



How To Show Your Clients Affordability Is Improving



You never really know something until you
teach it to someone else.

John C. Maxwell
Author & Leadership Expert



For the last few years, we have been in one of the toughest affordability environments in modern housing history.

Mortgage rates jumped from 3% in 2021 to above 7% in 2023, and that pushed the typical payment up by more than \$1,000 a month compared to pre-pandemic levels.

Nadia Evangelou
Senior Economist, NAR



The forces that eroded affordability in the aftermath of the pandemic—strong price appreciation and surging mortgage rates—have stabilized. **Moderating house price growth, easing mortgage rates, and steady income gains signal a realignment in the forces driving affordability trends.**

Mark Fleming
Chief Economist, First American

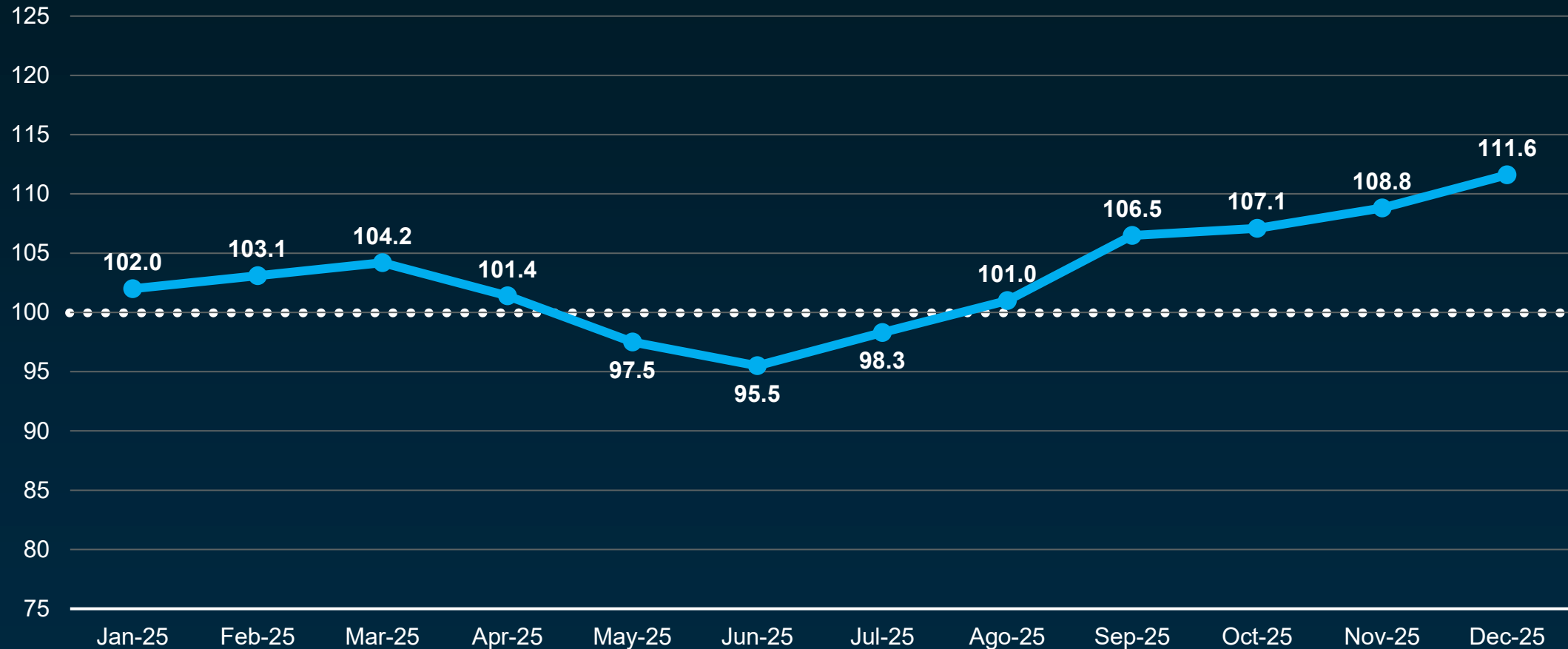
Affordability

```
graph TD; A[Affordability] --- B[Rates Prices Wages];
```

