



Adapting Strategies for the Housing Affordability Reality

How rising housing costs
are reshaping consumer
risk and financial capacity



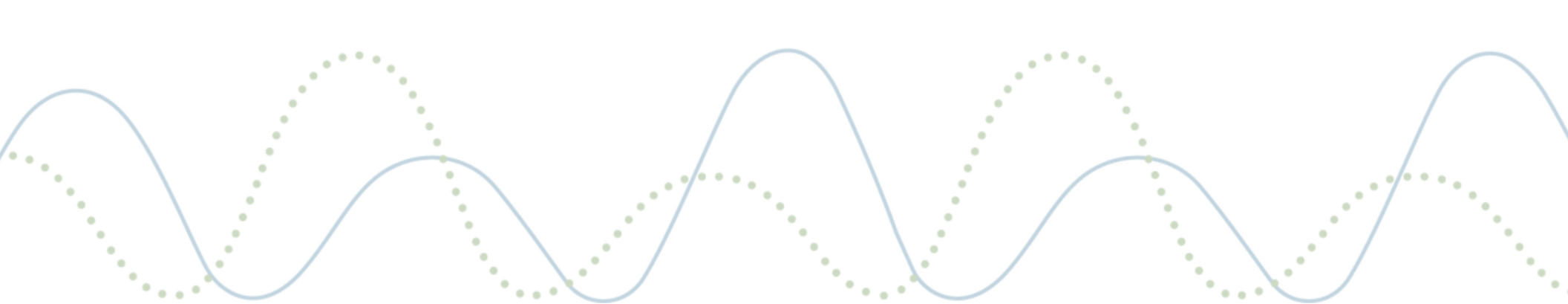
Why This Matters

For decades, the 30% rule defined housing affordability, serving as a stable benchmark for underwriting, lending, and household budgeting. Today, that foundation has structurally reset. We have entered the 40% world, where total housing burdens frequently exceed 40% of gross household income, driven by unpredictable, rising costs.

This profound shift — dubbed the "Anchor Effect" — is no longer confined to mortgage holders struggling with rising taxes, insurance and maintenance costs. Renters, too, are facing a compounding affordability burden as landlords pass through the same escalating operating costs. The reality is that affordability is now a shared, volatile pressure, reshaping the financial capacity of nearly all consumers, regardless of whether they own or rent. Changes in financial capacity impacts what a consumer can spend, save, and invest.¹

The 30% rule: Households should spend no more than ~30% of income on housing.

By 2026, the foundation has undergone a structural reset. We are in a reality where total housing burdens, driven by rising secondary costs, frequently exceed 40% of household income. This shift is creating a widening gap between consumers' credit scores and how they actually behave in the real economy.



The 30% Rule Is Broken

The New Housing Math

METRIC	2019 BENCHMARK	2026 REALITY
TOTAL HOUSING BURDEN ² Percent of income spent on housing	~30%	40%+ IN MANY U.S. MARKETS
MORTGAGE -TO-INCOME ³ Share of income for mortgage	~21%	NEARLY 30%
SECONDARY COSTS SHARE ⁴ Taxes, insurance, upkeep	~17% OF MONTHLY PAYMENT	UP TO ~25% IN HIGHER-COST MARKETS

In 2019, the math behind housing affordability was relatively stable. Mortgage payments accounted for roughly 21% of income, and total housing costs aligned closely with the 30% threshold.⁵

By 2026, that balance has materially changed. Mortgage payments alone now approach nearly 30% of income.⁶ Insurance premiums and property taxes are now accounting for an increasing share of total housing cost burdens, rising from approximately 17% of monthly mortgage payments in 2019 to nearly 25% today.¹ Furthermore, these rising figures exclude the elevated maintenance expenses resulting from the general increase in the price of goods and services.

Now, total housing costs frequently exceed 40%.⁷ This is not a marginal change. It is a structural reset.

A Shared Pressure, Not a Segmented One

This pressure is not confined to homeowners. The **Anchor Effect** has dissolved the traditional barrier between the struggles of the renter and the homeowner.

We are no longer seeing a segmented housing crisis; we are seeing a universal erosion of financial capacity.

⁵ National Association of Realtors – [High Earners Are Benefiting the Most From Rent Declines —While Low-Income Households Suffer 'Disproportionate' Hikes](#)

⁶ National Association of Realtors – [Housing Affordability Index 2026](#)

⁷ Joint Center for Housing Studies of Harvard University – [State of the Nation's Housing, 2025](#)



The Renter's Pass-Through

This pressure is not confined to those with a mortgage. Multifamily operators have seen insurance premiums spike by roughly **26% year-over-year**, forcing an increase in base operating costs.¹⁰ These expenses are inevitably passed through to renters, who face escalating costs without the benefit of equity accumulation.

