



# STRONG FOUNDATIONS: FINANCIAL SECURITY STARTS WITH AFFORDABLE, STABLE HOUSING

A RESEARCH PRIMER

### Acknowledgements

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The findings, analysis, and conclusions expressed in this report—as well as any errors—are EPIC's alone and do not necessarily represent the view of EPIC's Advisory Group members, funders, or other participants in our research process.

### About EPIC

The Aspen Institute Financial Security Program's (Aspen FSP) mission is to illuminate and solve the most critical financial challenges facing American households and to make financial security for all a top national priority. We aim for nothing less than a more inclusive economy with reduced wealth inequality and shared prosperity. We believe that transformational change requires innovation, trust, leadership, and entrepreneurial thinking. FSP galvanizes a diverse set of leaders across the public, private, and nonprofit sectors to solve the most critical financial challenges. We do this through deep, deliberate private and public dialogues and by elevating evidence-based research and solutions that will strengthen the financial health and security of financially vulnerable Americans. To learn more, visit [AspenFSP.org](https://AspenFSP.org) or follow @AspenFSP on Twitter.

Aspen FSP's Expanding Prosperity Impact Collaborative (EPIC) is a first-of-its-kind initiative in the field of consumer finance, designed to harness the knowledge of a wide cross-section of experts working in applied, academic, government, and industry settings toward the goal of illuminating and solving critical dimensions of household financial insecurity.

EPIC deeply explores one issue at a time, focusing on challenges that are critical to Americans' financial security but are under-recognized or poorly understood. EPIC uses an interdisciplinary approach designed to uncover new, unconventional ways of understanding the issue and build consensus among decisionmakers and influencers representing a wide variety of sectors and industries. The ultimate goal of EPIC is to generate deeply informed analyses and build diverse expert networks that help stakeholders (1) understand and prioritize critical financial security issues, and (2) forge consensus and broad support to implement solutions that can improve the financial lives of millions of people.

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**TODAY, MORE THAN  
38 MILLION (1 IN 3) US  
HOUSEHOLDS, NEARLY  
100 MILLION PEOPLE,  
LIVE IN HOUSING THAT  
IS NOT AFFORDABLE  
TO THEM**

# INTRODUCTION

**Housing is the largest household expense for most Americans.** This is perhaps unsurprising, given housing's central role in both the quality of our daily lives and our sense of security and opportunity. Affordable, stable housing is the platform upon which a family can build financial security and pursue the lives they want today and in the future.

Over the past two decades, troubling trends have emerged in families' access to stable, affordable housing: incomes have grown sluggishly while home prices and rents grew rapidly; high-growth urban areas with good jobs, the source of most national economic growth, have chosen to build less housing than they need to keep up with new households; household formation has slowed, as young adults "double up" or live with their parents far into adulthood; and homelessness is growing in most major cities.

Today, more than 38 million (1 in 3) US households, nearly 100 million people, live in housing that is not affordable to them.<sup>1</sup> Uncertainty about the security of the roof over one's head is an acute source of harm for a smaller but still significant number. Paying too much for housing leaves individuals and families less able to cope

with the inevitability of the unexpected. Households' struggles with affordability and stability can negatively influence employment opportunities, earnings, mental and physical health, and children's social and cognitive development to long-lasting effect.

While the drivers of housing unaffordability and instability have deep roots in US history—reflecting centuries of policy choices and patterns of racial and socioeconomic exclusion—since 2000 economic trends have diverged from historical trends to exacerbate the challenges and affect people farther up the economic ladder. The long-term pattern of hand-in-hand growth of home prices and household incomes has been replaced by housing costs rising faster than the general inflation rate, outstripping the income growth rate every year.<sup>2</sup> The foreclosure crisis pushed millions of homeowners into rental markets, yet apartment construction has not kept up even with population growth and many foreclosed homes were acquired by investors and turned into rental properties, reducing the stock of homes available to prospective homeowners.<sup>3</sup> Homeowners' incomes have grown more than renters', but not nearly as much as home values, also in large part due to a failure to construct what is required.<sup>4</sup> The pressures

on prices, availability, and stability play out differently across local markets due to land use and landlord-tenant policies, economic conditions, and the nature of the housing stock.

Countering the disconcerting trends are reasons for optimism, including a track record of interventions with proven effectiveness. Policies to support widespread access to credit, homeownership, and wealth-building have been incredibly successful for the white Americans for whom they were initially developed and harmful to those who were excluded due to racism and other prejudices. Housing assistance produces positive outcomes for those who receive it. Increased public attention to the underlying drivers is generating political interest in addressing the challenges.

In recognition of the critical role these issues play in household financial security, EPIC is taking a hard look at housing affordability and stability to understand the meaning, scope, trends, impacts, manifestations, and drivers of these challenges. Affordability and stability (or lack thereof) are inextricably related and can have compounding effects, so we are addressing them together as interrelated challenges.

This Primer follows the EPIC model of synthesizing research across disciplines and from different sectors into a single report providing a clear diagnosis of an issue undermining financial security. It provides an in-depth review of the research on housing affordability and stability based on an extensive literature review drawing on economics, political science, sociology, and history; conversation with 75 housing industry stakeholders and nonprofit and public sector leaders through interviews and an expert convening; consultation with a board of dedicated advisors (the EPIC Advisory Group); and an expert survey. *Appendix 1* provides additional details on EPIC's research process.

Section 1 of the Primer reviews how housing markets work and the state of housing affordability and stability in the United States today. Section 2 examines more deeply the definitions of affordability and stability and the populations facing the greatest risks. Section 3 explores the impacts of rising unaffordability and instability. Section 4 explores the historic policy and market foundations underlying housing affordability and stability, and Section 5 identifies the principal drivers of today's housing landscape. Section 6 looks forward, identifying emerging issues for further research. ▲

## SECTION 1

# HOUSING AFFORDABILITY AND STABILITY IN THE UNITED STATES



This section provides an overview of housing in America today with a focus on recent trends in housing costs and experiences of housing instability.

## HOW HOUSING MARKETS WORK

Housing is a dominant aspect of our built environment and arises from a complex ecosystem situated in our market-driven economy. It is provided in the United States primarily by private market actors operating within an environment created by public policy.

Each place to live has a lifecycle typically encompassing finance, construction, exchange, maintenance, and preservation or destruction. Each step involves numerous market actors representing a diverse range of interests that greatly influence housing affordability and stability. In addition to developers and financing institutions, private firms commonly involved in housing markets include: architects; civil and other engineers; consultants in environmental impact, energy, and zoning; a variety of attorneys; construction management; property management; landlords; real estate agents; title insurers; and appraisers.

Public institutions with a significant role in housing markets include: local government planning, zoning, economic development and public housing agencies; state economic development, environmental, and housing finance agencies; the federal Departments of Housing and Urban Development, Veterans Affairs, and Agriculture, as well as independent federal agencies including the Federal Housing Finance Agency, Consumer Financial Protection Bureau, and the Federal Reserve Board of Governors. Elected officials at the state level generally create the policy frameworks in which local jurisdictions can implement their housing policies. Quasi-public institutions, including Freddie Mac, Fannie Mae, and the Federal Home Loan Banks (FHLBs), support the liquidity for homes' construction and purchase. Outside of market-rate housing, a robust network of nonprofit institutions ensure, that these needs are satisfied for affordable housing initiatives.

The usual process to create new housing begins when a developer proposes building a single-family house or multi-unit structure in a particular location. To pay for it, the developer combines its own resources with money obtained (temporarily or permanently) from institutions that provide financing. These include banks large and small, specialized market intermediaries (such as Fannie Mae and Freddie Mac and the FHLBs, the federal government (principally Department of Housing

and Urban Development (HUD), Department of Agriculture, and Veterans Affairs), state and local governments (a myriad of housing authorities, direct lenders, municipal budgets, affordable housing trust funds, and the like), and nonprofit organizations (such as philanthropic foundations and community development corporations).

