



# HOUSING

affordability

in **IDAHO**

**1979 to 2000**

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## Executive Summary

Housing in Idaho can range from unprecedented growth to negative appreciation. While county and city officials try to balance community growth against a struggle to maintain affordable housing, they also must gauge the effects on homeowners of rising property taxes. The authors have adapted an index of housing affordability to provide a view of housing values and income levels in Idaho's 44 counties at three separate points of time over a period from 1979 to 2000.

## Background

Idaho's size, diverse landscape, and local economies lay the groundwork for an array of statewide housing affordability issues. Understanding the situation proves challenging. It is common for some communities to experience unprecedented housing growth while others suffer an economic downturn, accompanied by low or falling housing prices.

Community growth and housing price appreciation often are considered positive. Yet low- and moderate-income home buyers sometimes struggle to afford decent homes. Even established homeowners are not immune to affordability issues. Rapidly increasing property values can drive up property taxes until even a fully paid for home becomes unaffordable.

Only a few decades ago, strict lending standards existed. Housing affordability was directly influenced by approval or rejection of loan applications. This standard of affordability no longer applies. For purposes of this bulletin, the authors have defined housing as affordable when the annual payments of principle and interest on a home are less than or equal to 25% of household income. For mechanics behind this definition, see the Index Calculation at right.

For low-income residents, purchasing a home has always been difficult. As the gap between wages and housing prices in many Idaho communities has widened, the problem of affordable housing has begun to affect middle-income residents, leaving only the highest income households able to afford available housing.

The lack of affordable housing causes direct problems for low- and middle-income buyers and can have indirect consequences in communities as well. The explosion in home prices in some communities has outpaced the incomes of many essential individuals such as teachers, nurses, police officers, clerical staff, service workers, and vital middle-income wage earners. Local leaders and business owners concerned with providing adequate housing for their citizens and employees struggle when key jobs go unfilled because people cannot afford housing. This jeop-

## Index Calculation

### Housing affordability index calculation:

$$\text{Index} = \frac{\text{Monthly Household Income (HI)}}{\text{Required Income (RI) to Qualify for a Conventional Purchase Mortgage}}$$

$$\text{Where: RI} = \frac{\text{Required Monthly Mortgage Payment} \times 12}{\text{Qualifying Ratio (QR)}}$$

### How do property taxes and insurance costs affect the Qualifying Ratio?

Property taxes and insurance rates vary significantly from area to area.

Loan underwriting standards require that the debt-to-income ratio for a prospective home buyer not exceed a certain level or percentage. To qualify for the mortgage loan, the monthly mortgage payment plus escrow for property taxes and insurance cannot exceed a stipulated percentage (Qualifying Ratio) of the borrower's gross monthly income.

The Qualifying Ratio (QR) establishes the maximum percentage of gross monthly income allocable to monthly housing costs. If property taxes and insurance are included, the QR would be a greater percentage of monthly income. Not including property taxes and insurance lowers the applicable QR to determine the borrower's suitability.

Following the lead of conventional mortgage underwriting standards and the QR applied by the National Association of Realtors (NAR) and others, we will apply a 25% QR directly to the mortgage payment alone to estimate income required for a buyer to qualify for a conventional, 80% home loan.

Source: Texas Housing Affordability Index (THAI) of the Real Estate Center at Texas A&M

ardizes businesses, social structures, and public services necessary for the growth and well-being of the community.

Workers priced out of the housing market either must commute long distances or seek employment in other communities. When families are unable to reside in the community yet continue to work there, the tax burden for public services such as education, fire, and police are shifted to the bedroom community. The benefits such as sales and associated business taxes are generated in the working community. A prime example is Teton County, Idaho, which serves as a bedroom community for Teton County, Wyoming, where purchasing a home is not viable for any but the wealthy. Sales and business property taxes are generated in Wyoming, while the tax burden for education, community services (sewer, water, police, and fire) and infrastructure (roads, sewer, and recreation facilities) falls in Idaho.

When employees make costly, time-consuming commutes or work multiple jobs, families and communities often bear the cost. Children spend longer hours in day-care, family and leisure time are reduced, and volunteer time is restricted or split between communities.

### Understanding Affordability

The goal of this research is to better understand Idaho's housing market and to identify for community leaders the key elements of housing affordability as they work to address housing issues in their communities. To accomplish this we focused on three main objectives:

1. Construct an index of housing affordability as a way to compare and contrast housing affordability over time and across Idaho communities.
2. Discuss other factors influencing housing affordability not directly accounted for in the index.
3. Analyze affordability of a typical starter home by wage level in Idaho counties and select cities.

To help analyze and pinpoint communities facing or potentially facing affordability crises, we have constructed a simple housing affordability index for each of Idaho's 44 counties. This index addresses which Idaho communities are relatively affordable or unaffordable. It also shows where housing in Idaho has become more or less affordable over time. We modeled the index after the nationally recognized Texas Housing Affordability Index. It combines, in one convenient number, both sides of the housing affordability problem—a family's ability to pay for housing, and local housing prices. The index allows a comparison of housing affordability among Idaho communities and with state of Idaho and national averages.

### Data Definitions

**Real median household income** is the level of income at which half the population has lower income and half has higher income. Here, we provide information on real median household income, which means the data have been adjusted for inflation (1989 dollars). *Source:* 1979: U.S. Bureau of the Census, Census of Population and Housing, USA Counties 1998, (<http://censtats.census.gov/cgi-bin/usac/usasel.pl>)

1989 and 1999: U.S. Bureau of the Census, Census of Population and Housing, American Factfinder, (<http://factfinder.census.gov/>)

2000-2003: U.S. Bureau of the Census, Small Area Income and Poverty Estimates, (<http://www.census.gov/hhes/www/saie/county.html>)

**Effective interest rate** reflects the amortization of initial fees and charges. The *effective rate* is reported by the Federal Housing Finance Board's (FHFB) Monthly Survey of Rates and Terms on Conventional, Single-Family Non-farm Mortgage Loans for the state of Idaho. *Source:* Federal Housing Finance Board (<http://www.fhfb.gov/Default.aspx?Page=53>)

**Real median home price** is the **value of owner occupied housing** according to the census respondent's estimate of how much the property (house and lot, mobile home and lot, or condominium unit) would sell for if it were for sale. The median value is the level at which half the housing units have a higher value and half have a lower value. Here, we present the real median value, which means the data have been adjusted for inflation (1990 dollars). *Source:* 1980: U.S. Bureau of the Census, Census of Population and Housing, USA Counties 1998, (<http://censtats.census.gov/cgi-bin/usac/usasel.pl>)

1990: U.S. Bureau of the Census, Census of Population and Housing, (<http://factfinder.census.gov>)

2000: U.S. Bureau of the Census, Demographic Profiles, (<http://www.census.gov/Press-Release/www/2002/demoprofiles.html>)

## HOUSE VALUES VS. INCOME: COUNTY AND STATE COMPARISONS

### Housing

The first key variable in a study of housing affordability is the cost of housing. For this, we used median home value by county, state, and nation. According to the Census Bureau, **median home values** are the census respondent's *estimate* of how much their property, generally defined as the price for which a house and lot, mobile home and lot, or condominium unit, would sell. The median value is the level at which half of the housing units have a higher value and half have a lower value (see Data Definitions on page 4). For example, the real<sup>1</sup> median home value in the

U.S. was \$112,114 in 1980 and increased to \$135,655 by 2000, a 21% rise. In Idaho, the real median home value in 1980 was \$108,795. By 2000, the median rose to \$120,570 an increase of close to 11% (see Appendix Table 1). Idaho housing continues to be more reasonably priced than the average U.S. home. In this 20-year period, Idaho communities associated with prime recreation or tourist areas experienced the steepest increase in home values. Between 1980 and 2000, Blaine County, known as an upscale resort area, experienced the largest increase in real median home values as prices rose from \$172,000 to \$328,000. This is an increase of more than 90%, or an average annual growth rate of 3.3%. Teton County, Idaho, which is part of the Census Bureau defined Micropolitan Statistical Area of Jackson, Wyoming, an