The Velocity Trap for Entry-Level Buyers

For those under 35, the path to homeownership has transitioned from "difficult" to "mathematically improbable." As price-to-income ratios expand, the 40% housing burden prevents the capital accumulation necessary for a down payment to buy a new home. This creates a permanent class of renters that cannot afford homeownership.



The Escrow Squeeze

The Illusion of Stability

A common assumption is that homeowners with low mortgage rates are insulated from inflation. While base payments may be fixed, total housing costs are not.

This is the **Escrow Squeeze** — the steady rise in property taxes and insurance that increases monthly obligations over time.⁸

The mortgage is fixed. The cost of staying is not.

The Emergence of the Shrinking Middle-Tier

This dynamic is creating a new, high-stakes risk segment: high-credit-score consumers experiencing a rapid decline in financial flexibility. Historically, the "middle tier" of the economy served as a buffer for lenders and brands — a stable base with predictable discretionary spending. By 2026, this tier is shrinking as the **Anchor Effect** pulls middle-income households into a survival posture.

These households are often the backbone of the middle class. They remain current on their mortgage and utility payments to protect their housing security, but they are absorbing rising fixed-cost pressure through two invisible behaviors:

- **Liquidity Erosion:** Their "rainy day" funds are being diverted to cover insurance premiums and tax hikes.
- **Credit Reliance:** They are increasingly using unsecured credit to fund the expenses (groceries, child care, travel) that their income used to cover easily.

The result is a consumer who may be Prime based on their credit profile, but in reality possesses financial fragility based on their debt, income, capacity and/or assets.

Behavior Before Delinquency

One of the clearest early indicators of stress is increased use of home equity. Total mortgage-related debt, including HELOC utilization, is \$13.51 trillion and accounts for 74.3% of the consumer overall outstanding debt. HELOC utilization stands at 42.6% as of March 2026, up from almost 40% a year ago and based on a continued limit increase trend, on the rise since early 2022.⁹

Rather than signaling investment behavior, HELOC usage is increasingly a response to rising household cost pressure.

Another delinquency indicator is an increased use of Buy Now, Pay Later (BNPL) loans. In fact, 52% of homebuyers currently have one or more open BNPL loans, and 80% of homebuyers recognize BNPL as a form of debt. Still, its usage continues to rise as a response to cost-of-living pressures.¹

The first signal of stress is no longer delinquency; it is behavior.

Revisiting the K-Shaped Economy

Homeowners were previously positioned as “Thrivers” due to fixed-rate insulation. For some, that advantage is narrowing. Take a deeper look in our ebook, [Why the Average Consumer No Longer Exists](#).

While mortgage rates remain stable, total housing costs continue to rise due to ancillary expenses.⁸

KEY TAKEAWAY:

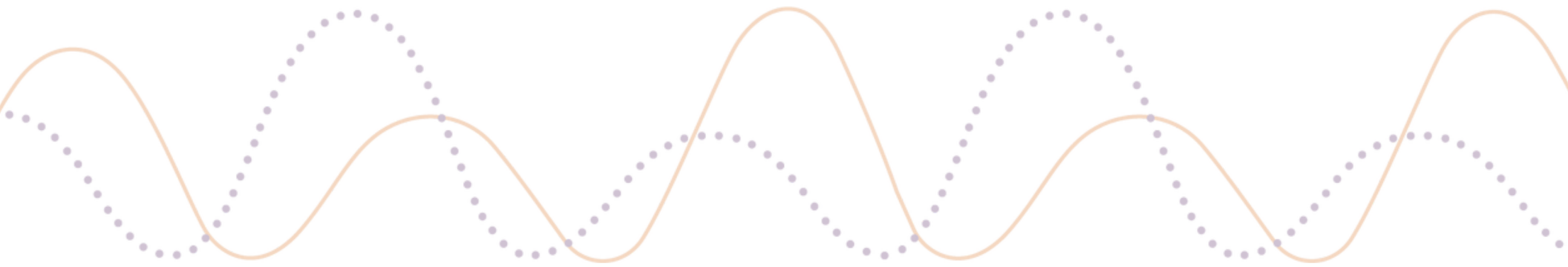
Rather than looking at absolute cost levels, affordability is now defined by the speed at which those costs increase.



ACTIONABLE INSIGHT:

Risk teams should incorporate behavioral indicators such as HELOC utilization and early liquidity signals into monitoring frameworks.





The Rent-Lock Generation

Renters: A Market Reframed

Renters are experiencing a compounding affordability burden driven by both market rent increases and landlord pass-through of operating costs.