Rates Prices Wages

Affordability Improved in the 2nd Half of 2025

Housing Affordability Index



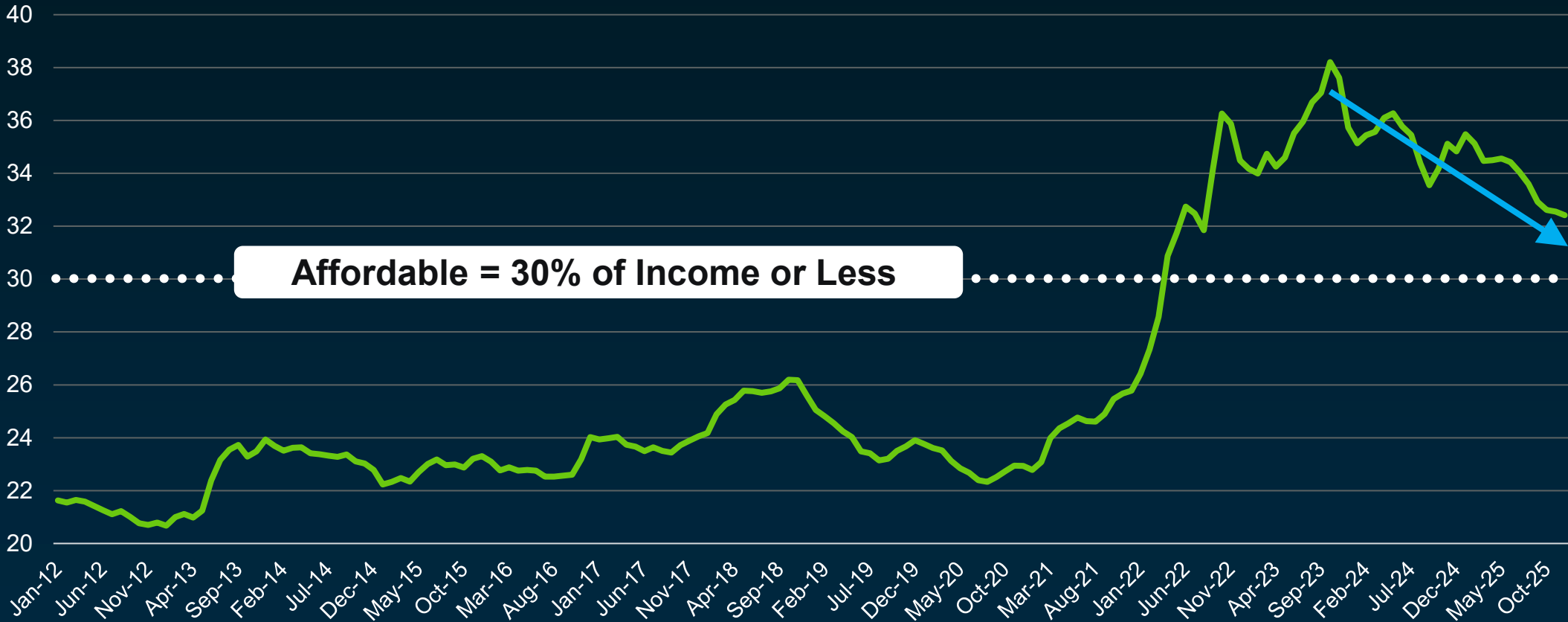
To interpret the index, a value of 100 means that a family with the median income has exactly enough income to qualify for a mortgage on a median-priced home. The higher the index, the more affordable homes are.



At the national level, a mortgage payment now takes 32.6% of median household income, **already the best affordability seen nationwide since August 2022. That's on track to improve** to 31.8% by the end of the year.

