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New Homeowners Cost Of Living Data Corrects National Inflation Number

FOR IMMEDIATE RELEASE

Hackettstown, NJ 6/20/2023: SMR Research Corp. today launched the Homeowners Cost of Living (HCOL), a monthly report series designed to correct a major flaw in the government's Consumer Price Index (CPI).

Based on hard counts of over 53 million owner-occupied homes, the median HCOL for May, 2023, rose by 3.21% from one year earlier. This compares to an "assumed" annual increase of 8.0% in homeowner shelter costs in the CPI.

The CPI, created by the U.S. Bureau of Labor Statistics (BLS), is the nation's most important measure of inflation. Some 75% of the CPI is comprised of actual measurements of cost for gasoline, food, and hundreds of other items.

The other 25% of the CPI's weighting comes from homeowner shelter costs, but BLS doesn't actually measure these. It computes inflation for renters, and then assumes that homeowners have the same inflation rate. BLS calls this "Owner's Equivalent Rent" (OER), a strange and spurious number.

BLS economists view mortgage and property tax payments as investments in an asset (the house), not spending. But then, they have nothing left to measure for homeowner shelter costs. Ancillary costs such as homeowner's insurance, utilities, and other items are measured in other CPI categories.

Assigning renter costs to homeowners "is like saying that if all dogs were cats, they'd stop barking," SMR President Jim Kasprzak quipped. "They would, but dogs are not cats, and homeowners are not renters."

Inflation is very different for homeowners and renters. All renters must pay rent, yet 37% of homeowners own their homes debt-free. And most others with mortgages have 30-year or 15-year fixed-rate loans, where the payments stay the same for years.

"We are pleased, finally, to fix this problem and correct the annual rate of inflation," declared Jim Kasprzak, SMR's president.

"Using real data on median homeowner mortgage and property tax monthly costs, the overall U.S. rate of inflation in May would be 2.78%, not the 4.0% currently shown in the CPI published on June 13. We're much closer to solving the national inflation problem than some people think," Kasprzak said.

The HCOL report measures monthly mortgage and property tax payments for most U.S. homeowners living in their primary homes. Inflation pressures include rising property taxes and new home buyers' high mortgage payments, but buyers are a small portion of total households.

There also can be counterweights to HCOL cost pressures. Every year, some owners pay off their mortgages. Others may refinance to cut payments.

SMR obtains public record data on homes and mortgage loans from tax assessors and county recorders. SMR then estimates monthly mortgage payments by applying the standard amortization formula to an owner's current mortgage based on the loan's amount, interest rate, and term.

The BLS renter inflation number is based on some 50,000 interviews and then is applied to homeowners. But the HCOL method is based on hard counts of a sample more than 1,000 times larger than the BLS method.

Risk & Other Features

In addition to the inflation statistics, the monthly HCOL report will include local and national credit risk trends as well as a unique method to measure changes in home market values.

Subscribers to the monthly report will receive:

- Detailed HCOL national statistics
- State by state HCOL results
- Measurement of credit risk elements and how they've changed
- Change in monthly market values per square foot of building space for all primary homes, with national totals and county-level data

The credit risk section is especially noteworthy, as it measures numbers of homes "under water" (owning more than they are worth), numbers of loans with known high risk (FHA, VA, and seller financing), and numbers of homes with a history of default or subprime characteristics.

Risk data are reported for all homeowners and separately for each of 60 large U.S. counties. Current statistics are compared against a prior year to determine whether risk in the homeowner pool is rising or falling.

For subscription information, go to www.SMRresearch.com or call SMR at (908) 852-7677.

SMR Research, based in Hackettstown, NJ, is a producer of real estate, loan, and company data. Founded in 1984, SMR is the longest-tenured U.S. research firm specializing in housing and lending events, trends, and risks.