**Table 1. Change in median housing value from 1980 to 2000, in Idaho counties, by region.**

Northern region		Western region		Central region		Eastern region	
Bonner	28.7%	Boise	35.2%	Blaine	90.9%	Teton	72.5%
Benewah	21.7%	Washington	28.5%	Camas	26.1%	Oneida	32.6%
Latah	21.0%	Adams	26.8%	Lincoln	19.2%	Franklin	15.1%
Boundary	18.6%	Valley	26.3%	Jerome	14.9%	Clark	14.5%
Shoshone	14.7%	Owyhee	20.7%	Gooding	12.2%	Jefferson	4.5%
Lewis	14.1%	Payette	18.5%	Custer	11.8%	Fremont	3.0%
Nez Perce	11.5%	Gem	17.1%	Lemhi	11.1%	Power	2.1%
Kootenai	7.6%	Elmore	12.1%	Twin Falls	7.1%	Bingham	-2.7%
Idaho	7.6%	Canyon	7.2%	Cassia	-0.3%	Bannock	-3.7%
Clearwater	3.3%	Ada	4.5%	Minidoka	-2.7%	Bear Lake	-7.4%
				Butte	-4.7%	Bonneville	-8.3%
						Madison	-11.1%
						Caribou	-13.0%

**Table 2. Change in median income from 1979 to 2000, in Idaho counties, by region.**

Northern region		Western region		Central region		Eastern region	
Bonner	16.6%	Payette	25.2%	Blaine	52.4%	Teton	51.7%
Boundary	8.9%	Washington	21.7%	Lincoln	21.8%	Oneida	31.4%
Kootenai	8.3%	Owyhee	18.5%	Custer	21.4%	Clark	25.3%
Latah	4.9%	Ada	16.3%	Gooding	17.0%	Jefferson	17.2%
Nez Perce	-0.1%	Elmore	15.3%	Camas	14.6%	Franklin	9.6%
Lewis	-0.5%	Canyon	12.9%	Jerome	10.3%	Fremont	9.5%
Idaho	-10.3%	Gem	12.2%	Cassia	5.4%	Madison	9.5%
Benewah	-17.3%	Boise	10.0%	Lemhi	3.7%	Bingham	2.5%
Clearwater	-17.8%	Valley	1.8%	Twin Falls	2.9%	Bonneville	0.5%
Shoshone	-25.4%	Adams	-13.0%	Butte	0.1%	Caribou	-3.4%
				Minidoka	-4.7%	Power	-6.6%
						Bear Lake	-8.9%
						Bannock	-10.0%

area also known for resorts, celebrities, and expensive properties, experienced a 73% increase from \$87,000 to \$151,000 in median home values, and an annual growth rate of 2.8%.

Many counties had double digit increases during this time, but as a whole, Idaho had an increase of about 11% in median home values over the 20-year period. Other counties experienced only single digit growth, or even lost value, after accounting for inflation. Counties experiencing below average increases in median home prices include metropolitan Ada County (4.5%), Canyon, and Kootenai. Among the eight Idaho counties experiencing a decline in real housing values over this 20-year period, Caribou County led, losing 13%. Table 1 conveys the total percentage changes from 1980 to 2000 for each county, by region. The eastern and central regions boast both the counties having the largest increases in home values and those experiencing losses in value.

### **Income**

Looking at housing values without considering income might lead to inaccurate conclusions about affordability, because the equation also depends on the wage rates within each local area. We used the U.S. Census Bureau figures to assess Idaho counties' **median household income**. The Census Bureau defines median household income as the level of income at which half of the population has lower income and half has higher income (see Data Definitions on page 4). The Census Bureau adjusts data for inflation. It represents real dollar spending power and may not reflect actual dollar amounts as expressed in other sources (see Appendix Table 1).

In the 21-year<sup>2</sup> period from 1979 to 2000, real median household income in the U.S. increased from \$44,786 to \$47,624, a 6.3% increase. By comparison, Idaho real median household income rose from \$41,122 to \$43,018 a 4.6% increase. Blaine and Teton counties, which had the largest increase in median housing prices, also had the largest increase in median income. Several additional counties experienced large growth in median income, while nine counties dropped in median income during this time period. The majority of the counties seeing drops in household income were in rural and traditionally natural-resource-based economies. Closures and cutbacks in mining likely contributed to the largest decrease, in Shoshone County, where income fell by more than 25%. Table 2 shows the income changes over this period.

## **HOUSING AFFORDABILITY INDEX**

A measure of housing affordability combines real median housing values and real median income levels of counties. The housing affordability index constructed summarizes the ability to pay and the housing cost—in a single number. To calculate the housing affordability index for Idaho and its counties, we used median household income as defined by the Census Bureau and the median value of owner occupied housing as reported by the Census Bureau. The interest rate used is the effective interest rate reported by the Federal Housing Finance Board (See Data Definitions, page 4). The index model we employed in this bulletin was modeled after the Texas Housing Affordability Index, created and used by the Real Estate Center at Texas A&M University to study and measure housing affordability in Texas and throughout the nation.

### **What does the Housing Affordability Index<sup>3</sup> measure?**

1. General ability to qualify for a conventional mortgage on a median priced home.
2. General ability to manage monthly mortgage payments while continuing to meet other family expenses:
  - For the median-income household
  - For the median-priced house existing in the area
  - Under conventional financing terms

### **What does the Housing Affordability Index mean?**

**An index of 1.0** means the median household income **equals** the income required by conventional lenders for the family to purchase the median-priced home.

**An index less than 1.0** means the median household income is **insufficient** to qualify for a median-priced home loan.

**An index of greater than 1.0** means that median household income is **more than enough** to qualify for a median-priced home loan.

We used median household income and median house values to look at changes within the county over time. This allowed us to determine if housing in each individual county has become more or less affordable over time. The index also provides a standard of comparison, which allows cross-comparison of each county's affordability status and can be compared with state and national numbers.