Buying a Home Is Taking Less of Your Income

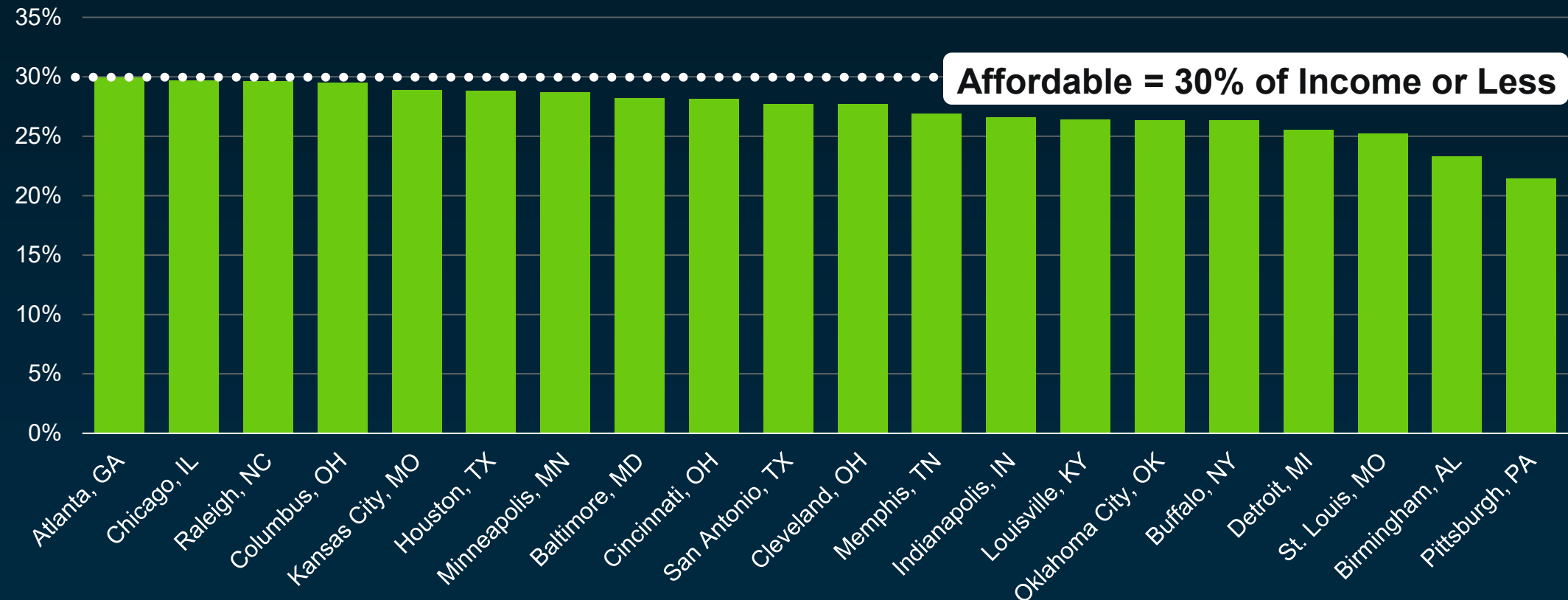
Share of Income the Median Household Would Spend on a Newly Purchased Home



Includes mortgage payment, homeowner's insurance, property taxes, and maintenance costs. Typically, spending more than 30% of income on housing is considered unaffordable.

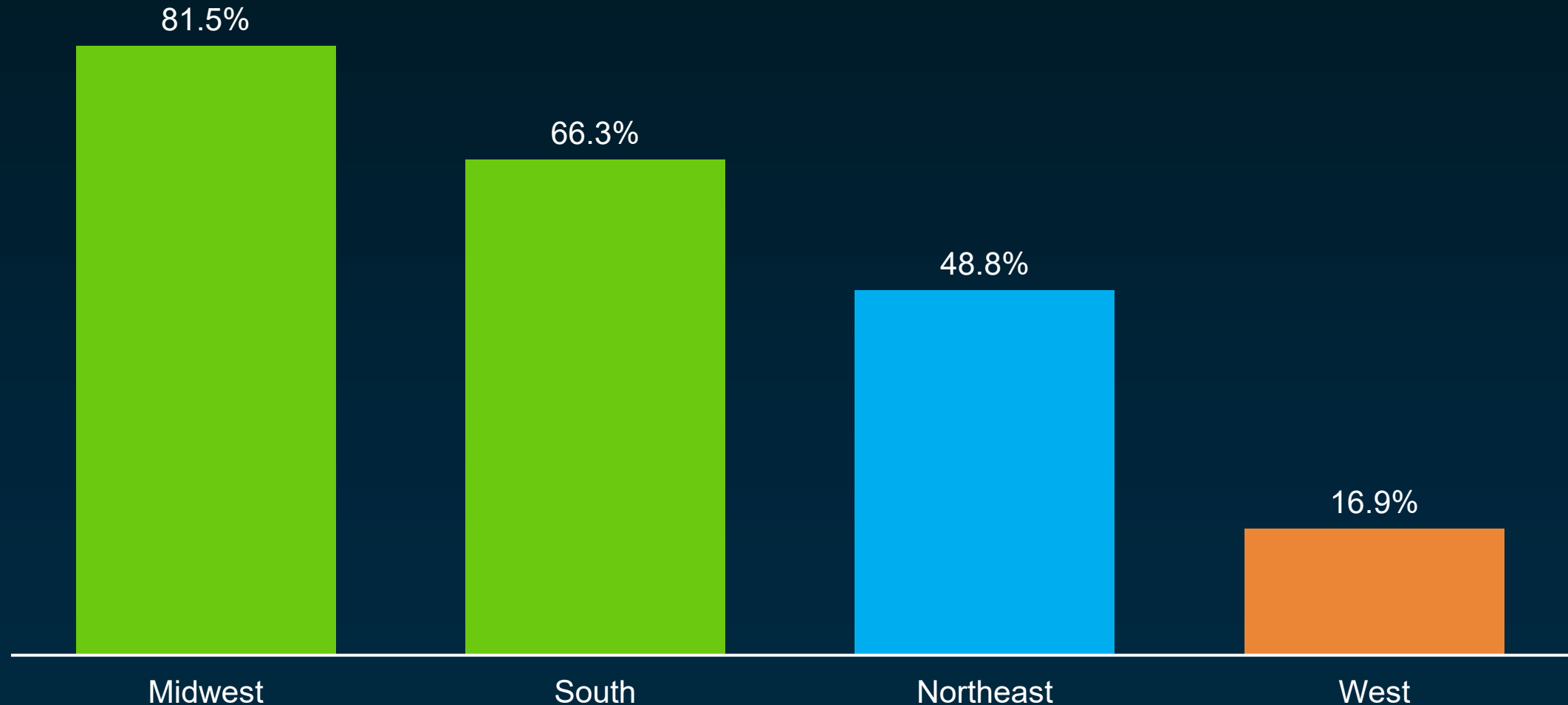
20 Major Markets Where Homeownership Is Expected To Be Affordable by Year-End