Most housing development requires multiple layers of financing that can go far beyond loans to include property tax increment contributions, equity investments, dedicated rental vouchers, individual and corporate income tax deductions, and tax credits sold to businesses not otherwise involved in housing.

Most housing development requires permission to proceed. Many of the steps developers take in building new housing are subject to approval, but rules vary greatly by locality. Zoning codes prescribe what can be built where, and new construction frequently needs official consent for variances from specific provisions. The creation of the physical structure requires building and occupancy permits. Many actors may have a say, from elected officials to civil servants to area residents. The process to receive approvals can be both costly and time-consuming with uncertain outcomes. Addressing zoning challenges can add anywhere from months to years to the approval process and cost thousands or millions of dollars.

Construction firms and associated contractors build the housing, and they must manage additional sources of complexity. The process requires coordinated acquisition and assembly of materials from multiple sources. They tap into the labor market of general and skilled workers. Weather and other environmental factors determine who is available to work and when work can be done.

A key source of complexity is compliance with the rules and regulations of publicly funded programs, as federal, state, and local governments impose additional social goals on construction. These include rules mandating local hiring, wage rates, and procurement from minority- and woman-owned businesses. These requirements often support important policy goals but do add some cost to the project.

Once built, the developer generally sells the completed structure to a household (single-family houses) or an

**HOUSING IS A MARKET COMMODITY, BUT IT IS ALSO A BASIC HUMAN NEED AND A SOURCE OF SIGNIFICANT SOCIETAL BENEFITS, CONTRIBUTING TO ALL ASPECTS OF SOCIAL, COMMUNITY, AND ECONOMIC LIFE**

investor (multi-family buildings). To complete the sale, these buyers usually must secure financing through the same web of financial institutions, market intermediaries, and public entities; multiple sources of capital make the market work.

The new owners bear the legal and financial responsibility for maintaining the housing's functionality. All infrastructure requires increasingly major investments

over time. Preservation involves additional access to capital—whether it is a home equity line of credit, simple or complex refinancing, or one of the specialized sources dedicated to this purpose. Maintenance and revitalization require skilled contractors, some of whom specialize in just this market segment. Disposition of housing that is no longer habitable necessitates involvement of additional actors.

Land and built structures have long-term value, making housing a market commodity in addition to its critical role in meeting the basic human need for shelter. Homes also have characteristics that distinguish them from other commodities, such as durability (land may be suitable for residential use for centuries, while well-constructed buildings last decades) and immobility (which means that access to housing is inextricable from access to neighborhood amenities and local services). Housing is a market commodity, but it is also a basic human need and a source of significant societal benefits, contributing to all aspects of social, community, and economic life.

## **AFFORDABLE HOUSING, NOAH, AND MARKET-RATE: A CONTINUUM**

**Affordable housing** as a market descriptor refers to housing receiving public subsidies to make it reasonably priced for lower-income households.<sup>5</sup> The forms of affordable housing include publicly-owned properties, privately-owned properties receiving direct public support or indirect subsidy through financing or the Low-Income Housing Tax Credit (LIHTC), and individual units rented by households receiving a voucher to cover a portion of the rent. Affordability is usually defined in a way tied to area median income (AMI), with “deeply affordable” meaning a resident earning no more than 30% of AMI can afford to live there. LIHTC properties must ensure that a percentage of units meet the affordability standard for a particular percentage of AMI (often 50% to 80%).<sup>6</sup>

**NOAH (Naturally occurring affordable housing)** is unsubsidized market-rate housing that nonetheless meets the affordability standard for households making 60% to 80% of AMI.<sup>7</sup> These are often older units that were not previously affordable to moderate-income households. There are some subsidy programs available to ensure that existing NOAH properties remain affordable, such as Freddie Mac's NOAH Preservation Loan.<sup>8</sup>

**Market-rate housing** is produced and sold or rented without public subsidy. It is not tied to any affordability standard but is priced by market mechanisms. A well-functioning market will supply sufficient housing to meet consumer demand while covering the costs of production.<sup>9</sup> The resulting price may be unaffordable to some (or many) households.



## OVERVIEW OF US HOUSEHOLDS

The first step in understanding how housing affordability and stability affect households' financial security is to get a picture of the more than 120 million US households.<sup>10</sup> **The most useful breakdown is by tenure—whether a household owns or rents their home.** More households are homeowners (64%) than renters (36%).

Beyond this simple breakdown are important outliers. Some homeowners are in hybrid forms of tenure that complicate their classification; notably, approximately 3.8 million households own manufactured homes situated on land they rent (most commonly in manufactured home parks or subdivisions).<sup>11</sup>

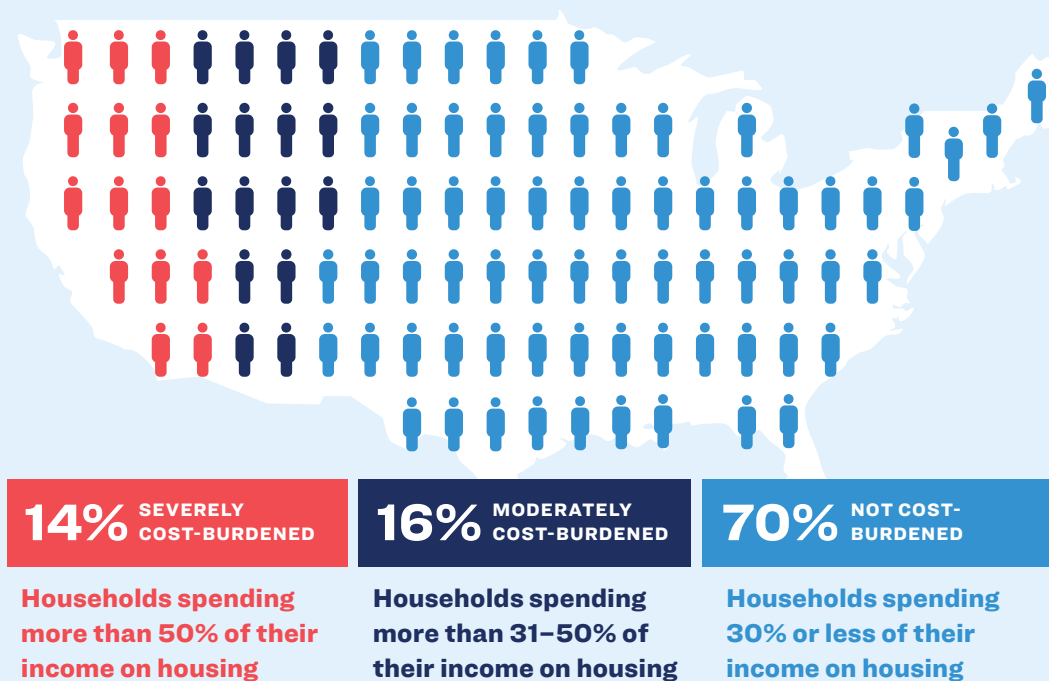
Approximately one in four<sup>12</sup> (1.7 million) of the nation's 6.7 million Native American/Alaska Natives<sup>13</sup> live on tribal lands, where the vast majority of land is held in community land trusts or with title shared among multiple heirs of an original landowner. Even if they

own their homes, most tribal residents do not own the underlying land.

Another 2.5% of Americans (8 million)<sup>14</sup> do not fit into the tenure classification because they do not live in traditional residential households: for example, incarcerated people, students living in residence halls, military servicemembers, and people living in long-term care facilities. Roughly half a million Americans are living without any type of shelter on any given night, and 17,000 of those are experiencing chronic homelessness.<sup>15</sup> And 1.4 million children and youth served by public schools in the US are living without permanent housing, experiencing housing conditions such as multiple families sharing a unit, living in a motel, or living in a transitional shelter.<sup>16</sup>

Tenure is often fluid for households over the life course, as younger adults tend to rent, the majority buy at some point, and some shift from owning back to renting for reasons such as financial distress, divorce, or moving for a new job.

