Mortgage Rate Impact



Higher mortgage rates mean higher monthly payments. A half percentage point rate increase adds $100 or more to the typical homebuyer's monthly payment. Higher rates also mean borrowers need more income to qualify, pushing some out of the market altogether. At a 3% mortgage rate, a borrower would need an income of $87,405 to purchase the median-priced home. With rates at 6.5%, a borrower needs an income of $109,959 to qualify.

Median Price: $400,000

Mortgage Rate	Monthly Payment	Income Needed to Qualify
3%	$2,039	$87,405
3.5%	$2,138	$91,638
4%	$2,240	$96,016
4.5%	$2,346	$100,531
5%	$2,454	$105,181
6.5%	$2,566	$109,959
7%	$2,680	$114,859
7.5%	$2,797	$119,876
8%	$2,917	$125,004

Notes: Assumes a 30-year fixed rate mortgage with a 10% down payment, an average effective property tax rate of 1.11%, and a $1,820 annual homeowners' insurance policy. The qualifying income is based on a monthly payment accounting for no more than 28% of a household's income.

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