Expected Share of the Typical Income a Household Would Spend on a Home Purchase at the End of 2026



Affordability Is Returning To The Market

Share of Counties Where It's More Affordable To Buy Than Rent a 3-Bedroom Home



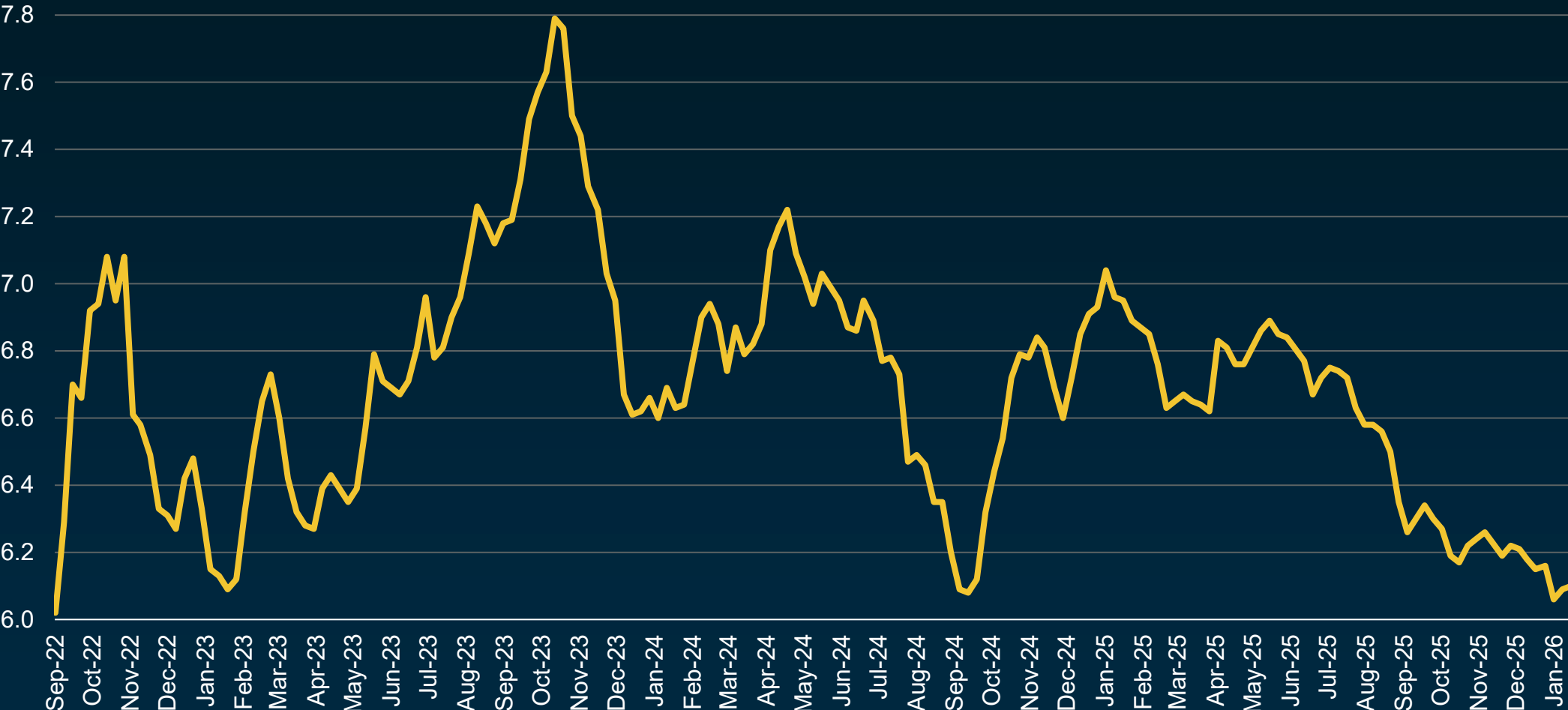


This is what a small-wins year looks like for housing. Rising incomes, subdued price growth, and gradually easing mortgage rates would help buyers regain their footing while allowing homeowners to continue building wealth. **These types of slow and steady affordability improvements are exactly what the housing market needs over the long-run.**

Kara Ng
Senior Economist, Zillow

Mortgage Rates Near Lowest Level in 3 Years

Weekly 30-Year Fixed Mortgage Rate





Even slight declines can have a significant impact on housing affordability, pricing more households back into the market.