FIGURE 1. DISTRIBUTION OF HOUSING AFFORDABILITY AND COST BURDENS



Data source: US Bureau of the Census, American Housing Survey

**ONE OUT OF SEVEN  
US HOUSEHOLDS IS  
SPENDING MORE THAN  
HALF THEIR INCOME ON  
HOUSING, INCLUDING  
ONE IN FOUR RENTERS**

The usual gauge of **housing affordability** compares, for individual households, pre-tax income and total housing costs (including utilities): housing costs totaling 30% or less of income represents affordability; **households paying more than 30% are cost-burdened; and those paying more than 50% of income for housing are considered severely cost-burdened.**<sup>17</sup> By this measure, the Harvard University Joint Center for Housing Studies (JCHS) finds that, as of 2017, 38 million households (31.3%) live in housing that is not affordable for them.<sup>18</sup> Renters are more than twice as likely to have a cost burden: JCHS finds that 47.5% of renters have unaffordable housing costs compared to 23% of homeowners.

*Table 1* shows EPIC’s analysis of how housing cost burdens differ by tenure. We break out homeowners with mortgages (or other home loans) from those without because their housing costs differ significantly. Our

figures differ slightly from those produced by JCHS because we use American Housing Survey (AHS) data for housing costs while JCHS uses American Community Survey (ACS) data. We use AHS because it also includes unique data on housing stability.

The group least likely to be cost-burdened is homeowners without mortgages (12.9%). These homeowners do not have a loan payment, but they do pay for utilities, maintenance, insurance, and taxes. It is likely that cost-burdened homeowners without mortgages are low-income or retired.

The degree of housing unaffordability among renters is underscored by one-quarter of them paying 50% or more of their income in rent and utilities. The lower the household’s income, the more likely they are to be cost-burdened regardless of tenure, with low-income homeowners experiencing rates similar to that of low-income renters.<sup>19</sup> Overall, one out of every seven US households is spending more than half of their income on housing.

There is no widely used definition of **housing stability**, but the American Housing Survey (AHS)<sup>20</sup> includes information about inability to pay, anticipated eviction or foreclosure, and having been forced to move, each an indicator of precarious housing status. Considered together, the survey suggests that 2.5% to 5% of households (3 to 6 million) have unstable housing. *Table 2* breaks out the statistics by tenure, showing that housing stability is a greater challenge for renters than homeowners.

**TABLE 1. HOUSING COST BURDENS BY TENURE, 2017**

	NUMBER OF HOUSEHOLDS	SHARE COST-BURDENED	SHARE MODERATELY COST-BURDENED	SHARE SEVERELY COST-BURDENED
<b>TOTAL</b>	<b>120.1 million</b>	<b>29.6%</b>	<b>15.9%</b>	<b>13.7%</b>
<b>HOMEOWNERS</b>	<b>76.8 million</b>	<b>21.2%</b>	<b>12.4%</b>	<b>8.7%</b>
Homeowners with Mortgage*	48.3 million	26.0%	15.6%	10.5%
Homeowners without Mortgage	28.5 million	12.9%	7.1%	5.8%
<b>RENTERS</b>	<b>43.3 million</b>	<b>44.4%</b>	<b>22.0%</b>	<b>22.4%</b>

Households paying more than 30% of gross income for housing—including utilities and maintenance expenses—are cost-burdened; those paying more than 50% of gross are severely cost-burdened.

Aspen EPIC calculations of data from the US Bureau of the Census, American Community Survey one-year estimates; American Housing Survey

\* Homeowners with a mortgage are those who report their home was encumbered with a mortgage, deed of trust, or similar debt

## HOUSING AFFORDABILITY— RECENT TRENDS

Our analysis finds that between 2001 and 2017, the incidence of housing unaffordability grew significantly for renters (39.2% to 44.4%) but fell moderately for homeowners (22.8% to 21.2%). Cost burden rates peaked in 2009 for homeowners and in 2011 for renters. After the Great Recession, household incomes stabilized at lower than pre-Recession levels, and at least 7 million formerly-homeowning households entered the rental market<sup>21</sup>—having lost their homes in the Recession—to compete for available rental units. Unaffordability has eased somewhat since peaking in 2011 but remains historically high. Household incomes have mostly recovered, but the other side of the ratio, the cost of housing, has grown unimpeded. This is in part due to a failure of new construction to keep pace with replacement needs and population growth.<sup>22</sup> This causes problems even for households with higher incomes. Renters are more likely to experience housing cost

increases during their tenure in a specific home, while owners are better insulated from rising costs because most have locked in a long-term, fixed-rate mortgage with fixed monthly payments.

Another post-Recession trend is a greater number of high-income renters: renters with income over \$100,000 comprise 30% of all growth in renter households since 2007.<sup>23</sup> This influences both the high overall cost-burden among renters and the predominance in new construction of not just market-rate units but of high-end, large, luxury multi-family buildings.

A more complete understanding of recent trends emerges when examining variations in cost burden rates by tenure, income level, and race and ethnicity. The remainder of this section presents that data. *Appendix 4* also includes tables on housing cost burden by tenure, income, race, age, and disability status from 2001–2017.

**TABLE 2: HOUSING INSTABILITY AMONG RENTERS AND HOMEOWNERS, 2017**

RENTERS		NUMBER	PERCENT
Could not pay all or some of rent in previous 12 months		2.8 million	6.45%
Threatened with eviction notice in prior 3 months		0.8 million	1.9%
Very or somewhat likely to move in next 2 months due to eviction		3.3 million	7.5%
Forced to move in previous 2 years		1.3 million	3.0%
HOMEOWNERS		NUMBER	PERCENT
Missed or were late on mortgage payments in previous 12 months		1.9 million	4.1%
Have received foreclosure notice		0.3 million	0.6%
Consider having to move in next 2 months very or somewhat likely due to foreclosure		2.7 million	5.9%
Forced to move in previous 2 years		0.3 million	0.4%

Data source: US Bureau of the Census, American Housing Survey

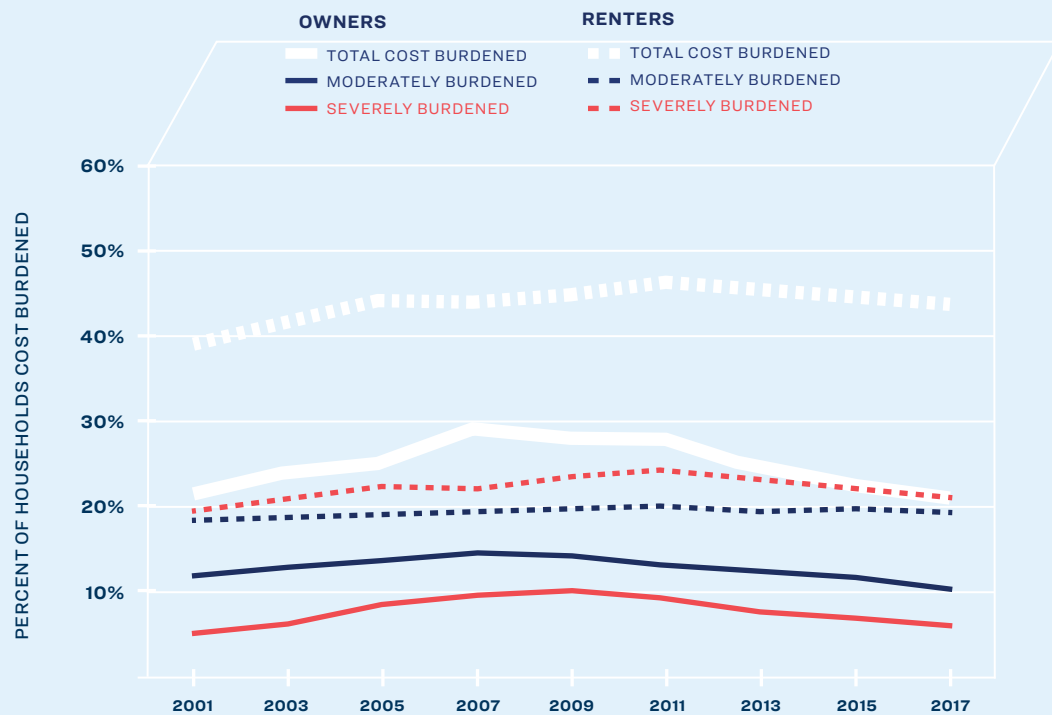
The percentages for mortgage payments and foreclosure are calculated using only homeowners with mortgages.

