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Escalating Taxes and Insurance Costs Threaten the Foundations of American Homeownership

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The long-standing promise of homeownership as a path to financial stability in the United States is facing new and growing threats. Once seen as a hedge against rising rents and a way to secure predictable monthly costs, owning a home now presents an increasingly

unstable financial reality. A surge in property taxes and insurance premiums across much of the country is undermining the fixed-cost advantage that once defined the American Dream.

New figures from housing data firm *Cotality* reveal a worrying trend: serious mortgage delinquencies, loans overdue by 90 days or more, have started climbing again after declining in the wake of the COVID-19 pandemic. By mid-2024, nearly half of U.S. states reported increases in delinquencies. The sharpest upticks were found in Florida, South Carolina, and Georgia, states especially vulnerable to natural disasters and spiraling insurance costs.

In Florida, property tax bills have jumped nearly 50% over five years, while average escrow payments, which cover taxes and insurance, have surged by 62%. “It’s no longer just about buying a home,” said *Vitality* economist Archana Pradhan. “It’s about being able to afford to stay in one.” For many, the original mortgage payment remains the same, but ballooning escrow costs are making monthly obligations unmanageable.

South Carolina has seen 14 insurance providers exit the state between 2020 and 2023, limiting competition and driving up premiums. Georgia, often considered one of the more affordable housing markets, has watched property taxes rise by more than \$700 on average in just five years. Home values there have climbed by a staggering 65%, narrowing the gap that once made it an appealing market for working families.

The financial pressure is falling heaviest on Americans with government-backed mortgages. Loans from the *Federal Housing Administration* (FHA) and the *Department of Veterans Affairs* (VA), designed to help lower-income and first-time buyers, are disproportionately affected. FHA delinquency rates are now five times higher than those for conventional loans, while VA loan delinquencies are three and a half times higher.

“These borrowers operate with the slimmest financial margins,” Pradhan explained. “When escrow costs spike, they simply don’t have anywhere to turn.”

Nationwide, property tax bills have risen more than 15% since 2019. In the first quarter of 2025, property tax delinquencies reached their highest level since 2018. States experiencing the worst of these issues also reported above-average unemployment rates, underscoring the economic stress facing households in these areas.

Mississippi, which holds the highest delinquency rate in the nation, also has the lowest median household income and is one of the most hurricane-prone states in the U.S. Natural disasters continue to have long-term financial consequences. In Asheville, North Carolina, for instance, mortgage delinquencies rose by 1% year-over-year following Hurricane Helene in 2024. Insurance premiums surged post-storm, and those costs haven't subsided, leaving families to deal with the ongoing economic fallout.

The broader implications are sobering. As homeownership becomes less predictable, the appeal to new buyers fades. Renters who once viewed buying a home as a financially sound step are now second-guessing the value proposition. Homeowners slip into delinquency, and the market becomes less stable, distorting inventory trends and discouraging investment.

The classic promise to homebuyers, secure a fixed-rate mortgage, lock in housing costs, and build equity over time, is under threat. While the rate may be fixed, taxes and insurance are not. And for many, that shift has upended the very foundation of why they bought a home in the first place.

“The equation doesn't hold anymore,” said Pradhan. “A growing number of homeowners are being forced into difficult choices, cutting essentials, taking on debt, or walking away entirely. The assumption of long-term stability is being replaced by uncertainty.”

In this changing landscape, policymakers, lenders, and investors must recognize that keeping homeownership accessible and sustainable will require more than low interest rates. Without addressing the growing burden of local taxes and the fragility of the insurance market, the United States risks turning a once-reliable path to prosperity into a financial minefield for working Americans.