National Association of Home Builders

In Just One Year, Rates Are Down a Full Percentage Point

Here's What That Saves You

Fixed Mortgage Rate	Home Loan Amount	Monthly Mortgage P&I*	Savings Per Month
January 13, 2025: 7.26%	\$500k	\$3,414	–
February 3, 2026: 6.20%	\$500k	\$3,062	\$352
5.99%	\$500k	\$2,995	\$419
Difference at a 5.99% Rate			\$67/month

*Principal and Interest Payment. Total monthly payment may vary based on loan specifications such as property taxes, insurance, HOA dues, and other fees. Consult your licensed mortgage advisor for current rates.



Housing affordability continued to improve . . . reaching its strongest level in more than three years as **cooling home price growth and easing mortgage rates provided incremental relief to buyers.**

Home Price Growth Has Moderated

Change in Home Prices, Year-Over-Year





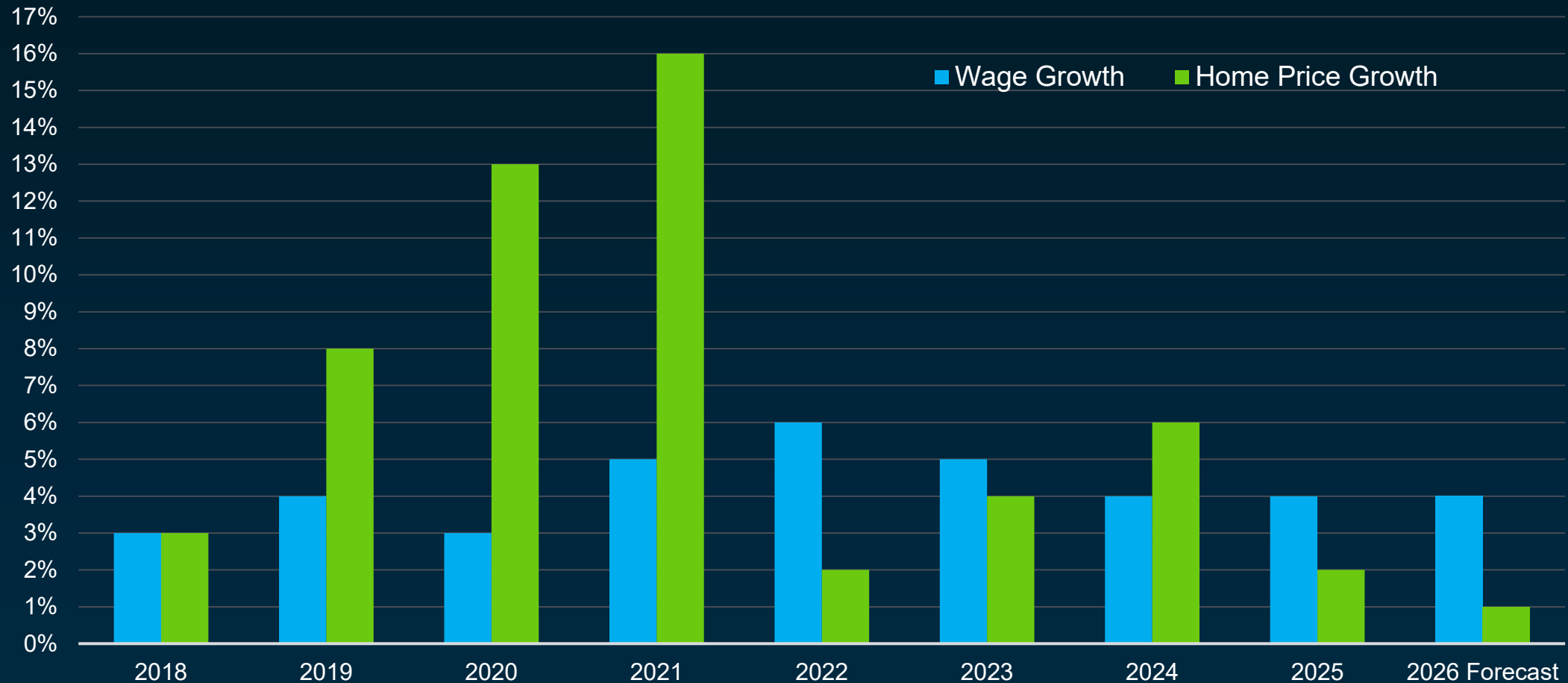
Affordability is improving, and that matters even if mortgage rates don't fall much from here . . . **House price appreciation had dipped below the pace of income growth since April 2025, which is slowly improving the monthly-payment math for would-be buyers and helping more households qualify at the margin.**