**RENTERS WITH  
INCOME OVER  
\$100,000 COMPRISE  
30% OF ALL GROWTH IN  
RENTER HOUSEHOLDS  
SINCE 2007**

Figure 2 shows the differences over time and highlights the extreme spike in severe unaffordability (housing costs 50% or more of household income) among renters over the course of the Great Recession and its aftermath. The tenure-based disparity in cost-burden rates has grown in recent years, from the rate among renters rising from 172% of the homeowners rate in 2001 to 209% of the homeowners rate in 2017.

Unaffordability among both homeowners and renters was growing before the Great Recession, hit a peak in the aftermath of the financial crisis, and has since moderated (housing cost burdens overall fell about 5 percentage points between 2011 and 2017 as the foreclosure crisis abated and incomes resumed growing) but remains significantly higher than it was in 2001.

**FIGURE 2. HOUSING COST BURDENS BY TENURE, 2001–2017**



Households paying more than 30% of gross income for housing—including utilities and maintenance expenses—are cost-burdened; those paying more than 50% of gross are severely cost-burdened.

Aspen EPIC calculations using data from the US Bureau of the Census, American Community Survey one-year estimates; American Housing Survey

More than two-thirds of the lowest-income households are cost-burdened, a trend that has persisted for the past two decades. The total share of households experiencing unaffordability rose between 2001 and 2017.

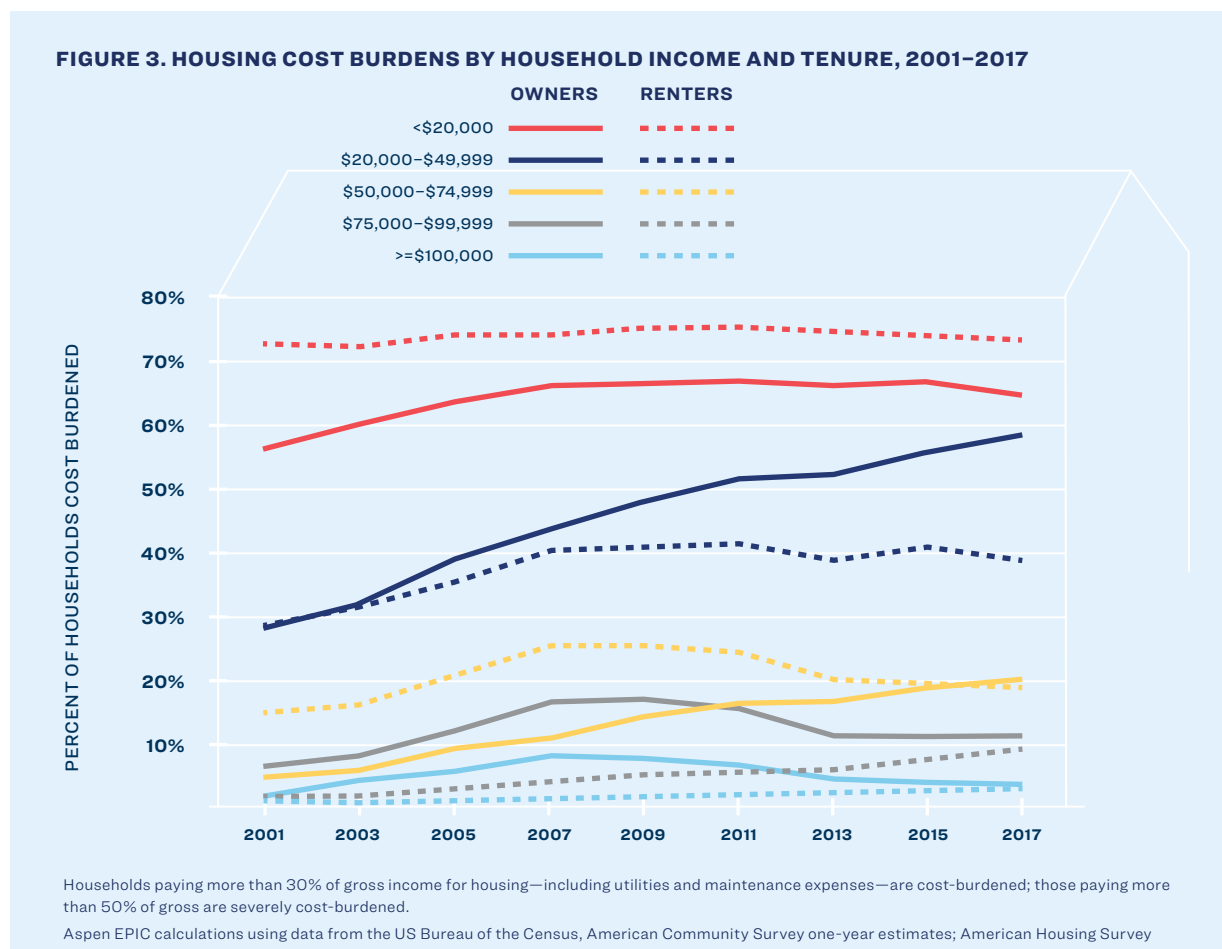
A significant phenomenon in recent years has been the problem creeping up the income distribution, with worsening affordability for moderate-income households. Housing affordability has become a more common challenge for both low- to moderate-income and middle-class families over the last two decades.

*Figures 3 and 4* show how housing cost burdens vary by tenure and household income level. Notably, cost burden rates hover around 67% for low-income homeowners and around 75% for low-income renters, at higher incomes the cost burden rate for homeowners drops precipitously while the curve for renters bends much more gradually. Nonetheless, more than a third of moderate-income homeowners (\$20,000–\$49,999 in the graph below) are

cost-burdened. Among the highest-income households, 3% to 6% of both renters and homeowners are cost-burdened, reflecting the tendency of some households to choose higher-cost housing.

Breaking down housing affordability by race and ethnicity, the legacy of exclusion and discrimination against people of color is evident. Black, Hispanic/Latino, and American Indian/Alaska Native households are most likely to be cost-burdened and white households are least likely. Black, Hispanic/Latino, and American Indian/Alaska Native households are also overrepresented among renters.

According to AHS data, in 2017, black households had the highest rate of unaffordability (47.7%), with Hispanic/Latino households (46.8%) close behind. Nearly half of each group is cost-burdened, compared with just over a third of white households. While American Indian/Alaska Native homeowners do not face extreme levels of



