes.

Average Capital Repair and Improvement Expenditures: 1995 and 2005



Average Capital Repair and Improvement Expenditures by Project Type

Item	1995	2005	Percent Change
Plumbing/Pipes	\$613	\$1,061	73.1%
Electrical System	\$472	\$870	84.3%
HVAC	\$2,450	\$3,562	45.4%
Major Appliance or Equipment	\$330	\$566	71.5%
Roofing	\$2,955	\$4,604	55.8%
Siding	\$3,900	\$5,106	30.9%
Window/Door	\$1,299	\$2,391	84.1%
Insulation	\$397	\$1,895	377.3%
Disaster Repairs	\$7,051	\$12,498	77.3%

Source: Joint Center for Housing Studies of Harvard University, based on tabulations of 1995 and 2005 American Housing Surveys, and the authors' calculations.

Lifespan of Home Components

Item	Years
Roof	20 to 50
Furnace	15 to 20
Heat pump	16
A/C	10 to 15
Water heater (gas/electric)	10
Water heater (tankless)	20
Marble countertop	20
Linoleum floors	25
Carpet	8 to 10
Kitchen cabinets	50

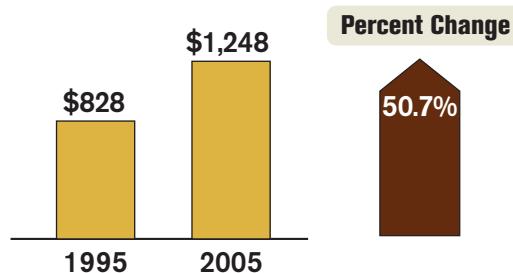
Source: National Association of Home Builders. 2007. Study of Life Expectancy of Home Components.



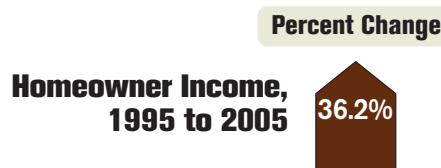
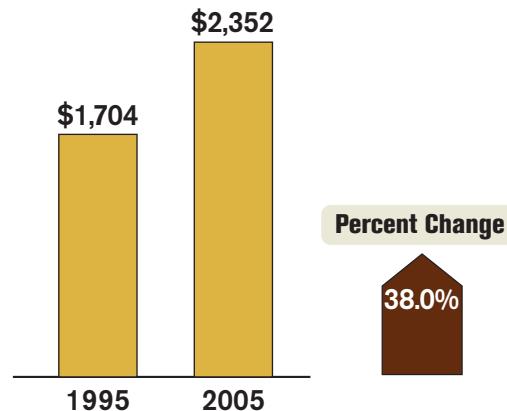
Fees for Community Associations Also Rose:

Median Annual Costs, 1995 to 2005

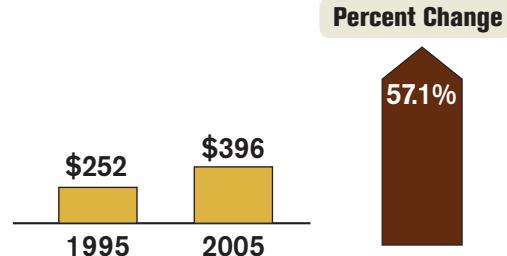
Manufactured Home Park Fees



Condo/Co-Op Fees



Homeowners Association (HOA) Fees



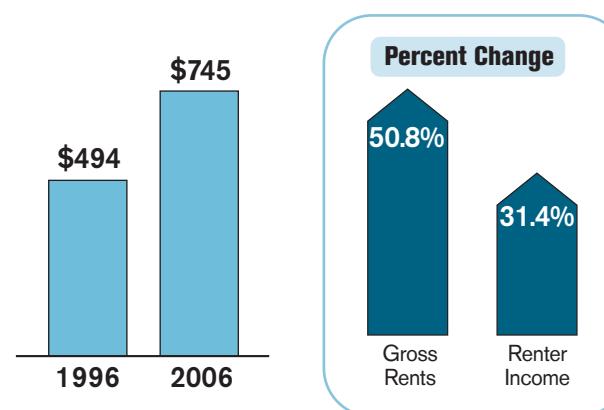
Rising Fees Place Additional Budgetary Burdens on Homeowners in Some Community Associations

Nationally, 17.5 percent of all homeowners paid community association fees in 2005. Residents who belonged to homeowners associations and residents of manufactured home parks paid over 50 percent more in fees between 1995 and 2005, while the median income of homeowners rose 36 percent over the same period. The increase in condominium and co-op fees, at 38 percent, was more in line with the change in incomes. Rising fuel costs, which may affect the cost of lighting and heating of common areas, lawn maintenance, and other communal costs, suggest that fees may continue to increase for most community association residents.