Odeta Kushi

VP and Deputy Chief Economist, First American

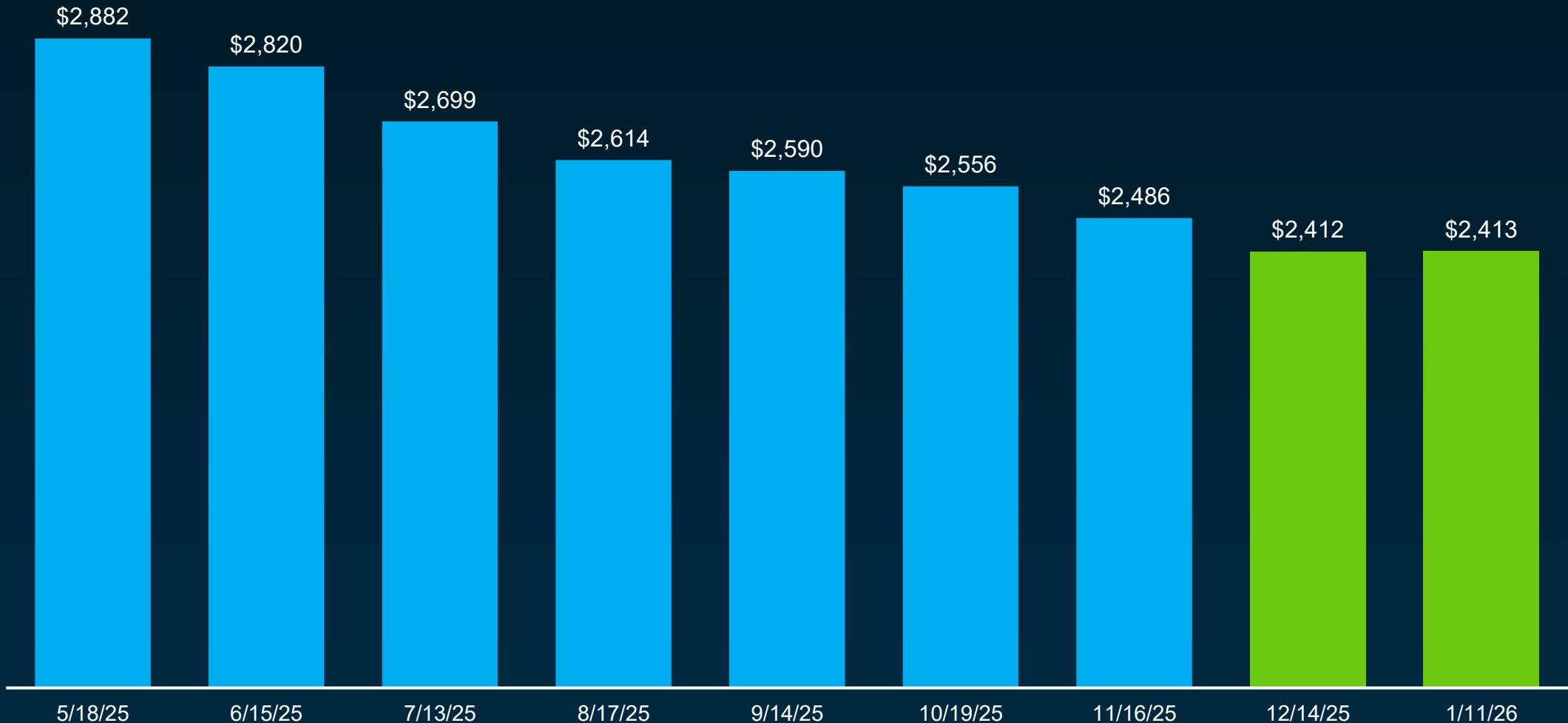
Wages Growing Faster Than Home Prices in 2026

Year-Over-Year Change in Median Home Sales Price vs. Wages



Monthly Mortgage Payments Are Trending Down

Median Monthly Mortgage Payment





Nationally, a one percentage-point drop-in mortgage rates can expand the pool of households who can qualify to buy by about 5.5 million households, including about 1.6 million renters who could become first-time buyers. That's a huge shift in who can realistically afford to buy.