Multifamily operators have reported insurance premium increases of approximately 27%, which directly contributes to rising rental rates.¹⁰

↑ **27%**

From Transitional to Structural

This has given rise to the **Rent-Lock Generation**.

The Rent-Lock Generation refers to financially stable households who would traditionally transition into homeownership but remain renters because housing costs have outpaced income growth. Many markets now see home prices exceeding five times income, trapping high-earning professionals in the rental market despite their strong financial profiles. This shift matters because it is expanding rental demand among higher-income households and reshaping long-term housing patterns across the market.⁷

**Flexibility is not a choice for all renters;
for many, it is a matter of managing
financial limitations.**

Around **53% of renters** worry they will never be able to own a home, leading to a reallocation of savings toward premium consumption.⁸

The Prime Renters in Plain Sight

High-income renters represent an underleveraged prime consumer segment. Despite strong earnings and consistent payment behavior, many remain outside traditional mortgage acquisition funnels that often drive premium credit, lending, and relationship-banking offers. Still, the data shows these households are concentrated in higher-priced rental segments, reflecting both financial capacity and increased flexibility in housing decisions.⁵

The Opportunity for Lenders: This segment is actively seeking partnership. In fact, **70% of renters** wish they had clearer guidance on how to improve their credit readiness.⁸

A Shift in Spending Behavior

As homeownership becomes less attainable to some, consumers reallocate expected down payment savings toward consumption categories such as travel, technology, and premium goods. This transition is more than a temporary cycle; it represents a fundamental adjustment to persistent affordability pressures.

When ownership moves out of reach, consumption patterns move with it.

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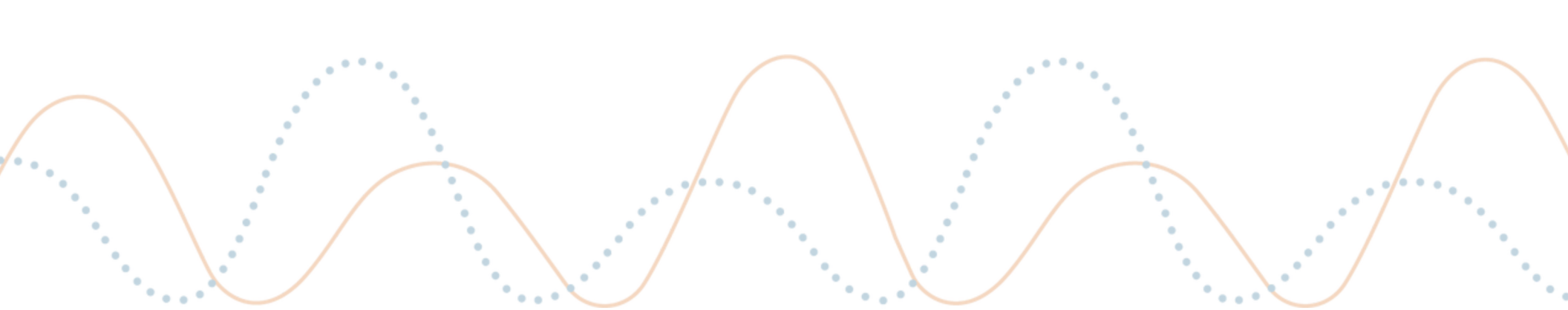
Renters are no longer transitional.
They are a durable, high-value
consumer segment.



ACTIONABLE INSIGHT:



Power your acquisition programs with
consumer financial insights.
Understand consumer financial
capacity or credit history to find ideal
prospects, reach new audiences, inform
offers, and boost response.



From Affordability to Adaptation

The 30% rule has not disappeared, but it no longer explains consumer financial behavior.

Rising housing-related costs are increasingly shaping how households allocate their budgets, pulling spending away from other financial priorities.

A New Lens on Risk and Growth

This shift introduces two structural blind spots:

Prime but Fragile

Consumers who appear stable but are losing financial flexibility - less ability to take on new debt or using other debt to pay for living expenses.

Invisible Prime

Consumers with strong capacity who are not captured in traditional models.

It's no longer just what consumers earn, it's what they have left.

The Strategic Shift

Organizations that succeed will move beyond static metrics toward dynamic indicators of financial reality:

- Spendable capacity
- Financial durability
- Behavioral signals



Final Thought

The Anchor Effect represents a structural change in how affordability must be understood.

In a 40% world, housing is no longer just a cost category, and the question is no longer whether households can make the payment.

It is what is left after housing takes its share.

Market **Pulse**



Engage with our dedicated mortgage team to learn more about what these insights mean for your business:



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