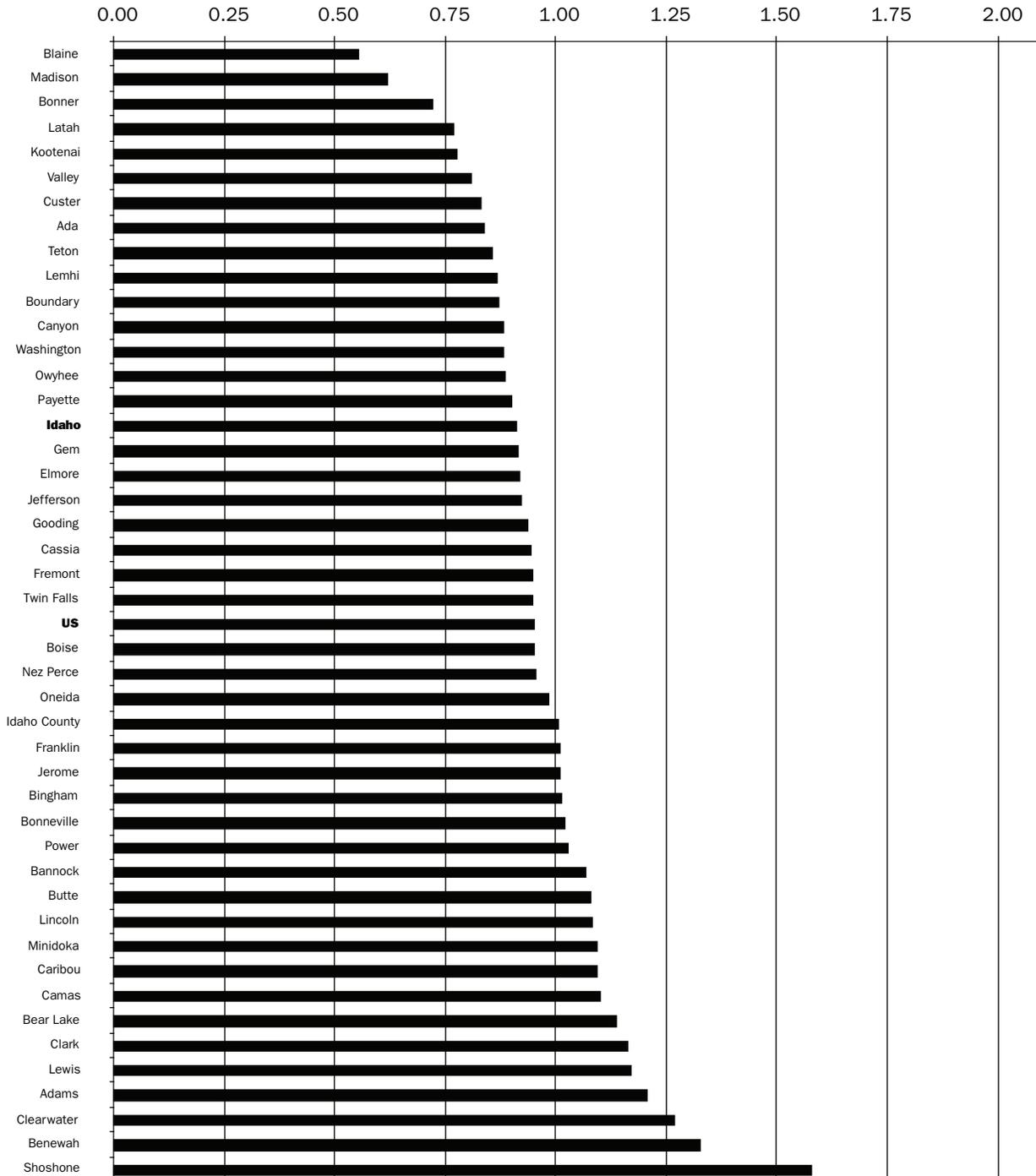
## Results

Housing affordability in the U.S., according to the index, generally has improved since the 1980s. In 1980, the U.S. housing affordability index was 0.95, and the Idaho affordability Index was 0.91, indicating a general lack of affordability (see Appendix Table 2, Appendix Figure 1, and Figures 1A to 1C). In the 20 years from 1980 to 2000, the index indicates housing became very affordable from 1980

to 1990, then slowly began to become unaffordable again from 1990 to 2000. Over the 20-year period, housing generally has become more affordable in the U.S.

By 2000, the index jumped to 1.25 and 1.28 in the U.S. and in Idaho, respectively. The real median income of U.S. and Idaho residents had increased compared with the level of income required to qualify for a conventional mortgage. In 1980, housing was less affordable for Ida-

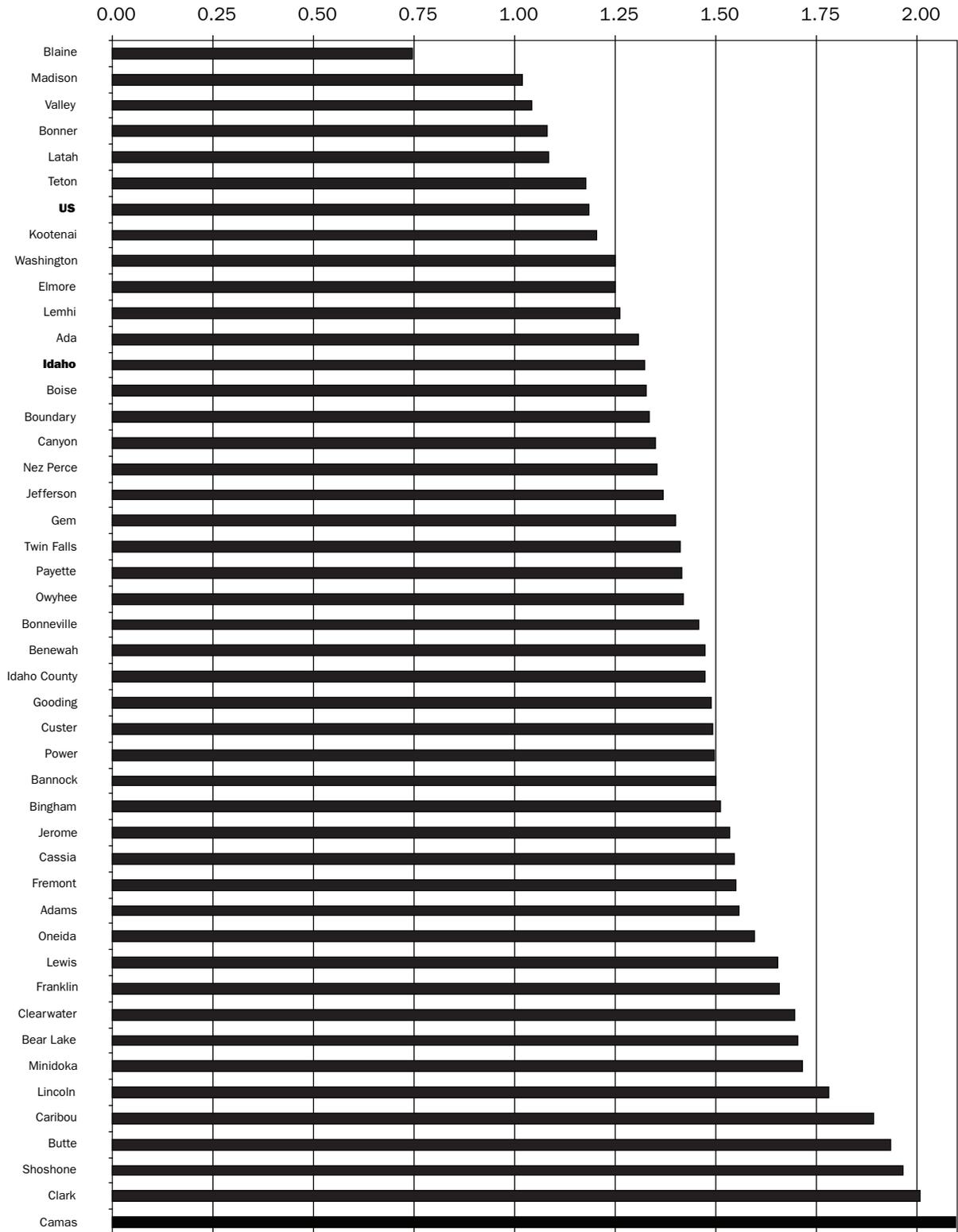
**Figure 1A. Housing affordability index of least to most affordable counties: Idaho 1979–1980.**



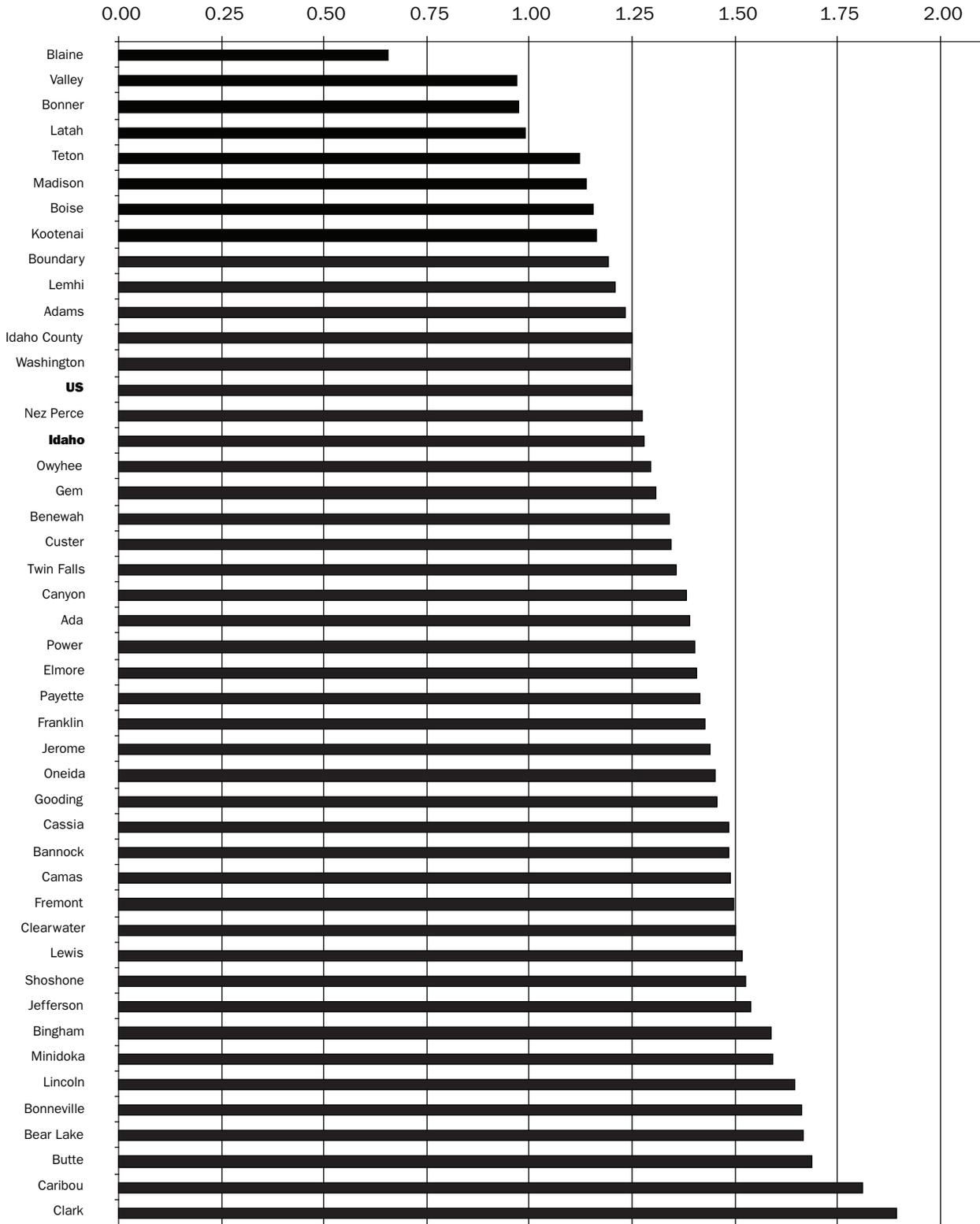
hoans than for the U.S. population in general; though by 2000, Idaho housing had become relatively more affordable. Assuming this trend continued to 2007 helps explain why Idaho housing has become more attractive to