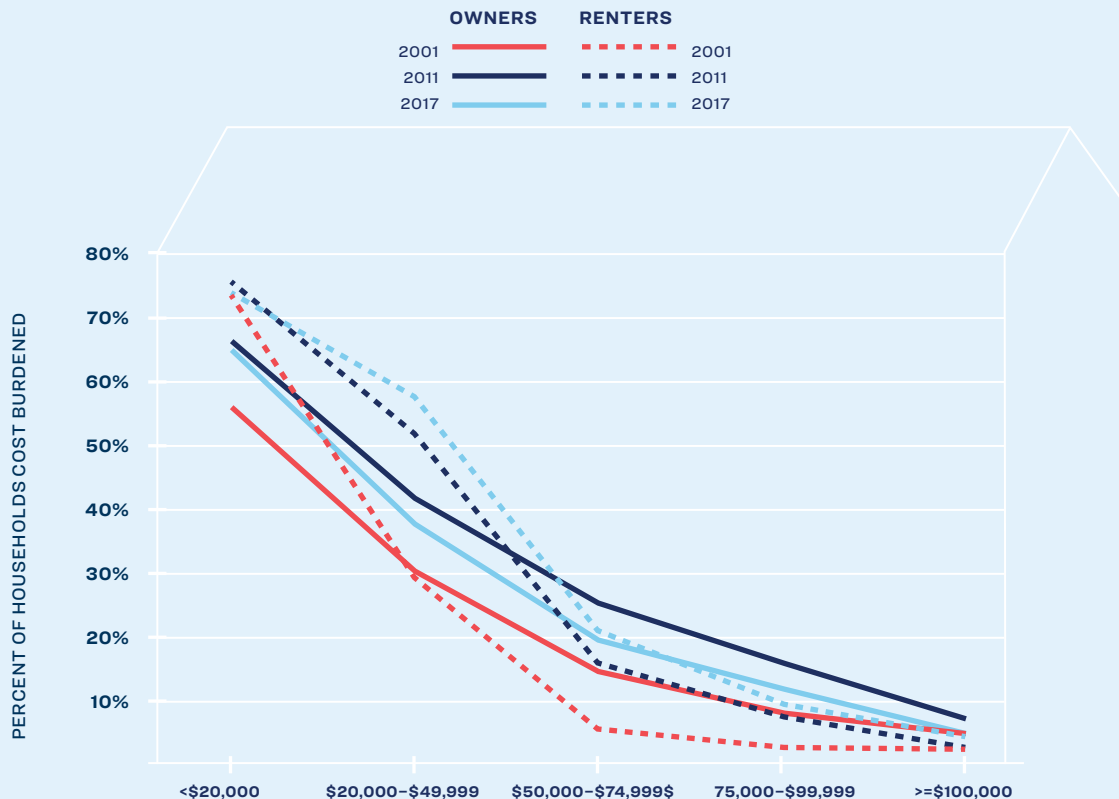
**TWO-THIRDS OF LOW-INCOME HOMEOWNERS AND THREE-FOURTHS OF LOW-INCOME RENTERS ARE COST-BURDENED**

housing cost burden (22.3%), this demographic group's homeownership rate is less than 50%; and among American Indian/Alaska Native renters, 56.1% are cost-burdened. A factor uniquely affecting Native American/Alaska

Native households is that most land within reservations (home to about 1 in 4 Native Americans) is held in trust, meaning homeowners pay to rent land, and those costs tend to rise over time. *Figure 5* shows EPIC's analysis of how cost burdens differ based on both race and ethnicity and tenure.

Market-wide data provide an additional perspective on changes in housing affordability over time. *Figure 6* provides annualized data from the quarterly Housing Opportunity Index (HOI) produced by the National Association of Home Builders (NAHB). HOI measures the proportion of homes sold in a metropolitan area that are affordable to a median-income family there. Nationally, the period of lowest affordability in the past three decades was during the early 2000s, when an average of just 43% of homes in a given market were

**FIGURE 4. HOUSING COST BURDENS BY HOUSEHOLD INCOME AND TENURE, 2001, 2011, AND 2017**



Households paying more than 30% of gross income for housing—including utilities and maintenance expenses—are cost-burdened; those paying more than 50% of gross are severely cost-burdened.

Aspen EPIC calculations using data from the US Bureau of the Census, American Community Survey one-year estimates; American Housing Survey

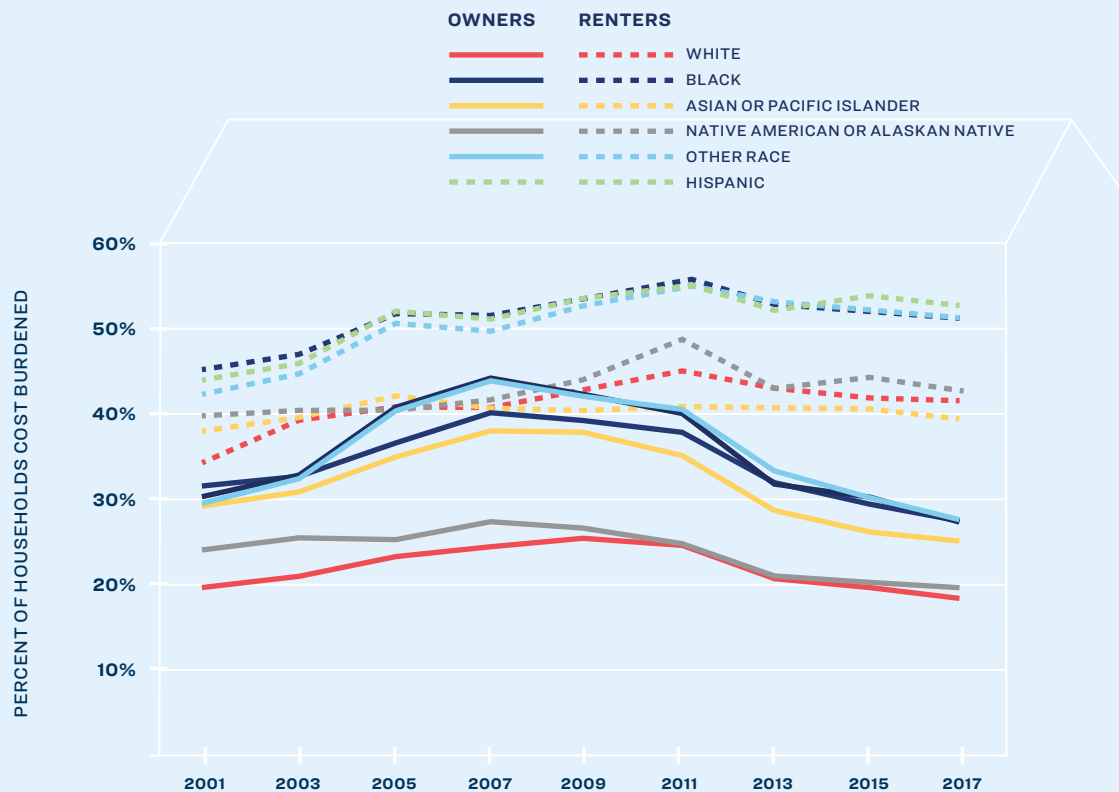
affordable to the median-income household.<sup>25</sup> As prices plunged during the Great Recession, a market average of about 75% of homes sold between 2009 and 2012 were median-affordable. In the past three years, the average has been significantly lower at 61%. Although a major benefit of the HOI is its decades of time series data, some newer indices find less widespread affordability today. For example, one recent analysis from market research firm Attom Data found that in 74% of the nation's counties, a median-wage worker is not able to afford the median-priced home.<sup>26</sup>

## HOUSING STABILITY—RECENT TRENDS

Indicators of precarious living situations provide a proxy window on recent trends in housing stability. *Figure 7* shows survey data on recent moves (total and involuntary) among homeowners and renters.

The share of moving households reporting that they moved involuntary jumped dramatically between 2013 and 2015—by 39% for homeowners and 82% for renters—and the rate among renters remained high in 2017 (when 1.3 million were forced to move).

**FIGURE 5. HOUSING COST BURDENS BY RACE/ETHNICITY AND TENURE, 2001-2017**



Households paying more than 30% of gross income for housing—including utilities and maintenance expenses—are cost-burdened; those paying more than 50% of gross are severely cost-burdened.