Renters' Housing Costs Grew Faster Than Their Incomes

Average gross rents — the combination of actual rent payments plus tenants' utility bills — rose by just under 51 percent between 1996 and 2006, outpacing the 31 percent increase in renters' incomes. Rents and rent increases varied substantially in different metropolitan areas. The fair market rent* for a two-bedroom unit in the Boston area rose nearly 64 percent between 1996 and 2006, while rent for a similarly sized unit in Atlanta increased just over 26 percent. A few costs have held steady. For example, the typical premium for renters insurance was less than \$200 per year from the mid 1990s to the mid 2000s, although fewer than one in four renters held a policy. Meanwhile, the rising cost of utilities, whether paid by the landlord or directly by the tenant, can be expected to push gross rents higher in coming years.

Average Monthly Gross Rent Payments: 1996 and 2006



Source: Consumer Expenditure Survey, Current Population Survey, and the authors' calculations.

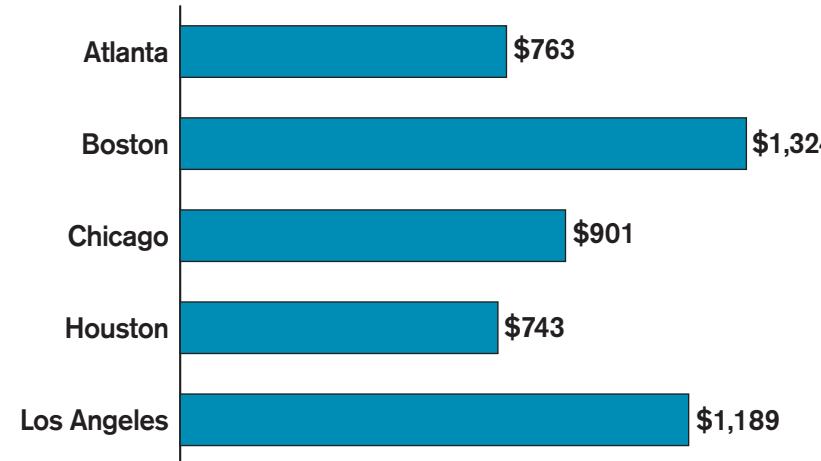
Renters who pay separately for...^s

- Electricity: 83.1%
- Gas: 65.1%
- Fuel Oil: 16.7%

Source: American Housing Survey and the authors' calculations.

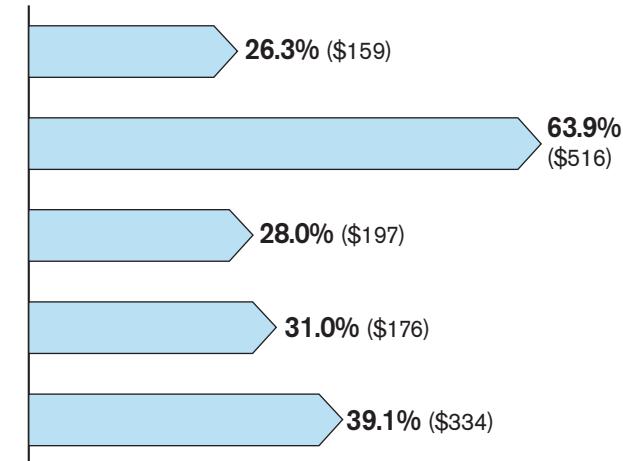
^sThe percentages reflect the number of renters who pay separately for a utility as a share of all renters who use that utility.

Rents for a Two-Bedroom Unit in Five Metro Areas, 2006



Source: HUD Fair Market Rents and the authors' calculations.