out-of-state investors, who effectively transfer their out-of-state-level housing equity and income to Idaho's more affordable housing market.

**Figure 1B. Housing affordability index of least to most affordable counties: Idaho 1989–1990.**



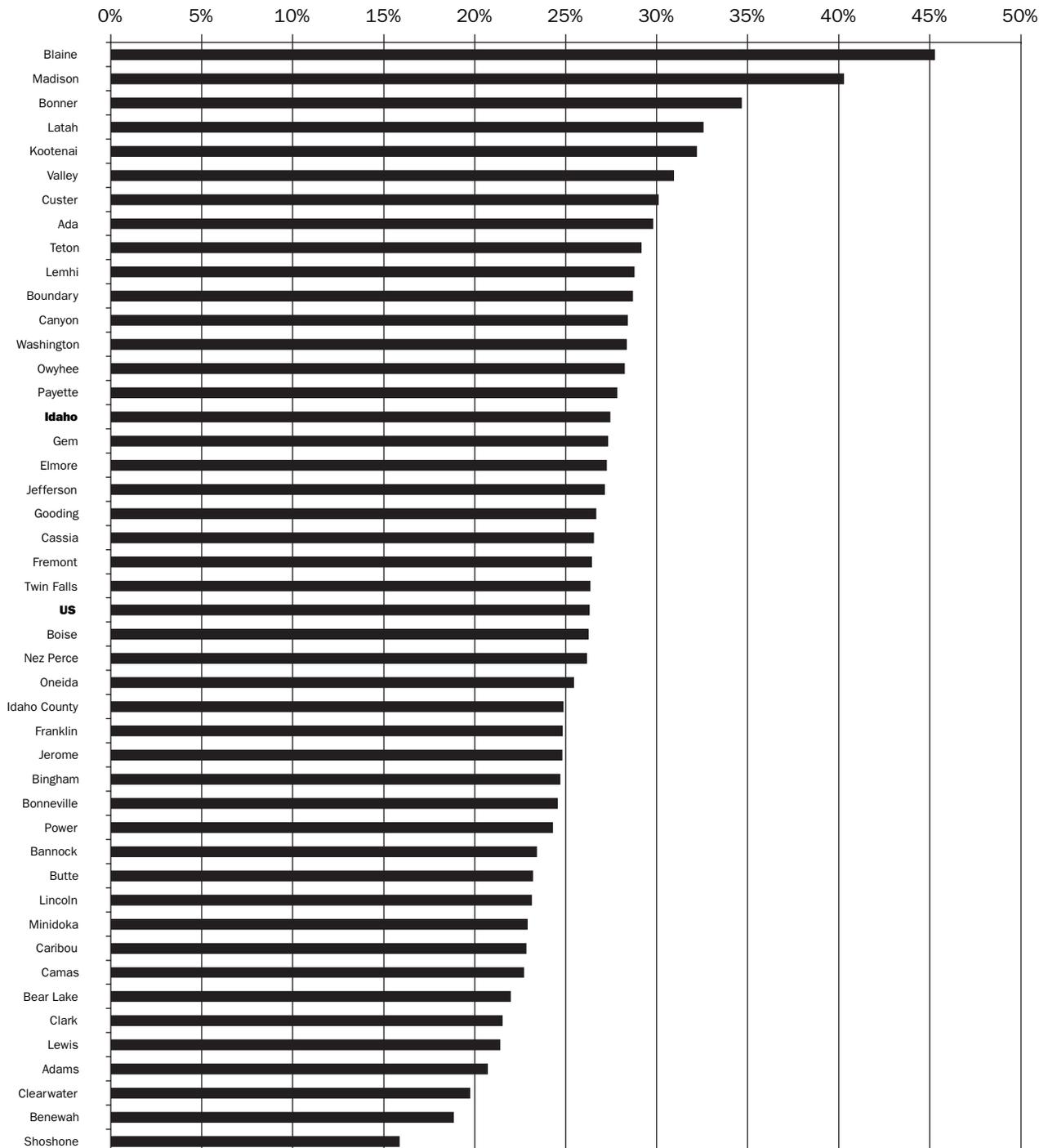
**Figure 1C. Housing affordability index of least to most affordable counties: Idaho 2000.**



## Time Snapshots

**1979-80.** Forty-three percent of Idaho counties recorded an affordability index greater than 1.0, meaning only 19 of Idaho's 44 counties had affordable housing (10 counties were barely above 1.0). Blaine County had the least affordable housing—an index of 0.55 (see Figure 2A).