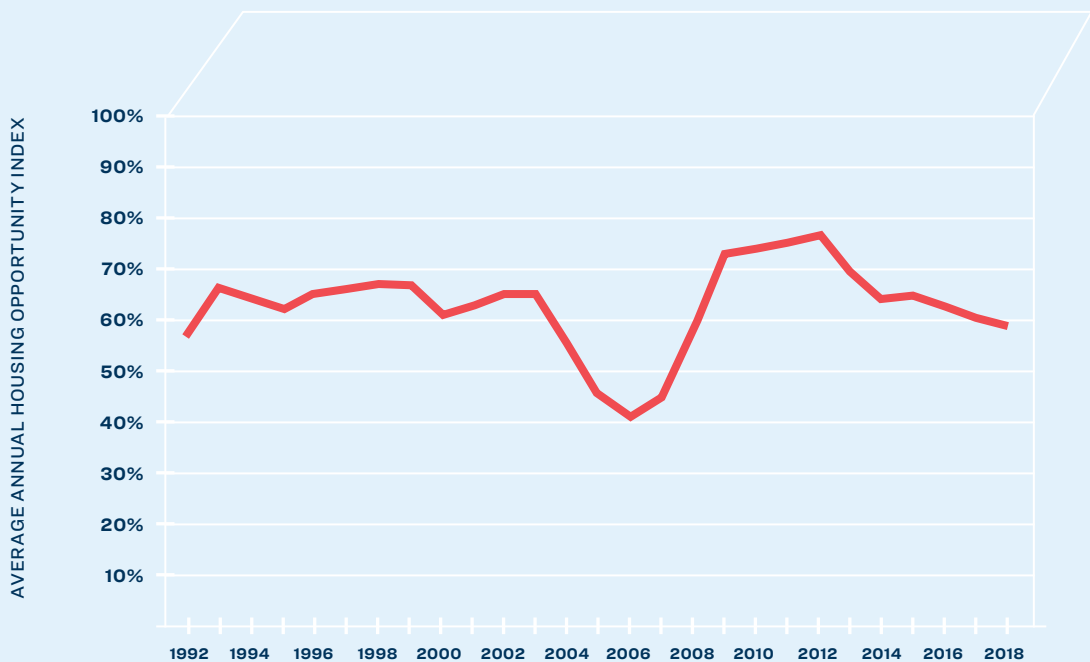
Aspen EPIC calculations using data from the US Bureau of the Census, American Community Survey one-year estimates; American Housing Survey "Other race(s)" includes multiracial respondents. "Hispanic" is an ethnic rather than racial classification and, here, includes all respondents who identified as Hispanic, regardless of race.

**6.2% OF ALL RENTER HOUSEHOLDS WHO MOVED IN 2017 DID SO INVOLUNTARILY, COMPARED TO 1.3% OF HOMEOWNERS WHO MOVED**

The Eviction Lab compiles eviction rates to study geographic variation (*Figure 8*). Twenty-five of the 100 largest cities have eviction filing rates above the national average of 6%.<sup>27</sup> Two-thirds (16 of 25) of these cities either have black populations at least twice the national population share of 13.4% or are home to a historically black college or university (HBCU), again illuminating the racial dimension of housing instability. The role of place is also clear, reflecting variation in

landlord-tenant law across the states: six of the top 25 are in Virginia and five are in North Carolina. It is, however, important to note that comparisons of eviction filing rates across jurisdictions can be misleading due to highly fragmented state and local laws. For example, a first eviction filing in one state may be followed closely by a court-ordered eviction notice, while in another state there would be additional filings and procedures required before an eviction could occur. ▲

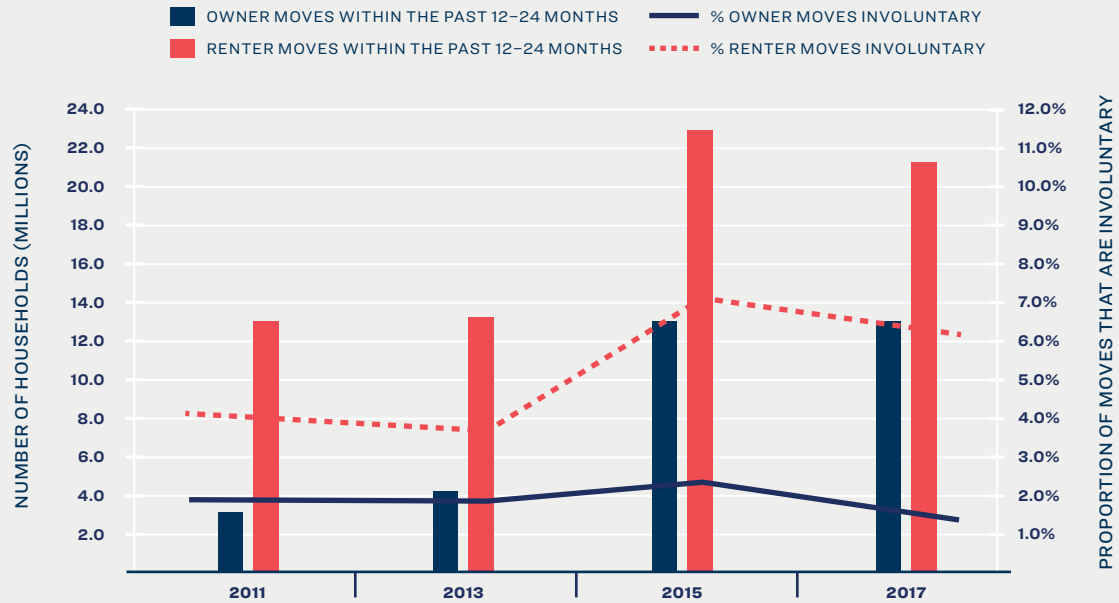
**FIGURE 6. PERCENTAGE OF HOMES SOLD AT PRICES AFFORDABLE TO MEDIAN-INCOME BUYERS, 1992–2018**



Data source: Housing Opportunity Index, National Association of Home Builders. Data for each year represents the average of the quarterly results reported by NAHB.



**FIGURE 7. INVOLUNTARY MOVES BY TENURE, 2011–2017**



Data source: US Bureau of the Census, American Housing Survey

**FIGURE 8. US CITIES WITH THE HIGHEST EVICTION RATES**

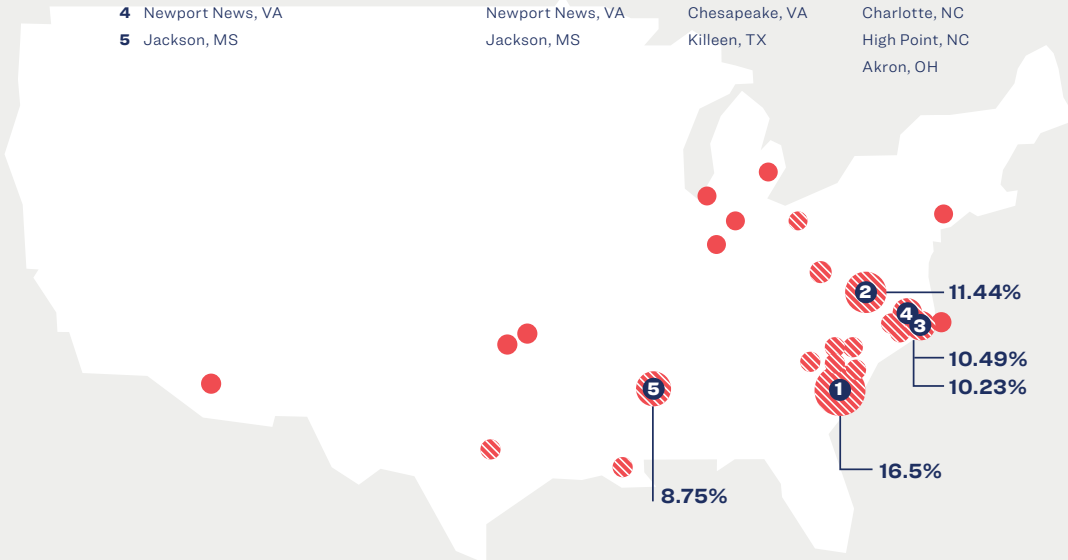
Every dot on this map represents one of the 25 cities with the highest eviction rates.

**TOP 5 EVICTING US CITIES**

- 1 North Charleston, SC
- 2 Richmond, VA
- 3 Hampton, VA
- 4 Newport News, VA
- 5 Jackson, MS

**CITIES WITH LARGE BLACK POPULATIONS OR HBCUS**

- |                      |                |                   |
|----------------------|----------------|-------------------|
| North Charleston, SC | Norfolk, VA    | Winston-Salem, NC |
| Richmond, VA         | Greensboro, NC | Fayetteville, NC  |
| Hampton, VA          | Columbia, SC   | Baton Rouge, LA   |
| Newport News, VA     | Chesapeake, VA | Charlotte, NC     |
| Jackson, MS          | Killeen, TX    | High Point, NC    |
|                      |                | Akron, OH         |



Data source: Eviction Lab, <https://evictionlab.org/rankings/#/evictions?r=United%20States&a=0&d=evictionRate&lang=en>

## SECTION 2

# WHO LACKS HOUSING AFFORDABILITY OR STABILITY?



This section reviews the commonly accepted definitions of housing affordability and stability, offers complimentary, holistic conceptions of these terms from the household perspective, and examines the populations most likely to lack affordable and stable housing.