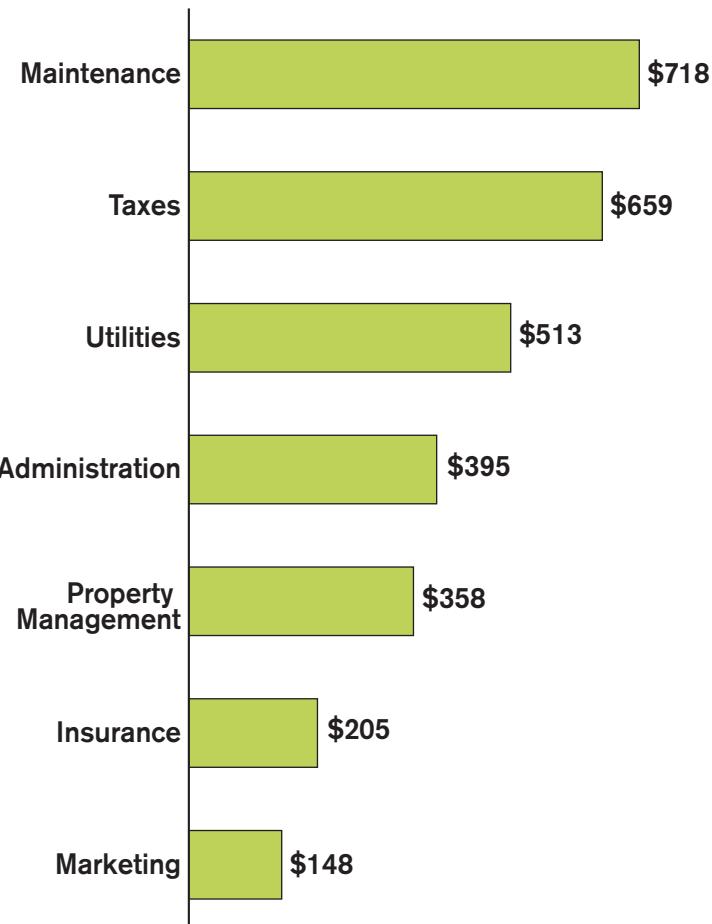
Percent Change (Dollar Change): 1996 to 2006



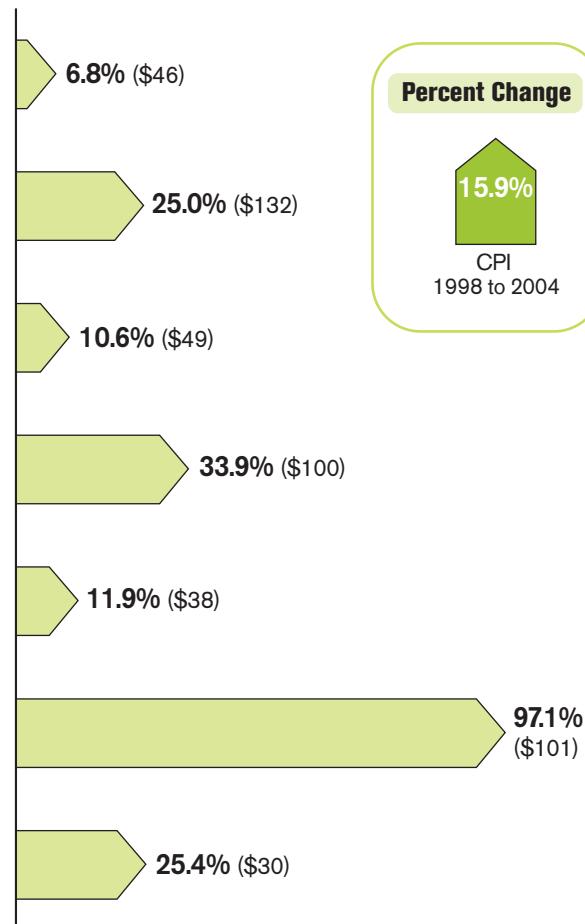
*See Appendix for an explanation of fair market rents.

Expenses for Multifamily Property Owners

Median Cost Per Unit Annually, 2004



Percent Change, 1998 to 2004



Source: Urban Land Institute and Consumer Price Index.

Rising Expenses for Multifamily Property Owners May Lead to Rent Increases

In the six-year period from 1998 to 2004, many of the costs of owning and operating a multifamily property rose more than the consumer price index (CPI). Compared to a rise in the CPI of just under 16 percent, the average cost of insurance rose 97 percent, taxes rose 25 percent, marketing costs increased by more than 25 percent, and administration costs went up nearly 34 percent. Although utility costs rose just under 11 percent, substantial increases are expected due to rising fuel costs. Because of recent increases in demand for rental housing in many markets — especially as the foreclosure crisis has worsened in 2007 and 2008 — many of these cost increases will likely be passed on to tenants in the form of higher rents.