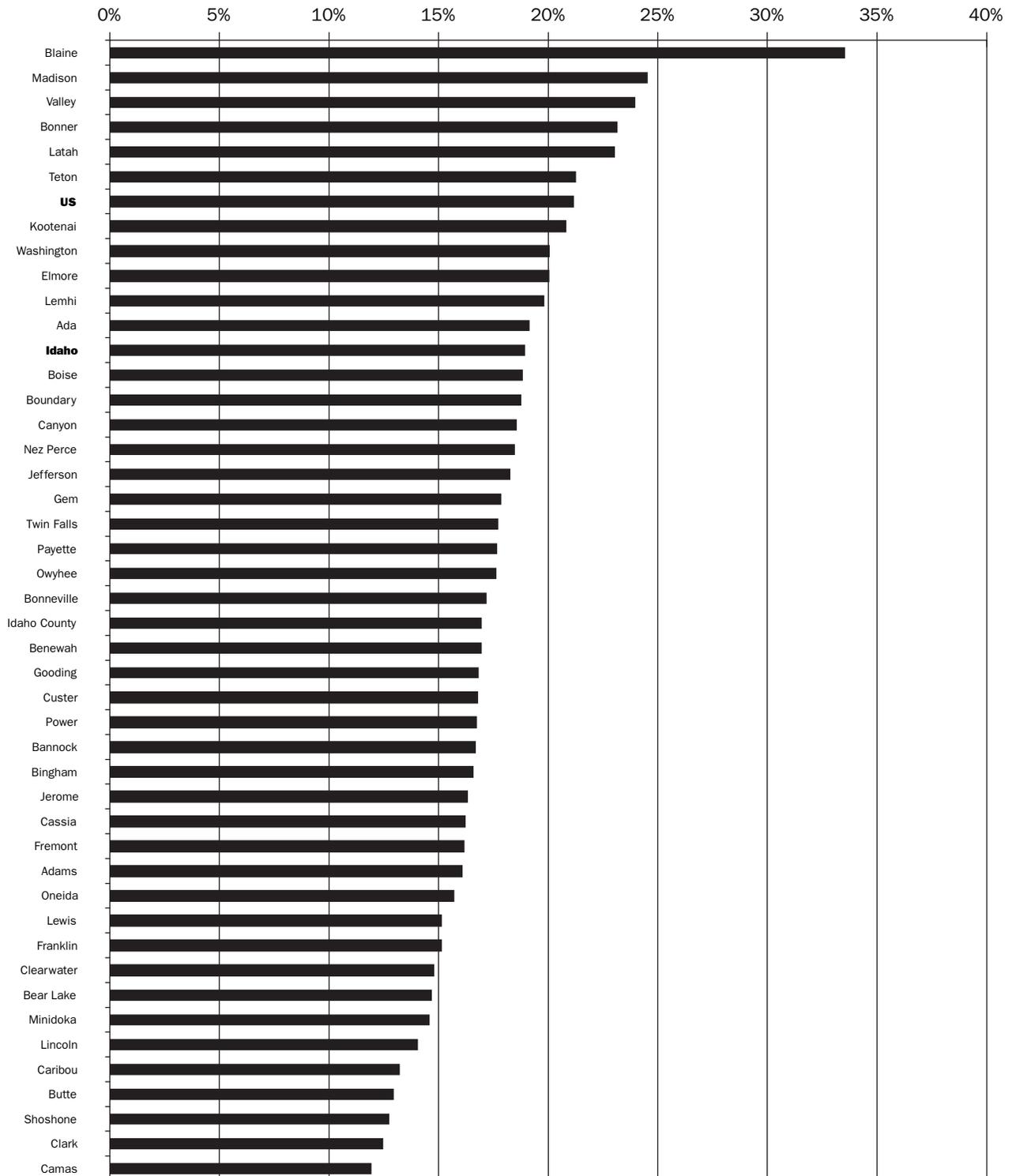
**Figure 2A. Annual housing cost as a percentage of annual median household income by county: Idaho 1980 (i=12.66%) i = interest rate**



**1989-90.** Blaine County, having an index of 0.75, was the only county in the state where housing was unaffordable. Housing in Camas and Clark counties was the most affordable, having an index exceeding 2.0. In real terms,

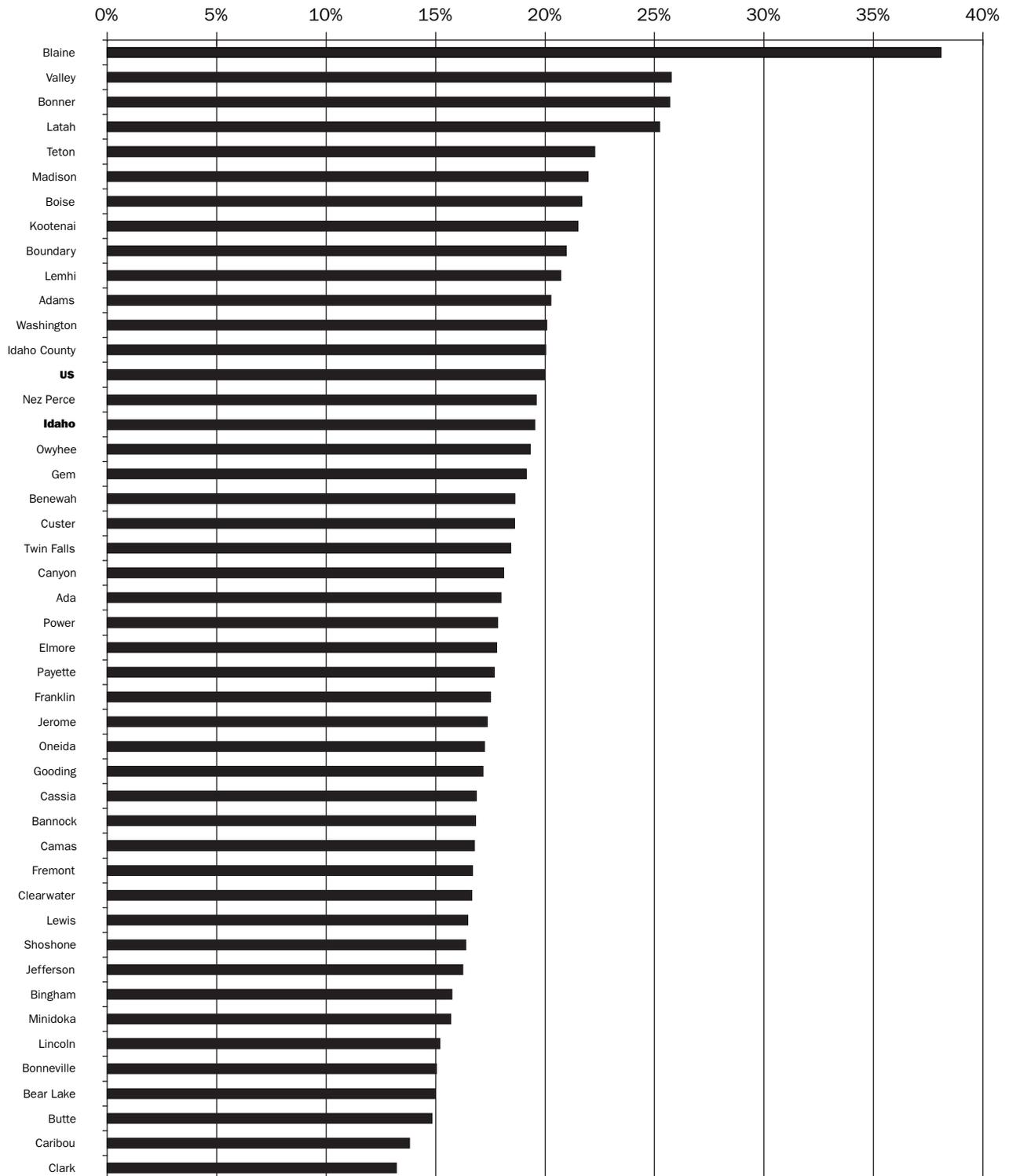
housing prices dropped by 20% from 1980 to 1990. Income also dropped but only by 3.3%. Housing generally became much more affordable during this time (see Figure 2B).

**Figure 2B. Annual housing cost as a percentage of annual median household income by county: Idaho 1990 (i=10.32%) i = interest rate**



2000. Four counties, Blaine, Bonner, Latah, and Valley were unaffordable, having index numbers less than 1.0. The most affordable housing was in Bear Lake, Butte, Caribou, and Clark counties, where the index exceeded 1.67 (see Figure 2C).

**Figure 2C. Annual housing cost as a percentage of annual median household income by county: Idaho 2000 (i=7.88%) i = interest rate**



**1980—2000.** Most Idaho counties switched from being unaffordable in 1980 to being affordable by 2000. Blaine County, however, has not had affordable housing in more than 26 years, while in the same period, Adams, Benewah, Clearwater, Shoshone, and Lewis counties never experienced unaffordable housing. Housing in Valley, Latah, and Bonner counties was unaffordable in 1980, became barely affordable by 1990, and became unaffordable again by 2000.

**2007.** Though not explicitly supported by our Census Bureau data, inferences drawn from the 20-year period 1980 to 2000, led us to assume that from 2001 to 2007 Idaho has experienced even more growth due to the attractive nature of the state and its housing market. In 2006, Idaho was the third fastest growing state in the U.S. in terms of population, according to recent Census Bureau estimates. It is likely Idaho's attractive communities and associated but isolated population increases have decreased the affordability of housing for the low to middle income wage earners in the unaffordable communities. For many Idaho counties, the growth in high-end housing has not been offset by growth in "starter homes," those suitable for first-time home buyers earning low to median level incomes.

