

HOUSING AFFORDABILITY 2002

APPENDIX B. DEFINITIONS AND EXPLANATIONS

Coverage. The estimates in this report are for total families and unrelated individuals in 2002. In addition, historical data are presented for 1984, 1988, 1991, 1993, and 1995. The estimates are based on data gathered in the following Surveys of Income and Program Participation (SIPP):

<u>SIPP</u>	<u>Wave</u>	<u>Interview Months</u>
1984	4	Sept., Oct., Nov., Dec. (84)
1987	4	Feb., Mar., Apr., May (88)
1990	4	Feb., Mar., Apr., May (91)
1991	7	
1992	4	Feb., Mar., Apr., May (93)
1993	7	Feb., Mar., Apr., May (95)
2001	6	Oct., Nov., Dec. (02), Jan. (03)

At each interview, respondents were asked to provide information for the four months prior to the interview.

Family. The term "family" refers to a group of two or more persons related by birth, marriage, or adoption who reside together. Every family must include a householder. A household may contain a primary family and one or more subfamilies.

Subfamily. A subfamily is a married couple with or without children, or one parent with one or more own single children under 18 years old living in a household but not including among its members the person or couple maintaining the household. There are two kinds of subfamilies, related and unrelated.

Related subfamily. A related subfamily is a subfamily whose members are related to the person or couple maintaining the household. The most common example of a related subfamily is a young married couple sharing the home of the husband's or wife's parents.

Unrelated subfamily. An unrelated subfamily is a subfamily whose members are not related to the person or couple maintaining the household. Members of unrelated subfamilies may include such persons as guests, lodgers, or resident employees and their relatives living in a household.

Count of families. In this report the count of total families in 2002 is the number of primary families, plus related subfamilies, plus unrelated subfamilies. The breakdown by each group is:

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|-------------------------|------------|
| • Total families | 79,246,000 |
| • Primary families | 75,318,000 |
| • Related subfamilies | 3,401,000 |
| • Unrelated subfamilies | 527,000 |

Family status. Persons were classified as members of a married-couple family; a family with male householder, no wife present; a family with female householder, no husband present; or as unrelated individuals based on their most common status during the calendar year. For example, a person who was in a married-couple family for 7 months but was an unrelated individual for 5 months was classified as being in a married-couple family.

Unrelated individuals. The term "unrelated individuals" refers to persons 15 years old or older who are not living with any relatives. An unrelated individual may (1) constitute a one-person household, or (2) be part of a household including one or more other families or unrelated individuals. Thus, a widow living by herself or with one or more other persons not related to her, a lodger not related to the householder or to anyone else in the household, or a servant living in an employer's household with no relatives are examples of unrelated individuals. The affordability status of unrelated individuals is determined independently of other household members.

Age of householder. The age of the householder is based on the householder's age at their last birthday.

Race. Families and unrelated individuals are divided into three groups based on the race of the householder: White, Black, and "other races". The last category includes any other race except White and Black.

Hispanic origin. Families and unrelated individuals are classified as Hispanic origin based on a question that asked for self-identification of the householder's origin or descent. Persons of Hispanic origin may be of any race.

Tenure. A family or unrelated individual is considered to be a "current owner" if the unrelated individual or a member of the family is an owner or co-owner of the unit in which they live, even if the unit is mortgaged or not fully paid for. A family or unrelated individual is a "current renter" if the individual or a member of the family is one of the persons who rents the unit. Subfamilies (both related and unrelated) are given the same tenure status as the primary family with whom they live.

Income. The income amounts represent amounts actually received during the 4-month reference period, before deductions for income and payroll taxes, union dues, Part B Medicare premiums, etc. For this report, the data on income are limited to "available"

money (pre-transfer) family income. For an explanation of this concept and the types of income included and excluded, see appendix C. The annualized income data in this report are based on the monthly amounts recorded for the 4-month reference period.

Value. Value is the respondent's estimate of how much the property (house and lot) would sell for if it were for sale. Any nonresidential portions of the property are excluded from the cost.

Geography. Data are presented for the United States and the four census regions. However, affordability is determined by "qualifying" families and unrelated individuals for the purchase of several criterion homes (see below) in the area where they live. For this report "area" refers to the state where the family or unrelated individual lives, and whether they live inside or outside a metropolitan area within that state.¹ These determinations were aggregated to the regional and national level.

Northeast Region – Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont.

Midwest Region – Ohio, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, and Wisconsin.

South Region – Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia.

West Region – Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

Criterion home. The criterion home is the value of the home used to determine the affordability status of each family and unrelated individual. In this report, several different criterion homes are used to measure homeownership affordability:

Modestly priced home: This is the value of new or existing owner-occupied (non-mobile home) units at the upper limit of the first quartile of the cases in the area, based on data collected in the American Community Survey. Twenty-five percent of the homes in the area are below this value and 75 percent are above.

Median-priced home: This is the median value of new or existing owner-occupied (non-mobile home) units in each area based on value data collected in the ACS. The median divides the value distribution into two equal parts: one-half of the cases fall below the median and one-half of the cases exceed the median.

Low-priced home: This is the value of new or existing owner-occupied (non-mobile home) units at the 10th percentile of the cases in each area from the ACS.

¹ For six states, Arizona, Colorado, Connecticut, Massachusetts, New Jersey, and Rhode Island, and the District of Columbia, affordability was determined at the state level only.

Ten percent of the homes in the area are below this value and 90 percent are above.

New single-family home: This is the median value of new single-family home sales in each census division for the second quarter of 1995, from the Census Bureau's Survey of Construction.

Price-adjusted home: This is the 1988 value of a modestly priced new or existing owner-occupied (non- mobile home) unit in each area from the 1987 SIPP, converted to 2002 constant dollars. This adjustment was made in order to discount for changes in consumer prices, and was based on changes in the average annual Consumer Price Index.

Condominium home: This is the median value of an owner-occupied condominium unit in each census region from the Census Bureau's American Housing Survey in 2001.

Mobile homes have been excluded from the definition of each of the criterion homes because they are usually not financed in the same manner as other owner-occupied housing and often involve additional costs for mobile home park fees. However, in some areas of the country, where they are a significant portion of the housing inventory, they provide relatively low- cost housing for some families and individuals to move into homeownership.

For a description of the actual values of each criterion home by geographic area, see appendix E.