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IN FOCUS

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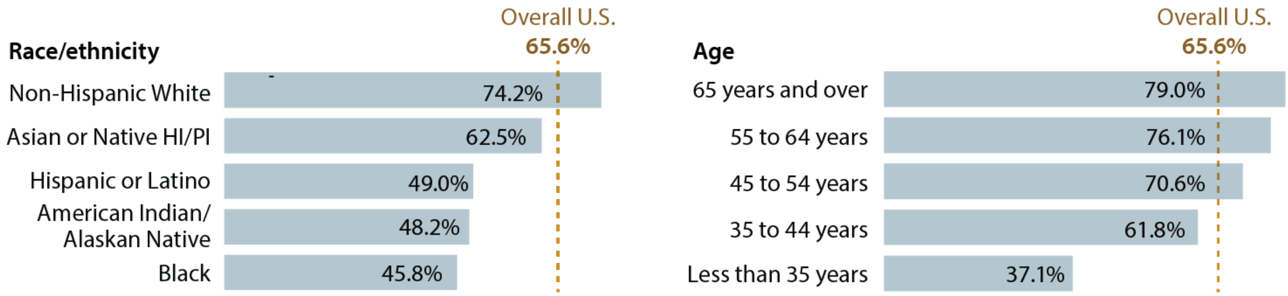
Homeownership

Over the past several years, notable increases in house prices and mortgage interest rates have heightened congressional interest in homeownership affordability, especially for certain groups such as first-time homebuyers. Multiple factors affect access to homeownership, including the affordability of monthly mortgage payments, the ability to qualify for a mortgage, and the ability to accumulate funds for a down payment and closing costs. The federal government provides support for homeownership in various ways, including insuring eligible mortgages with low or no down payments and providing broader support for the mortgage market through government-sponsored enterprises (e.g., Fannie Mae and Freddie Mac).

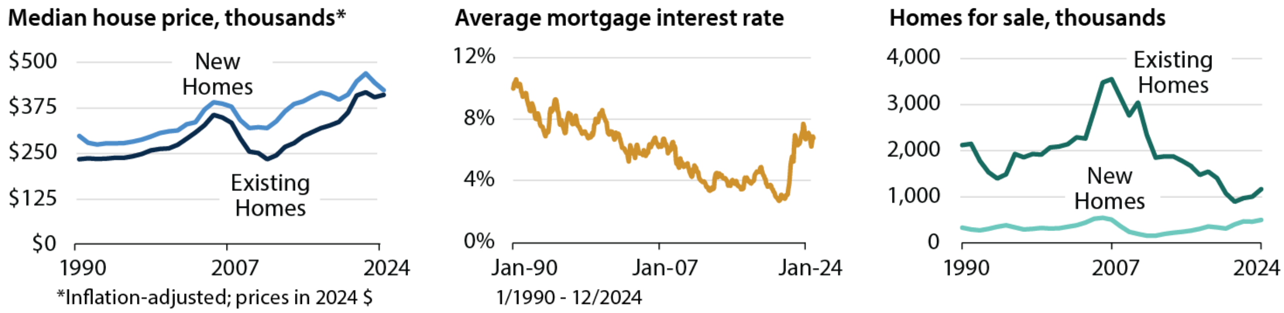
In 2024, the U.S. homeownership rate was 65.6%, with wide variation by race and age.

Since 1960, the overall homeownership rate has ranged between 62% and 69%. Minorities and younger households have lower homeownership rates than Non-Hispanic White and older households.



In recent years, rising house prices and interest rates and low inventory have impacted homebuyers.

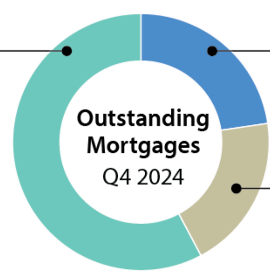
Higher house prices increase the amount needed for a down payment; higher prices and interest rates both increase monthly payments. Fewer homes for sale increase prices and reduce options for potential homebuyers.



Other costs of homeownership, such as homeowners insurance and property taxes, have also been rising and affect affordability for both potential homebuyers and existing homeowners.

The majority of mortgages are backed by a government agency or by Fannie Mae or Freddie Mac.

58% Fannie Mae and Freddie Mac
These government-sponsored enterprises provide broad support for the mortgage market by purchasing eligible mortgages, making more funding available for mortgage lending at a lower cost than it might be otherwise.



23% Government-Insured
The Federal Housing Administration (FHA), Department of Veterans Affairs (VA), and Department of Agriculture (USDA) protect lenders against losses on certain mortgages with low or no required down payments.