An accurate assessment of housing affordability and stability requires a deeper look at how these challenges are defined and the populations most likely to experience them. This section reviews the commonly accepted definitions of housing affordability and stability, offers complementary, holistic conceptions of these terms from the household perspective, and examines the populations most likely to lack affordable and stable housing.

## HOUSING AFFORDABILITY DEFINITIONS AND METRICS

Housing affordability can be considered at two levels: that of an individual household (i.e. the cost burden borne by an individual household relative to their resources), or more broadly at the level of a local housing market (the match between housing prices in a given place and the income and wealth distribution of its residents). HUD's household-focused cost burden gauge is the most common but not the only measure of housing affordability. *Appendix 3* details seven metrics of housing affordability, four looking at the household perspective and three taking a market-wide view. Each measure has advantages and disadvantages for capturing the extent of affordability challenges, and their utility varies based on the objective of observation. The focus here is primarily the household perspective to highlight the connections between housing costs and financial security.

The most widely-used affordability measure—total housing costs (including utilities) equaling not more than 30% of pre-tax income—is simple but also incomplete. It does not account for additional variables that can be important to understanding what a particular household can actually afford, such as:

- Month-to-month volatility of both income and expenses;
- Household size and composition (for example, 30% of income might be unaffordable for families with young children and high childcare expenses);
- Position in the lifecycle (for example, younger people taking on mortgage payments they anticipate becoming increasingly affordable as their earnings rise);

- Voluntary tradeoffs (for example, paying more to live where transportation costs will be less); and
- Involuntary tradeoffs (for example, finding low-cost housing in an area isolated from needed resources or requiring a long and expensive commute, or living in a home that is overcrowded or in poor condition).

As these additional variables suggest, affordability depends not just on the share of income devoted to housing and utilities but also on the share required to finance other basic needs such as transportation, food, healthcare, and childcare. The “residual income” approach measures housing affordability through this lens.<sup>28</sup> Using this standard, housing is affordable to a household if, after paying for housing, enough money remains to fully cover all other basic expenses, even if they are spending more than 30% of income.

While the simplicity and widespread acceptance of the 30% of income standard make it incredibly useful from a research and policy perspective, from the household perspective there exists a broader and more nuanced relationship between housing affordability and financial security:

**For a household to thrive, they need to be able to afford to live in a home that is adequate and safe, with enough income remaining after paying for housing and utilities to build savings and cover other basic needs, such as food, healthcare, transportation, and childcare; and be able to afford to live in a location with reasonable access to good jobs, quality schools, medical facilities, or other community resources important for their quality of life.**

## HOUSING STABILITY DEFINITIONS AND METRICS

There is no consensus on how to define housing stability. Researchers in economics, health, and sociology have developed different definitions, but these also vary within each discipline. Missing is a stability index capturing the broad range of objective and subjective dimensions of instability.<sup>29</sup> There are, however, ongoing efforts to define more clearly the key elements of insecurity and instability, including HUD's proposed concept of Stable Occupancy (“the household does not

**HOUSING  
INSTABILITY  
AFFECTS  
APPROXIMATELY  
2.5% TO 5%  
(3-6 MILLION)  
OF HOUSEHOLDS  
ANNUALLY**

face substantial risk of involuntary displacement”) and its ongoing work to develop a set of indicators in its Housing Insecurity Module.<sup>30</sup>

Housing stability is deeply intertwined with household financial security. Instability is frequently a manifestation of pre-existing financial troubles, and it imposes its own costs both immediate and long-term. Describing it requires a broad lens to encompass the complexity of its roots and effects. We have drawn on housing stability research across disciplines to develop a comprehensive, holistic conception reflecting how families think about their own housing situations and needs:

**Having housing stability means a household currently has adequate housing and does not face substantial risk of involuntary displacement for economic or non-economic reasons; economic reasons can include not being able to pay rent or mortgage in full and on time or to pay for utilities or increases in rent or property taxes; non-economic reasons can include eviction due to non-compliance with a landlord or property manager’s rules, conversion of the housing unit or development to an alternative use, displacement due to natural disaster, or other concerns the household may have about adequacy and safety.**

While not intended to be rigorously operationalizable, nearly every aspect of this concept can be measured with existing research and survey data. Commonly cited indicators of housing precarity include overcrowding, payment delinquency, involuntary moves, and homelessness.<sup>31</sup>

## **Overcrowding**

People sometimes make housing choices that may meet immediate needs but are unsustainable; what can be tolerated for a short period can become increasingly less tolerable over time, creating instability. Overcrowding, at least when experienced as a necessity, is one of these inherently unstable choices. There are accepted measures of overcrowding—such as the number of people per room or a housing unit’s square footage per person—that can be incorporated into an index of housing instability.<sup>32</sup> These indicate that overcrowding is most prevalent among Latinx\* households, renters, and residents of central cities.<sup>33</sup>

## **Payment Delinquency**

Missing a rent or mortgage payment can indicate instability. Measures of rent or owner delinquency provide an important insight into the risk of eviction or foreclosure. Nearly 10% of severely cost-burdened renters (those spending 50% or more of their income on housing costs) report not being able to pay all or part of their rent in the prior twelve months.<sup>34</sup> For all households, the average incidence of payment delinquency is 3.6%; the rate is nearly four times higher (5%) among renter households than among homeowners (1.3%).

## **Involuntary Moves**

An involuntary move often signifies instability and can have many causes. Moving in response to unaffordable rent increases, inadequate or unsafe housing conditions, eviction or the threat of eviction, and natural disasters are all examples.

Evictions are landlord-initiated expulsions of renters; foreclosures occur when a bank or other mortgage lender repossesses a homeowner’s dwelling. Evictions and foreclosures can result from inability to pay (sometimes due to a financial shock), when a property owner decides to convert the housing unit or building to another use (such as conversion of rental apartments to condominiums), or when a household member or guest does not comply with a landlord’s rules (against

\* Throughout this report we use multiple terms to refer to Latinx people and households. When citing statistics and official government data, we conform to the federal terminology of “Hispanic/Latino” or “non-white Hispanic.” When discussing this demographic more generally, we use the gender neutral “Latinx.”

things such as welcoming visitors or having pets or mismatched curtains). One common rule violation is becoming involved with or hosting someone involved with the criminal justice system—sometimes even when the guest is seeking protection from domestic violence.<sup>35</sup> This can be especially difficult for people returning from incarceration who rely on family and others as they transition back into their community.

Landlords have discretion about when and against whom rules are enforced and eviction proceedings started. Evidence shows that landlord discretion has a disproportionately harmful impact on families of color, especially black mothers and their children. No-fault (or no-cause) evictions are often used as a tool to displace tenants in cities with rent control; alternatively, some jurisdictions have “just cause eviction” laws that delineate permissible reasons for an eviction.<sup>36</sup>

Eviction proceedings do not always result in a forced move. Each year, 5% of renter households receive an eviction notice, and about a third of those go on to lose their housing.<sup>37</sup> On the other hand, some renters move involuntarily due to landlord pressure that is not reflected in administrative data.

Natural disasters also lead to the displacement of hundreds of thousands of households. The first American Housing Survey inquiry about this in 2017 found 197,000 households had been forced to move due to natural disaster. In the face of climate change, growing numbers of people are likely to experience this type of forced move. Research undertaken since Hurricane Katrina hit New Orleans in 2005 sheds light on the harmful impacts of losing housing due to natural disaster: a longitudinal study of predominantly black low-income mothers in the city, which began before the storm, has found that the vast majority did not return to the city within 10 years.<sup>38</sup> They were initially spread across 35 states; eventually the majority returned to other parts of Louisiana. Most relocated to higher poverty neighborhoods.

