



New Cars Unaffordable in All Major U.S. Cities

San Jose, Calif., Residents Can Afford to Spend the Most on a Car

NEW YORK – June 30, 2016 – A median-income household cannot afford the average-priced new car or light truck in any of the 50 largest cities in the U.S., according to research released today by Bankrate.com (NYSE: RATE). Bankrate.com’s full list of how much a median-income household in each of the surveyed cities can afford to spend on a vehicle can be found here:

<http://www.bankrate.com/finance/auto/where-a-new-car-is-most-and-least-affordable.aspx>

“People are spending far too much money on their cars,” said Steve Pounds, personal finance analyst at Bankrate.com. “There are many safe, affordable and stylish options on the market for people to choose from that won’t cut into more important budget items; such as college funds and retirement savings.”

When calculating how much a household can afford to spend on a car or light truck, Bankrate.com considered three key factors that are commonly referred to as the “20/4/10” rule. That is: a down payment of at least 20%; financing lasting no longer than four years; and principal, interest and insurance not exceeding 10% of a household’s gross income.

Bankrate.com recommends that median-income households spend no more than the following amounts on vehicle payments (principal and interest) in total and each month. For comparative purposes, the average price of a new car or light truck in 2016 was \$33,865, according to Kelley Blue Book.

Cities that ranked high for car affordability:

<u>Metro Area</u>	<u>Affordable Purchase Price</u>	<u>Maximum Monthly Payment</u>
1. San Jose, Calif.	\$32,856	\$662
2. San Francisco	\$31,970	\$644
3. Seattle	\$25,660	\$522
4. Washington, D.C.	\$25,237	\$498
5. San Diego	\$25,033	\$500
6. Charlotte, N.C.	\$21,655	\$408
7. Portland, Ore.	\$21,484	\$390
8. Austin, Texas	\$21,083	\$413
9. Raleigh, N.C.	\$20,901	\$394
10. Boston	\$21,484	\$390

The bottom 10 cities (starting with the lowest) in terms of car affordability:

<u>Metro Area</u>	<u>Affordable Purchase Price</u>	<u>Maximum Monthly Payment</u>
1. Detroit	\$6,174	\$120
2. Rochester, N.Y.	\$7,392	\$148
3. Cleveland	\$7,558	\$151
4. Hartford, Conn.	\$7,960	\$156
5. Buffalo, N.Y.	\$8,319	\$168
6. Miami	\$8,646	\$171
7. New Orleans	\$9,812	\$200
8. Birmingham, Ala.	\$9,823	\$183
9. Cincinnati	\$11,017	\$217
10. Providence, R.I.	\$11,297	\$223

Methodology:

For each of the 50 most populous cities in the U.S., Bankrate.com calculated 10% of the monthly median gross household income in that area and subtracted the average monthly insurance premium in that area to determine the maximum amount that the median-income household should spend on monthly car payments (principal and interest).

Sources:

Median income data was gathered from the U.S. Census Bureau's 2014 "American Community Survey."

Insurance costs are 2013 statewide averages from the National Association of Insurance Commissioners.

Kelley Blue Book provided the average cost for new vehicles in April 2016.

Sales tax rates were obtained from local governments.

The average interest rates on a 48-month new car loan came from Bankrate's weekly survey of major lenders.

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