20% Other

Sources and Notes

Homeownership Rate

Source: Homeownership rates are from the Census Bureau's (Census's) Housing Vacancies and Homeownership Survey, Annual Statistics, 2024, Tables 14, 17, and 22, https://www.census.gov/housing/hvs/data/prevann.html.

Notes: Demographics are based on the person identified as the head of household for the purposes of the survey. "Native HI/PI" is Native Hawaiian or Pacific Islander.

Homeownership Affordability

Source: Median house prices are from the U.S. Department of Housing's (HUD's) U.S. Housing Market Conditions reports at https://www.huduser.gov/portal/ushmc/hd_home_prices.html. Underlying data are from the Census's New Residential Sales (new home prices) and the National Association of Realtors (existing home prices). Data are inflation-adjusted using the Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPI-U), retrieved from FRED, Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/CPIAUCSL.

Mortgage interest rates are from Freddie Mac's Primary Mortgage Market Survey. Data reflect average interest rates for 30-year fixed-rate home purchase mortgages that are not government-insured, do not exceed the Fannie Mae/Freddie Mac loan limits, and are made to borrowers with good credit and a 20% down payment. The actual interest rate paid by any given borrower will depend on a number of factors. Average monthly rates shown are averages of weekly rates reported.

Data on the number of homes for sale is from HUD's U.S. Housing Market Conditions reports. Underlying data are from Census's New Residential Sales (for new homes) and the National Association of Realtors (for existing homes). Data reflect the number of homes for sale at the end of a given time period—in this case, the calendar year.

For a discussion of increases in costs of homeowners' insurance, property taxes, and other housing expenses, see Rachel Zimmerman and Lauren Hoffman, *Increasingly Debt-Strapped Consumers Concerned About Rising Housing-Related Costs*, Fannie Mae Research, July 24, 2024, https://www.fanniemae.com/research-and-insights/increasingly-debt-strapped-consumers-concerned-about-rising-housing-related-costs.

Notes: For an illustrative example of the impact of rising house prices and interest rates on homebuying costs, consider a homebuyer purchasing a home in December 2019 and December 2024, respectively, under the following assumptions: the sales price was the median existing home price for that period, and the buyer obtained a 30-year mortgage with a 3.5% down payment (the minimum required down payment for an FHA-insured mortgage) at the average interest rate at the time. (The costs of property taxes, homeowners insurance, and mortgage insurance premiums are not included in this example.)

In December 2019, the inflation-adjusted median existing home price was $333,634 and the average interest rate 3.72%. A 3.5% down payment would have been $11,677 and monthly principal and interest (P&I) payments $1,486. In December 2024, the median existing home price was $407,500 and the average interest rate 6.72%. A 3.5% down payment would have been $14,263 (nearly $2,600 more than in 2019) and monthly P&I payments $2,543 (over $1,050 more per month than 2019). Monthly P&I payments were calculated using the Mortgage Calculator at https://finred.usalearning.gov/ToolsAndAddRes/Calculators/Housing.

Federal Support for the Mortgage Market

Source: Data on outstanding mortgages is from the Federal Housing Finance Agency's National Mortgage Database (NMDB), Outstanding Residential Mortgage Statistics, Q4 2024, https://www.fhfa.gov/data/national-mortgage-database-aggregate-statistics.

Notes: Data reflect first-lien residential mortgages *outstanding* as of the end of the quarter. "Other" mortgages are those that are not government-insured and not acquired by Fannie Mae or Freddie Mac, including jumbo mortgages with original principal balances above the Fannie Mae/Freddie Mac loan limits. Another measure, the share of *newly originated* mortgages in a given year that are insured by a government agency or purchased by Fannie Mae or Freddie Mac, varies based on market conditions. In 2023 (the most recent yearly data available as of the date of this In Focus), 47% of newly originated mortgages were acquired by Fannie or Freddie, and 29% were insured by a government agency, according to NMDB data.

Additional Resources

For additional information on recent housing market conditions, see CRS Report R47628, *Housing Issues in the 118th Congress*.

For additional information on federal support for the mortgage market, see CRS In Focus IF11715, *Introduction to Financial Services: The Housing Finance System*.

For additional information on Fannie Mae and Freddie Mac, see CRS Report R46746, *Fannie Mae and Freddie Mac: Recent Administrative Developments*.

For additional information on government-insured mortgage programs, see the following reports:

- CRS Report RS20530, *FHA-Insured Home Loans: An Overview*
- CRS Report R42504, *VA Housing: Guaranteed Loans, Direct Loans, and Specially Adapted Housing Grants*
- CRS Report R47044, *USDA Rural Housing Programs: An Overview*

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