Nadia Evangelou
Senior Economist, NAR



Not all of these 5.5 million households will buy a home, but based on our analysis, **about 10% typically do. That could translate into about 500,000 additional home sales in 2026.** That's the main reason that we expect home sales activity to increase next year.

Nadia Evangelou
Senior Economist, NAR



**As Affordability Improves,
Buyer Demand Is Responding**

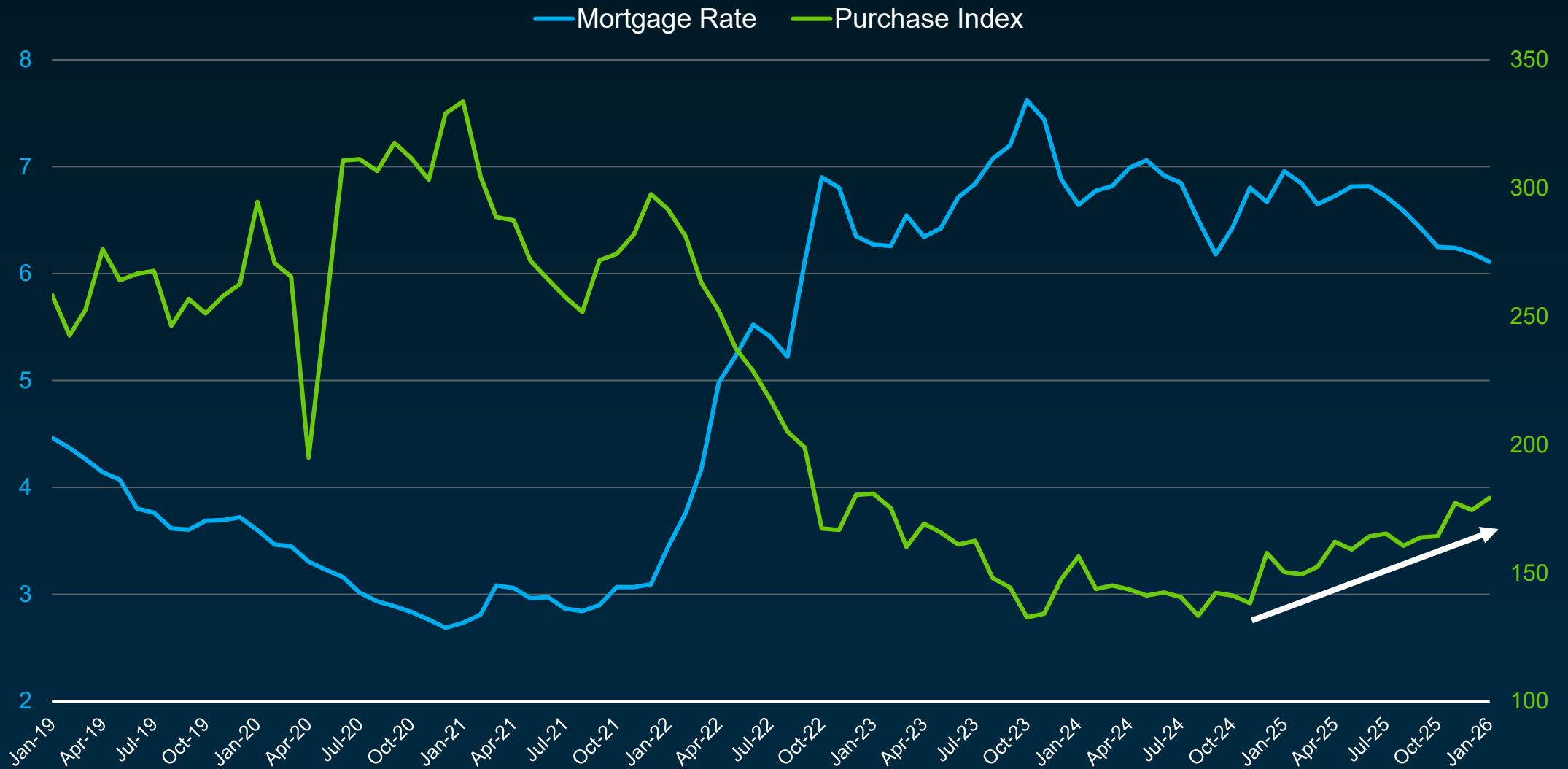


We're in an incredibly rate-sensitive environment today, and every time we've seen mortgage rates drop into the low-to-mid 6% range, we've seen an influx of buyers hit the market.











