Freddie Mac Insight Shows the Impact of Child Care Costs on Housing

MCLEAN, Va. (Jan. 7, 2020) Freddie Mac (OTCQB: FMCC) today released an Insight focusing on how the cost of child care impacts a family’s ability to afford a home. Specifically, the research finds that, adjusted for inflation, the real price of child care has increased by 49% over the last 25 years while the cost of housing has only increased by 14% in real terms from 1993 to 2018. This has left homebuyers with less money to buy or rent a home.

“The list of expenses for a family can be never-ending, and we know from Freddie Mac's semi-annual survey of homeowners and renters that the cost of everyday life presents challenges for many looking to buy or rent,” said Sam Khater, Freddie Mac's Chief Economist. “One of the major challenges, when it comes to affording a home, is the high cost of child care. Our analysis finds that those families paying for child care generally are left with less money for housing. Specifically, we find they, on average, pay about half of the median mortgage payment and nearly eighty percent of the median rent.”

Insight Highlights:

- Families spend, on average, $715 a month on child care, with this figure rising to $758 when the main parent with child care responsibilities (the mother in most cases) is employed. For families with younger children, the cost is steeper at $948.

- Among those paying for care, the average child care expenditure for families with children under 5 years old represented 10.5% of their average income in 2011.

- Child care costs are more of a burden for lower income families than higher income families. For example, families making less than $1,500 a month who
have children under the age of 15 spent on average 40% of their income on child care, whereas families making over $4,500 a month spent approximately 6.7% of their income on child care. If adjusted for inflation, these percentages change only slightly in 2019.

- The child care burden varies considerably by state. For families using center-based and family day care, the burden ranged from 7.9% in Mississippi to 19.3% in Washington, DC, and was highest in the Northeast and West Coast.

- While other budget items such as student loans have received a lot of attention for their unprecedented level of growth, the budget of a family with children is largely consumed by child care. Student loan payments only amount to half of the overall cost of child care.

Freddie Mac’s Economic & Housing Research group regularly releases its Insight which provides original research and analysis on current topics of importance to housing and the broader economy.

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