Technical Appendix

Data Sources

The primary sources of data for this study are the **Consumer Expenditure Survey** (CES) and the **Current Population Survey** (CPS), both conducted by the U.S. Census Bureau on behalf of the Bureau of Labor Statistics (BLS). The CES is conducted annually; the most recent data available are from 2006. Whenever possible, the expenditure figures in this report come from the CES average annual household expenditure tables. National income statistics in this report come from the HINC-01 table from CPS's Annual Social and Economic Supplement. The Consumer Expenditure Survey is available at: <http://www.bls.gov/cex/#tables>. The CPS is available at: <http://pubdb3.census.gov/macro/032007/hhinc/toc.htm>

These sources allow us to look broadly at average housing expenditures and compare average expenditures with median household income. Figures from these sources appear on pages 2 to 6, 8, 10, 11, and 14 of this report. In many cases, however, the CES does not allow us to dig deeper into specific components of housing costs. To look more closely at each component of households' housing expenditures, we drew from a number of additional sources.

The following charts and tables draw from different data sources, as noted:

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Number of Households Spending 30 Percent or More of Income on Housing in 2006

Joint Center for Housing Studies of Harvard University tabulations of the 2006 American Community Survey as published in Table A-7 of Joint Center for Housing Studies of Harvard University. 2008. *The State of the Nation's Housing 2008*. Cambridge, MA: Harvard University. Available at: <http://www.jchs.harvard.edu/publications/markets/son2008/index.htm>

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Gas Price Trends

U.S. Energy Information Administration. 2008. *Petroleum Navigator. U.S. Regular All Formulations Retail Gasoline Prices*. Averages for June of each year. Available at: http://tonto.eia.doe.gov/dnav/pet/hist/mg_tt_usm.htm

How Low- to Moderate-Income Workers Get to Work

Center for Neighborhood Technology special tabulations of the 2000 Census Transportation Planning Package (CTPP). See p. 4 of Center for Housing Policy. 2006, October. *A Heavy Load: The Combined Burden of Housing and Transportation Burdens of Working Families*. Washington, DC: Center for Housing Policy. Available at: http://www.nhc.org/pdf/pub_heavy_load_10_06.pdf

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Mortgage Payments

U.S. Census Bureau. *American Housing Survey: 1995 and 2005*. Table 3-13: Selected Housing Costs — Owner Occupied Units. Washington, DC: U.S. Census Bureau. Available at: <http://www.census.gov/hhes/www/housing/ahs/nationaldata.html>

Home Prices and Incomes in Five Metro Areas: 2006

Median Home Price — Center for Housing Policy. 2006. *Paycheck to Paycheck database: Third Quarter 2006*. Washington, DC: Center for Housing Policy. Available at: http://www.nhc.org/chp/p2p_2006_q3/

Median Household Income, Metro Areas — U.S. Census Bureau. 2006.

American Community Survey. Table B25119: Median Household Income the Past 12 Months by Tenure. Washington, DC: U.S. Census Bureau. Available at: <http://www.census.gov/acs/www/index.html>

Option ARM Loans as a Share of New Mortgages

First American Loan Performance, as reported in: Downey, Kirstin. 2007, January 14. Mortgage-Trapped. *The Washington Post*, p. F1.

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Property Tax Bills Vary Substantially Across the Nation, 2006

The Tax Foundation's calculations from the American Community Survey as reported in The Tax Foundation. 2007, September 12. *Property Taxes on Owner Occupied Housing by County, 2006*. Available at: http://www.taxfoundation.org/research/show/1888.html#propertytaxcounty_occupied_2006-20070912

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Annual Property Insurance Payments and Differences in Premiums by State, 1995 and 2005

The National Association of Insurance Commissioners (NAIC). 2007. *2005 Dwelling Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owner's Insurance*. Table 4: 2005 Average Premium by Policy Form by Amount of Insurance. Kansas City, MO: NAIC. Note: Homeowners insurance data are reprinted with permission of the NAIC. Further distribution is strictly prohibited. The NAIC does not rank state average expenditures and does not endorse any conclusions drawn from the data.