### **Role of Home Prices in the Index**

A number of factors combined in the late 1990s to make homeownership—even second homes—a strategic investment for nearly all income brackets in the United States. Low interest rates and the decline of the stock market made real estate an especially attractive investment option. According to the Office of Federal Housing Enterprise Oversight,<sup>4</sup> housing appreciation steadily climbed in all markets throughout the beginning of the 21st Century. Probably due to rising interest rates, housing appreciation has slowed in most markets. However, according to the same source, Idaho led the nation in house price appreciation. While the housing market cooled in most markets in the second quarter of 2006, houses in Idaho appreciated at an average rate of 20.87%. During the same period, houses in California, a traditionally hot market, appreciated at a comparatively slower pace of 14.76%. Although the third quarter of 2006 saw the Idaho appreciation rate retract to 17.52%, the state still led the nation. California's rate for the same period was 10.16%. The question remains: How long will Idaho remain a sellers' market, and how long can the state maintain rising housing prices coupled with relatively low wages?

### **Role of Income Levels in the Index**

The differences in income across counties and other states pose a significant factor affecting housing affordability in a number of Idaho counties. Idaho is attractive to businesses and has attracted a number of companies to the state, yet median individual and family income remains behind those of the rest of the nation. In some counties, income falls far below the national median household income figures. The median household income in 2003 in Idaho was \$42,309, ranking 34th among incomes of the 50 states. For the majority of Idaho counties, real median income (when adjusted for inflation) fell short of national levels in 2000. In Blaine County (\$55,626 in 2003, \$59,198 in 1999) and Teton County (\$47,060 in 2003, \$49,200 in 1999) median income exceeded the state median income (see Appendix Table 1).

For most metropolitan counties in southern Idaho, incomes also exceeded the state median income. Ada county median household income (\$52,443 in 2003, \$54,091 in 1999) was the second highest in the state (behind Blaine County). Except for more rural Blaine and Teton counties, urban counties seemed to fare much better when comparing incomes with state and national median income figures. In Kootenai County, Idaho's northern urban county, the median income of \$42,543 (\$44,260 in 1999) kept pace with Idaho's median income.

For other counties experiencing dramatic growth and increasing home prices, the picture was starkly different. In Bonner County, housing prices increased at a rate exceeded by only six other Idaho counties,<sup>5</sup> but the median income of \$36,391 in 2003 (\$38,456 in 1999), placed Bonner County 26th in median income among Idaho's 44 counties (see Appendix Table 1). Idaho individuals and families struggle to afford housing when incomes fall dramatically short of national and regional trends and housing prices continue to rise.

### **Role of Interest Rates and Fees**

The index assumes a 30-year fixed-rate mortgage secured with 20% down, which translates into a loan amount of \$96,456 for a median-valued house priced at \$120,570 in Idaho in 2000. The total interest paid on this loan amount at 6.25% would be \$117,346 over the life of the loan. Other fees are extra, especially at the time of the loan origination. Including interest and the base price of the home, the home buyer would, in essence, pay for nearly two homes. Excluding fees, the total price would be \$237,916 for a \$120,570 home.

Interest rates are key. A small difference of one-quarter percent in an interest rate, from 6% to 6.25% on a \$100,000 loan, equals nearly \$6,000 in additional interest payments, or a couple of months wages for a middle-income household. To further illustrate the impact of interest rate increases, assume that instead of the 5.74% interest rate in 2003, the prevailing interest rate had been 12.66%, as it was in 1980. In this scenario, housing would have become unaffordable in nearly every county in Idaho. Interest rates have been at near record lows for the past decade or so, otherwise housing affordability crises would certainly be more widespread throughout the state.

Adding fees into the calculation of the effective interest rate increases the true cost of the loan. In a standard Truth-in-Lending disclosure statement provided to the borrower at the loan closing, the borrower can see the Annual Percentage Rate (APR), which includes the fees accompanying the loan. This is much like the effective interest rates discussed in Data Definitions on page 4, only on an individual level. In a conventional loan the additional fees increase the APR, add significantly to the costs, and reduce true affordability.

## **BEYOND THE INDEX**

The housing affordability index can be a powerful tool, yet its data are limiting as a measure of housing affordability. Additional factors not necessarily reflected in the index scores can impact housing affordability.

### **Nontraditional Lending**

To a growing degree, the primary assumption of the index, a 20% down, 30-year fixed-rate conventional mortgage has become less and less applicable to some home buyers. The deregulation of U.S. financial industries and the advent of the secondary market during the past 15 years gave birth to subprime lending, which generally refers to any nonconventional mortgage. Examples of nonconventional mortgage products include adjustable rate, balloon, and interest only mortgages. These loans are considered high cost loans by many standards. They feature rising rates, numerous extra fees, and often include massive payments, which can be met only through expensive refinancing options. More and more medium- to low-income households found the artificially low initial monthly payments of subprime loans presented an opportunity to buy more expensive homes than they could otherwise afford. However, the dream only lasted until the rates rose or the balloon payment came due, then the nightmare began.

To add perspective, subprime home loans were virtually nonexistent 20 years ago, but in 2005 alone the vol-

ume of subprime home loan originations grew to more than half a trillion dollars.<sup>6</sup> In spite of the costs and risks, trends indicated more than one in five home-buying families would enter into a subprime loan in 2007, the majority being middle-income.

Whether out of ignorance or perceived necessity, middle-income borrowers entered into non-traditional and subprime home loans in droves.<sup>7</sup> Subprime home lending products are seven times more prone to delinquency and foreclosure than traditional home loans. In addition to the astronomical fees and rates associated with these types of loans, subprime borrowers have even more wealth stripped during delinquency and foreclosure processes. Subprime borrowers often have been caught in continuous cycles of frequent refinancing attempts<sup>8</sup> to satisfy balloon payments and rising adjustable rates. All of these additional costs can be translated into a higher APR or effective interest rate, making housing even less affordable than the index might indicate.

### **Personal Debt**

The index calculation assumed the absence of non-house-related debt. For many households, especially first-time home buyers, this is rarely the case. Instead, households may have credit card debt, car payments, student loans, and other miscellaneous debts such as payday loans, financed furniture and appliance contracts. Established owners may have taken on second mortgages or other forms of home equity loans that further add to their debt ratios. The proliferation of creative types of credit made borrowing so easy, nearly anything could be purchased through financing of some sort.

Owing more than \$500 dollars in monthly non-house-related debt payments would negatively affect the house price an average borrower could reasonably afford, according to standard back-end ratio guidelines. Traditional home lenders use front end/back end ratios to determine maximum housing affordability. These same guidelines state that no more than 36% of one's monthly income should be obligated to total debt, including a mortgage.

Calculating true affordability requires accounting for a household's additional nonmortgage debts. According to the Federal Reserve's Survey of Consumer Finances,<sup>9</sup> in 1983, the median level of a U.S. household's non-house-related debt was approximately \$4,490;<sup>10</sup> in 2004, \$17,700. According to the 2004 survey, 12% of debt-burdened households actually had an annual debt load exceeding 40% of annual income. These debt-burdened households were disproportionately low and moderate income. More than one out of five individuals making less than \$40,000 carried a debt burden exceeding 40% of

annual income. By back-end ratio standards, more than one-fifth of low and moderate-income households were unable to afford a home because of household debt levels. Debt-ridden borrowers could still secure loans because nontraditional lending institutions felt little obligation to hold potential borrowers to standard guidelines.

### Income Volatility

According to the Bureau of Labor Statistics,<sup>11</sup> about 45 million women over age 16 were in the labor force in 1980. By 2006, this number had grown to more than 70 million women, an increase of almost 10% of the female population. Not only have more women entered the workforce, but women work more hours and earn higher average real wages than their 1980 counterparts. Working women have significantly increased total household income over the past quarter-century.

It is also more common in today's job market for both men and women to work more than one job, particularly in areas having higher costs of living. The increases in income from multiple jobs and dual earners have helped make housing more affordable on average. Although housing is technically affordable in these types of situations, affordability problems often occur after the purchase of a home. Dependence on two to four jobs between spouses, coupled with employment volatility, lack of emergency savings,<sup>12</sup> and increasing demands on time between work and family, makes periods of reduced income almost inevitable.<sup>13</sup> Housing initially deemed affordable, can become unaffordable at any given moment, sending the household into foreclosure<sup>14</sup> and even bankruptcy.<sup>15</sup>

### Starter Homes

Housing affordability challenges for families and individuals trying to purchase a starter home in today's market often are met by a suitable housing scarcity. In many Idaho communities, housing markets have exploded in the last five to ten years, but much of the growth has been in high-end housing. An alternative affordability measurement (see Table 3) incorporates current actual home prices and incomes for specific key occupations in today's market. People in key occupations are individuals and families with careers in occupations vital to the welfare of Idaho communities.

