

Affordability Woes

**Aubrey Cohen, *Seattle Post-Intelligencer*
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Seattle-area homes got 28 percent less affordable for people earning median incomes from 2000 through the third quarter of last year, according to a new report.

This change was 24th largest of 40 metropolitan areas in the study, which Moody's Economy.com prepared for the nonprofit Homes for Working Families. Seattle's overall affordability put it 14th of 47 cities, with a rating of 74.8 on an index where 100 is the threshold for affordability.

The runup of home prices in the early to mid 2000s exacerbated affordability problems and recent declines "thus far have not been nearly enough to bring affordability back to normal levels," the study says.

Fallout from defaults among subprime loans will have the greatest impact on middle-income earners in the least-affordable markets, the study says. "In these markets, borrowers stretched to attain homeownership during the housing boom. The monthly payments on many of their mortgages are rising as they reset to higher interest rates."

Accelerating declines in values over the next year will help some households afford homes, the report says. But, it adds, rising mortgage interest rates and tighter standards will at least partially neutralize that, while falling values will erode homeowners' equity and make default more likely.

Longer term, declining prices and rising incomes will help more middle-income households, the report says. "However, housing affordability for middle-income earners will remain well below the levels averaged in the late 1990s and early 2000s."