Rick Sharga

Founder and CEO, CJ Patrick Company

When Rates Drop, Buyer Activity Picks Up



Buyer Demand Responds to Mortgage Rate Changes

Time Period	Mortgage Rate Change	Purchase Index (Buyer Demand) Change
January 2020 – June 2020	 3.6% to 3.16%	 +5.4%
February 2022 – October 2022	 3.76% to 6.9%	 -40.5%
October 2023 – January 2024	 7.62% to 6.64%	 +17.9%
November 2024 – December 2024	 6.81% to 6.67%	 +14.1%
September 2025 – November 2025	 6.43% to 6.24%	 +8.2%

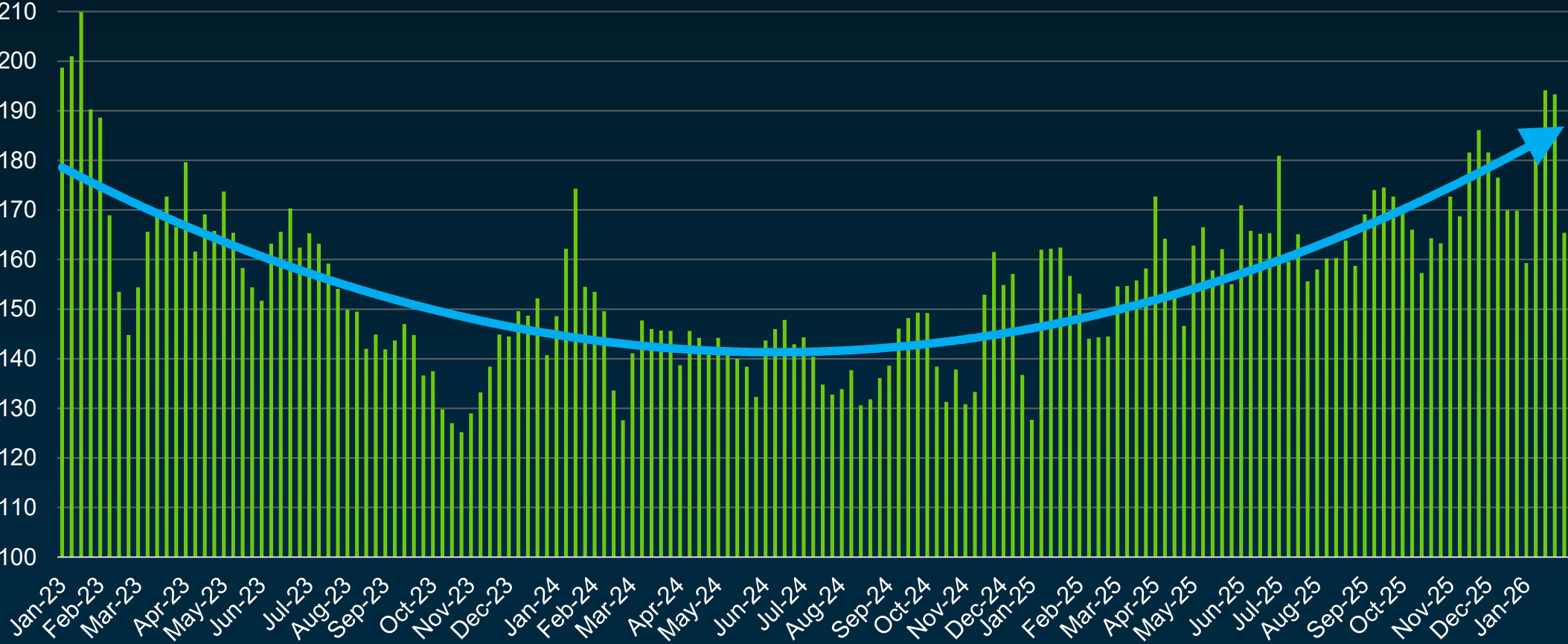


With the economy improving and the average 30-year fixed-rate mortgage nearly a percentage point lower than last year, **more homebuyers are entering the market.**

Sam Khater
Chief Economist, Freddie Mac

Buyer Demand Trending in the Right Direction

Mortgage Purchase Index





While price growth hit a 14-year low in late 2025,
Cotality experts anticipate 2026 will bring a fresh wave
of activity, especially if mortgage rates continue to ease.

Selma Hepp
Chief Economist, Cotality



Affordability remains challenging, but for the first time in several years, the underlying forces are finally aligned toward gradual improvement. Mortgage rates may drift down only slowly, but income growth exceeding house price appreciation will provide a boost to house-buying power — even in a higher-rate world.

Affordability won't snap back overnight, but like a ship finally catching a steady tailwind, it's now sailing in the right direction.

Mark Fleming
Chief Economist, First American