**Table 3. Starter home prices and income qualifications for selected Idaho communities, 2006.**

Location	2006 starter home price	Required monthly payment at 80% loan to value	Required income to qualify at %25 QR
<b>Ada Co.</b>	\$291,000	1,433	68,803
Boise	\$277,300	1,366	65,564
<b>Adams*</b>	\$112,000	552	26,481
<b>Bannock</b>	\$171,300	844	40,501
Pocatello	\$167,700	826	39,650
<b>Bear Lake Co.*</b>	NA	NA	NA
<b>Benewah</b>	\$199,900	985	47,263
<b>Bingham</b>	\$188,000	926	44,450
Blackfoot	\$192,000	946	45,396
<b>Blaine Co.</b>	\$300,000	1,478	70,931
Bellevue*	\$388,000	1,911	91,737
Hailey*	NA	NA	NA
Ketchum*	NA	NA	NA
<b>Boise</b>	\$300,000	1,478	70,931
<b>Bonner Co.</b>	\$212,950	1,049	50,349
Sandpoint	\$217,560	1,072	51,439
Priest River	\$189,900	935	44,899
<b>Bonneville Co.</b>	\$164,000	808	38,775
Idaho Falls	\$161,600	796	38,208
<b>Boundary</b>	\$149,000	734	35,229
<b>Butte</b>	\$189,900	935	44,899
<b>Camas Co.</b>	\$189,900	935	44,899
<b>Canyon</b>	\$197,720	974	46,748
<b>Caribou*</b>	\$140,000	690	33,101
<b>Cassia</b>		0	0
<b>Clark</b>		0	0
<b>Clearwater</b>	\$119,375	588	28,224
Orofino	\$130,000	640	30,737
<b>Custer Co.</b>	\$125,750	619	29,732
Challis	\$147,000	724	34,756
<b>Elmore Co.</b>	\$147,000	724	34,756
Mountain Home		0	0
<b>Franklin</b>		0	0
Preston		0	0
<b>Fremont*</b>	\$189,000	931	44,686
<b>Gem</b>	\$172,450	849	40,773
<b>Gooding Co.</b>	\$166,600	821	39,390
Wendell	\$172,450	849	40,773
Gooding	\$154,900	763	36,624
<b>Idaho County</b>	\$151,500	746	35,820
<b>Jefferson</b>	\$181,500	894	42,913
Rigby	\$181,500	894	42,913
<b>Jerome Co.</b>	\$151,500	746	35,820
<b>Kootenai</b>	\$176,000	867	41,613
Coeur d'Alene	\$175,925	867	41,595
<b>Latah</b>	\$179,450	884	42,428
Moscow	\$185,500	914	43,859
<b>Lemhi Co.*</b>	\$189,900	935	44,899
Salmon*		0	0
<b>Lewis*</b>	NA	NA	NA
<b>Lincoln</b>	\$130,000	640	30,737
<b>Madison</b>	\$190,000	936	44,923
Rexburg	\$190,000	936	44,923
<b>Minidoka</b>		0	0
<b>Nez Perce</b>	\$225,000	1,108	53,198
Lewiston	\$225,000	1,108	53,198
<b>Oneida*</b>	\$150,000	739	35,465
<b>Owyhee</b>	\$176,000	867	41,613
<b>Payette Co.</b>	\$149,143	735	35,263
<b>Payette</b>	\$161,000	793	38,066
<b>Fruitland</b>	\$143,214	705	33,861
<b>Power*</b>	\$190,000	936	44,923
<b>Shoshone</b>		0	0
<b>Teton Co.*</b>	\$280,000	1,379	66,202
Driggs*	\$280,000	1,379	66,202
<b>Twin Falls Co.</b>	\$163,000	803	38,539
<b>Valley*</b>	\$244,750	1,206	57,868
<b>Washington</b>		0	0

Interest rate: 6.25%

\*Indicates starter home availability is very limited or nonexistent

To further examine present housing affordability in Idaho, housing price data were gathered for “starter homes” in various counties and communities throughout the state. These home values have been derived with the help of several realtors and Multiple Listing Services. The standard starter home met the following requirements:

- Approximately 1,500 square feet
- Three bedrooms
- 1.5 to 2 baths
- Small yard
- Less than 10 years old
- 1- to 2-car garage
- Not a “fixer-upper”

Table 3 illustrates the listing price of the “starter home” in several Idaho communities and shows the required household income and monthly payment needed to qualify for a conventional 30-year mortgage with a 20% down payment and a 6.25% interest rate. To qualify for the mortgage of such a home in Bellevue (\$388,000), buyers need an income of \$91,737 per year and will incur a mortgage payment of \$1,911 per month. To qualify for the mortgage of a starter home in Adams County (\$112,000), buyers would need an income of \$26,481 per year. The mortgage payment would be \$522 per month. Starter homes, as described by the above standards, are either limited or nonexistent in several communities where housing prices are extremely high.

The data in Table 3 indicate more counties than originally listed in the affordability index are experiencing a crisis of housing affordability for middle-income workers. Research indicates an average size home has become much larger, having more bedrooms (3 to 4), more bathrooms (2.5), and more garage space (2-car), when compared with housing 20 years ago. Increased local government regulations have decreased affordability through impact fees, code restrictions, growth restrictions, and exclusionary zoning. Code restrictions have increased costs of rehabilitating older, more economical housing units. These units are either razed or remodeled to create new upper class communities.

## **CONCLUSION—WHAT CAN BE LEARNED**

The Idaho Housing Affordability Index explored in this bulletin provides a breakdown of affordability in every Idaho county at three separate points in time. This information can be valuable in helping county and city leaders understand the history of housing affordability in their area, and the implications of today’s evolving housing market on local citizens. Lack of affordability, according to the index, is geographically isolated to specific areas.

Housing affordability is likely more of an issue than the index might indicate. Today’s economy has evolved greatly from its 1979-80 conditions. Relaxed lending standards, frequent refinancing of adjustable rate and balloon type mortgages, record-high debt levels, increased income volatility, and other factors have changed the applicability of the affordability index from 1979-80 to the present. Clearly miscellaneous factors such as debt, zoning restrictions, and creative financing influence housing affordability. The index introduced in this bulletin establishes important groundwork by accounting for several of the most influential variables in determining housing affordability: income, housing prices, and interest rates for a conventional mortgage. This pioneering effort provides a standardized measurement of housing affordability in Idaho. The index shows a handful of counties are experiencing housing affordability crises, and others are close behind.

Future research should account for the impact of debt ratios and income volatility on the results of the index. This would be a step towards approaching housing affordability holistically. Increased bankruptcy rates and foreclosures in the state indicate many Idaho households are stretched thin not only in the housing market but also in other areas of consumer buying. Often these struggles are overlooked until they culminate in the finality of losing a home. Once new census data are available in 2010, an update can be made to the existing numbers discussed in this bulletin.

## Endnotes

1. Base year of 1989 was used to adjust for inflation for all numbers used in calculations. The term “real” in this case refers to the adjusted numbers.

2. Because of data limitations the most accurate numbers on income from the U.S. census bureau were from 1979, 1989 and 2000, while the housing numbers were from 1980, 1990, and 2000. The authors felt the numbers are still representative of the time period being measured.

3. The Idaho Housing Affordability Index is modeled after the Texas Housing Affordability Index, created and used by the Real Estate Center at Texas A&M University.