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Fuel Oil Price

U.S. Energy Information Administration. 2008. *Petroleum Navigator. U.S. No. 2 Heating Oil Residential Price.* Averages for March of each year. Available at: <http://tonto.eia.doe.gov/dnav/pet/hist/mhoreus4m.htm>

Natural Gas Price

U.S. Energy Information Administration. 2008. *Natural Gas Navigator. U.S. Natural Gas Residential Price.* Annual prices through 2007. Available at: <http://tonto.eia.doe.gov/dnav/ng/hist/n3010us3A.htm>. April price for 2008. Available at: <http://tonto.eia.doe.gov/dnav/ng/hist/n3010us3m.htm>

Electric Price

U.S. Energy Information Administration. 2008. *Electric Power Monthly. Table 5.3: Average Retail Price of Electricity to Ultimate Customers: Total by End-Use Sector.* Annual averages through 2007; February price for 2008. Available at: http://www.eia.doe.gov/cneaf/electricity/epm/table5_3.html

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Average Capital Repair and Improvement Expenditures

Joint Center for Housing Studies of Harvard University tabulations of the 1995 and 2005 American Housing Survey as calculated for and/or published in Table A-1 of Joint Center for Housing Studies of Harvard University. 2007. *Foundations for Future Growth in the Remodeling Industry.* Cambridge, MA: Harvard University. Available at: <http://www.jchs.harvard.edu/publications/remodeling/remodeling2007/index.html>

Lifespan of Home Components

National Association of Home Builders (NAHB) and Bank of America Home Equity. 2007. *Study of Life Expectancy of Home Components.* Washington, DC: NAHB. Available at: http://www.nahb.org/fileUpload_details.aspx?contentID=72475

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Community Association Fees

U.S. Census Bureau. *American Housing Survey: 1995 and 2005. Table 3-13: Selected Housing Costs — Owner Occupied Units.* Washington, DC: U.S. Census Bureau. Available at: <http://www.census.gov/hhes/www/housing/ahs/nationaldata.html>

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Rents for a Two-Bedroom Unit in Five Metro Areas

U.S. Department of Housing and Urban Development. 2006. *Fair Market Rents. Schedule B - FMR Tables.* Available at: http://www.huduser.org/datasets/fmr/fmr2006P/SCHEDULEB_FY06_FMRF.pdf

Renters Who Pay Separately for Utilities

U.S. Census Bureau. *American Housing Survey: 1995 and 2005. Table 4-13: Selected Housing Costs — Renter Occupied Units.* Washington, DC: U.S. Census Bureau. Available at: <http://www.census.gov/hhes/www/housing/ahs/nationaldata.html>

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Expenses for Multifamily Property Owners

Urban Land Institute (ULI). *Dollars and Cents of Multifamily Housing: 2000 and 2006. Table 2-22: Operating Expense Summary for Market Rent Properties: Median Dollars per Unit.* Washington, DC: ULI.

Technical Notes and Definitions

Fair market rent

Fair market rents (FMRs) are calculated by the U.S. Department of Housing and Urban Development based on metropolitan rental market data. According to HUD, the FMR is the 40th percentile (50th in some areas) of gross rents for typical, non-substandard rental units occupied by recent movers in a local housing market.

Gross rent

The sum of actual rent payments plus tenants' utility bills.

Homeowner insurance

Figures for homeowner insurance are based on the most common policy type, known as an HO-3 policy.

Household income

Total money income for all household members, according to the Current Population Survey.

Housing expenses

In order to calculate overall housing expenses from the Current Expenditure Survey we added the following expenditure categories: SHELTER (which includes mortgage interest and charges, property taxes, other homeowner expenses, and/or rent) minus expenses for other lodging, UTILITIES minus telephone expenses, and MORTGAGE PRINCIPAL PAYMENTS as appropriate.

Multifamily property

The source we used for multifamily property expenses, Urban Land Institute's *Dollars and Cents of Multifamily Housing*, classifies the following as multifamily properties: a building containing five or more rental units or a rental apartment complex containing ten or more rental units.

Property insurance

See homeowner insurance, for owner-occupied properties.

Regions

Regional boundaries follow the classifications of the U.S. Census Bureau. The Northeast includes Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont. The Midwest includes Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin. The South includes Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia. The West includes Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

Utilities

Total utility bills are calculated by adding the following categories from the Consumer Expenditure Survey: natural gas, electricity, fuel oil and other fuels, and water and other public services. It excludes telephone bills.

Water/Other

Water/Other includes water, sewer, trash, and septic bills.



Dedicated to the memory of three great Chicagoans and housing professionals:
Henry Hyatt, a sole practitioner and cherished partner of the Chicago Dwellings Association (CDA);
George Knight of NeighborWorks® America and formerly of CDA;
and David K. Hill of Kimball Hill Homes –
with gratitude for their friendship to the Center for Housing Policy
and for their leadership in making Chicago's communities
better places to live and helping meet America's housing challenges.

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