Monthly Mortgage Payments for Homebuyers Continue to Soar

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October 17, 2023

Notes: Chart plots the monthly payment to purchase a home that sold for $250,000 in January 2020, based on a 20 percent down payment and excluding monthly escrow payments, which are used to pay property taxes and homeowner’s insurance. Calculations extend through September 2023. Gray shading depicts National Bureau of Economic Research (NBER)-defined recession. Sources: Zillow, Freddie Mac, NBER, and author’s calculations. All data sources accessed through Haver Analytics.

Rising home prices and interest rates since January 2020 have more than doubled the monthly mortgage payment required to purchase a home (blue line). In 2020–21, the increase exclusively reflected rising prices (green line). Since then, the increase has primarily reflected rising interest rates (orange line). On their own, rising interest rates have increased monthly payments by more than 60 percent since late 2021, illustrating the strong incentive for owners to remain in their current home rather than sell and purchase a different home at a similar price.

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Jordan Rappaport is a senior economist at the Federal Reserve Bank of Kansas City. He joined the Bank in 1999 following completing his Ph.D. in economics at Harvard University. Jordan also holds a bachelors' degree from Brown University, from which he graduated in 1990. Jordan's research focuses on issues related to local growth. His articles for the Bank's Economic Review primarily focus on U.S. metropolitan area growth and on housing. His empirical research published in peer-reviewed journals has documented the persistence and causes of long run local population growth. His published theoretical research shows that even small costs associated with moving are sufficient to cause high persistence in net population flows and that small productivity and amenity differences can cause very large differences in local population density. Jordan is an associate editor of Regional Science and Urban Economics and the Journal of Regional Science.