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## APPENDIX

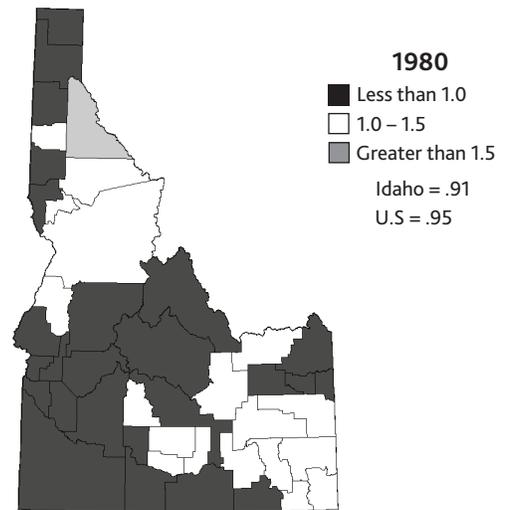
**Appendix Table 1. Idaho median household income and median home value by county: 1979-80; 1989-90; 2000.**

Location	Real Median Household Income (1989 dollars)			Real Median Home Value (1990 dollars)		
	1979	1989	2000	1980	1990	2000
<b>US</b>	44,786	47,340	47,624	112,114	118,202	135,655
<b>Idaho</b>	41,122	39,781	43,018	108,795	86,970	120,570
Ada	47,108	47,639	54,764	135,342	105,351	141,440
Adams	39,777	35,368	34,601	79,404	65,601	100,721
Bannock	46,968	41,384	42,275	105,951	79,648	102,082
Bear Lake	41,964	34,094	38,245	88,885	57,831	82,346
Benewah	45,669	33,876	37,759	82,959	66,498	100,947
Bingham	41,316	39,625	42,367	98,366	75,763	95,730
Blaine	39,301	49,140	59,901	171,607	190,379	327,569
Boise	41,773	41,027	45,931	105,714	89,212	142,914
Bonner	32,825	33,808	38,259	109,743	90,407	141,213
Bonneville	48,875	47,979	49,137	115,669	95,189	106,052
Boundary	33,519	34,119	36,500	92,677	73,970	109,908
Butte	36,562	41,411	36,592	81,774	61,866	77,922
Camas	35,510	38,494	40,711	77,745	53,049	97,998
Canyon	37,210	36,193	41,998	101,921	77,556	109,227
Caribou	47,579	47,218	45,977	104,766	72,027	91,193
Cassia	36,965	36,826	38,954	94,574	68,889	94,255
Clark	30,839	38,719	38,657	63,997	55,739	73,272
Clearwater	46,460	37,683	38,181	88,411	64,257	91,306
Custer	31,601	38,420	38,370	91,729	74,418	102,535
Elmore	35,908	37,407	41,415	94,337	86,522	105,711
Franklin	38,835	40,079	42,545	92,914	69,935	106,959
Fremont	35,523	37,011	38,896	90,544	69,038	93,235
Gem	35,903	33,856	40,293	94,574	69,786	110,702
Gooding	32,446	31,222	37,970	83,433	60,670	93,575
Idaho County	38,964	34,798	34,947	93,388	68,291	100,494
Jefferson	38,138	38,464	44,703	99,788	81,143	104,237
Jerome	37,081	33,405	40,891	88,648	62,912	101,855
Kootenai	40,769	40,310	44,140	126,572	96,833	136,222
Latah	37,732	35,651	39,563	118,513	94,890	143,368
Lemhi	33,662	31,024	34,893	93,388	70,981	103,783
Lewis	38,055	32,960	37,853	78,456	57,532	89,492
Lincoln	32,303	34,084	39,359	72,056	55,291	85,862
Madison	35,079	36,226	38,420	136,290	102,661	121,137
Minidoka	39,419	36,741	37,549	86,989	61,866	84,614
Nez Perce	42,674	39,721	42,634	107,610	84,729	120,003
Oneida	30,831	35,568	40,505	75,611	64,406	100,267
Owyhee	28,472	29,288	33,726	77,508	59,624	93,575
Payette	31,353	32,079	39,267	84,144	65,452	99,700
Power	42,195	39,016	39,402	98,840	75,315	100,947
Shoshone	45,410	33,045	33,865	69,449	48,566	79,624
Teton	31,114	35,910	47,190	87,463	88,166	150,854
Twin Falls	39,088	37,045	40,212	99,314	75,763	106,392
Valley	42,513	38,167	43,287	126,809	105,650	160,155
Washington	29,144	28,220	35,483	79,641	65,303	102,309

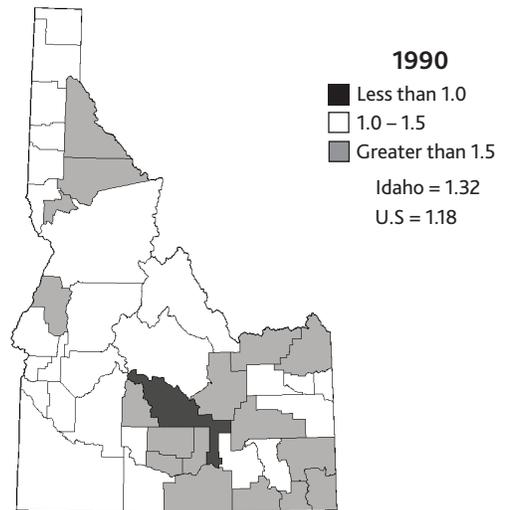
**Appendix Table 2. Idaho housing affordability index of median household income and median home values: 1979-80; 1989-90; 2000.**

Location	1979-80	1989-90	2000
<b>US</b>	0.95	1.18	1.25
<b>Idaho</b>	0.91	1.32	1.28
Ada	0.84	1.31	1.39
Adams	1.21	1.56	1.23
Bannock	1.07	1.50	1.49
Bear Lake	1.14	1.70	1.67
Benewah	1.33	1.47	1.34
Bingham	1.01	1.51	1.59
Blaine	0.55	0.75	0.66
Boise	0.95	1.33	1.15
Bonner	0.72	1.08	0.97
Bonneville	1.02	1.46	1.66
Boundary	0.87	1.33	1.19
Butte	1.08	1.93	1.69
Camas	1.10	2.10	1.49
Canyon	0.88	1.35	1.38
Caribou	1.10	1.89	1.81
Cassia	0.94	1.54	1.48
Clark	1.16	2.01	1.89
Clearwater	1.27	1.69	1.50
Custer	0.83	1.49	1.34
Elmore	0.92	1.25	1.41
Franklin	1.01	1.66	1.43
Fremont	0.95	1.55	1.50
Gem	0.92	1.40	1.31
Gooding	0.94	1.49	1.46
Idaho County	1.01	1.47	1.25
Jefferson	0.92	1.37	1.54
Jerome	1.01	1.53	1.44
Kootenai	0.78	1.20	1.16
Latah	0.77	1.09	0.99
Lemhi	0.87	1.26	1.21
Lewis	1.17	1.66	1.52
Lincoln	1.08	1.78	1.65
Madison	0.62	1.02	1.14
Minidoka	1.09	1.72	1.59
Nez Perce	0.96	1.35	1.28
Oneida	0.98	1.60	1.45
Owyhee	0.89	1.42	1.29
Payette	0.90	1.42	1.41
Power	1.03	1.50	1.40
Shoshone	1.58	1.97	1.53
Teton	0.86	1.18	1.12
Twin Falls	0.95	1.41	1.36
Valley	0.81	1.04	0.97
Washington	0.88	1.25	1.25

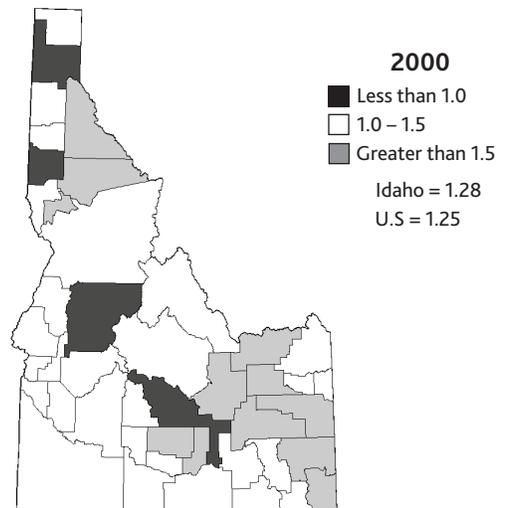
**Appendix Figure 1. Idaho housing affordability index map, 1980-2000.**



Prepared by: UI Indicators Team  
Data Source: U.S. Census



Prepared by: UI Indicators Team  
Data Source: U.S. Census



Prepared by: UI Indicators Team  
Data Source: U.S. Census

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# University of Idaho Extension

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