## Homelessness

Homelessness—particularly when an individual lacks access to shelter altogether—is the most extreme form of housing instability. It is highly correlated with mental and physical health problems and can also arise from inadequate income or domestic violence.<sup>39</sup> Measuring homelessness is difficult. In its annual Point in Time Count, HUD quantifies the number of individuals in shelters and those living outside. In 2018, the count identified 553,000 people; two-thirds were in shelters or transitional housing, with the remainder staying on the street or “in other places not suitable for human habitation.”<sup>40</sup> HUD’s definition of homelessness (designed to determine eligibility for federally-funded services) does not encompass the full complexity of how homelessness may be experienced (such as households doubled up due to economic hardship or people recently released from incarceration moving around). The US Department of Education uses a more comprehensive definition of child and youth homelessness, counting those who “lack a fixed, regular, and adequate nighttime residence,” such as multiple families sharing a unit, living in a motel, or living in a transitional shelter.<sup>41</sup> Using this definition, public schools in the United States served 1.4 million children and youth experiencing homelessness in the 2016-2017 school year.<sup>42</sup>

**LGBTQ HOMEBUYERS  
ARE OFFERED HIGHER  
MORTGAGE INTEREST  
RATES AND SPEND  
\$9 MILLION MORE  
PER YEAR THAN  
COMPARABLE  
STRAIGHT BORROWERS**

## **POPULATIONS MOST LIKELY TO LACK HOUSING AFFORDABILITY**

Renters are more likely to lack affordability than homeowners. Many renters have lower income and fewer assets.<sup>43</sup> Monthly rent payments are fundamentally more volatile than monthly payments on a 30-year, fixed-rate mortgage (though perhaps not compared to the adjustable-rate mortgage loans that are making a comeback).<sup>44</sup> That said, renting is not inherently less affordable than owning.

Because homeowners tend to have higher incomes and greater net worth than renters, those who pay more than 30% of their income for housing often do not face the same degree of housing-related financial insecurity as high-earning renters. Low-income homeowners, on the other hand, have more in common with low-income renters than other homeowners when looking at affordability.

In all markets, low-income households—regardless of tenure—face the greatest challenges in accessing housing that is affordable to them. Low household income—and the frequently associated issues of income volatility and few savings resources—is highly associated with unaffordability.<sup>45</sup> Having a low income can also limit access to credit, further constraining affordable housing options.

People of color experience greater difficulties with housing affordability.<sup>46</sup> There is relatively little research looking at Asian and Native American populations, hampering a full understanding of the racial and ethnic dimensions of housing unaffordability.

Disabled and chronically ill people can be severely cost-burdened; in 21 states, disabled people whose only income is Supplemental Security Income (disability assistance) would pay more than 100% of their income to rent the average-price one-bedroom apartment.<sup>47</sup> Housing that is both accessible and affordable is scarce, especially when considering the accompanying need for accessible transportation.<sup>48</sup>

Federal data suggests that, regardless of family status, single women face high levels of severe housing unaffordability. More than 80% of Section 8 voucher recipients are women—far more than the 43% percent of voucher households with children under 18.<sup>49</sup> Pay discrimination (a form of workplace discrimination) against women is likely a contributing factor.

Queer and transgender people also face barriers to housing affordability. Multiple studies have found that landlords quote higher rents to LGBTQ (lesbian, gay, bisexual, transgender, and queer) couples than straight couples.<sup>50</sup> Same-gender couples are less likely to be approved for mortgages and are offered higher interest rates, leading these homebuyers to spend more than \$9 million nationwide per year more than comparable straight buyers.<sup>51</sup> LGBTQ people also tend to live in the high-cost cities that have historically been the most queer-friendly, such as San Francisco and Boston.<sup>52</sup>

Age is also a factor in affordability. Among young adult households under age 25, 60% are cost-burdened, and 37% are severely cost-burdened (devoting over half of their income to housing).<sup>53</sup> This moderates as people grow older, when they tend to increase their earnings and more frequently share housing costs with a spouse or partner. Then, among those age 65 or older, the cost burdens increase, with 54% of elderly renters and 43% of elderly homeowners carrying a mortgage spending more than 30% of their income on housing.<sup>54</sup> Although there is debate about the appropriateness of the 30% affordability standard for retirement-age households, because the composition of their expenses is significantly different than younger households,<sup>55</sup> almost a third of elderly renters have housing expenses exceeding 50% of income. Compounding the problem is a shortage of suitable housing for seniors experiencing limitations on mobility and accessibility, and the aging of the population increases this pressure on affordability.<sup>56</sup>



## POPULATIONS MOST LIKELY TO EXPERIENCE HOUSING INSTABILITY

No matter how instability is gauged, renters face a higher risk of it than homeowners.<sup>57</sup> The generally lower incomes and more limited assets of renters provide less cushion to fall back on in periods of financial stress.<sup>58</sup> Renters also cannot control—or sometimes even predict—their future housing costs. Landlords greatly influence whether someone can remain living where they are, and landlords sometimes have authority to manage and monitor residents' behavior in ways that create instability (particularly in affordable housing programs).<sup>59</sup>

Low-income households have fewer housing options that are affordable to them. The result can be living in last-resort substandard housing; this is especially true for low-income renters, and low-quality rentals often have high tenant turnover.<sup>60</sup> At lower incomes, utility bills and their monthly fluctuations can significantly affect housing cost burden and can lead to shutoffs that contribute to instability (especially water, which can render a home uninhabitable).<sup>61</sup>

Black and Latinx households are most likely to experience eviction.<sup>62</sup> Black households are the most likely to be displaced because they can no longer afford rising housing costs.<sup>63</sup> One study found over one in five black women, and roughly one in twelve Latina women, report having been evicted at least once as adults.<sup>64</sup> Immigrant families—many of them Latinx—face a specific threat in recent efforts to exclude mixed-status households (those that include an undocumented person in addition to citizens and legal residents) from eligibility for federal housing assistance, leading to eviction.<sup>65</sup>

Single mothers are more likely to experience housing instability. In Matthew Desmond's seminal study on evictions, black mothers with young children were by far the most likely to face eviction.<sup>66</sup> Women are the majority of victims of domestic violence, and this population faces difficult tradeoffs between maintaining housing and leaving dangerous situations.<sup>67</sup>

Disabled people encounter significant barriers to securing suitable and stable housing. They are especially likely to live in precarious situations that heighten the risk of becoming homeless.<sup>68</sup> Landlords often refuse to rent to visibly disabled tenants and frequently fail to meet

legal standards regarding reasonable accommodations (such as the installation of automatic doors or installation of wheelchair-height faucets and counters) that would allow disabled tenants equal access.<sup>69</sup>

Queer and transgender people also face higher barriers to housing stability. The Urban Institute conducted an experimental study exploring how landlords treat same-gender couples versus straight couples, and transgender versus cisgender people.<sup>70</sup> Testers found that the same landlords would tell gay men and transgender people that they had fewer available units than they shared with straight couples. LGBTQ people are dramatically overrepresented among youth experiencing homelessness.<sup>71</sup> The National Center for Transgender Equality (NCTE) reports that one in five transgender people have experienced homelessness.<sup>72</sup> Furthermore, few states explicitly protect people from housing discrimination based on sexual orientation or gender identity.<sup>73</sup> Federal protections against discrimination based on sexual orientation and gender identity vary by department and have changed significantly under the current administration. HUD recently moved to allow discrimination against transgender people in homeless shelters.<sup>74</sup>

Formerly incarcerated individuals are particularly housing insecure.<sup>75</sup> In addition to affordability-related challenges (related to limited opportunities for employment and advancement), the criminal justice system itself is a destabilizing factor. Administrative features of community supervision of ex-offenders—such as supporting the use of transient housing options or imposing sanctions involving temporary removal from the community—make it hard to maintain a steady home.

On the other hand, individuals receiving housing assistance tend to have greater stability, reflecting the critical importance of affordability in maintaining housing stability.<sup>76</sup>

## THE ROLE OF PLACE

The adage that real estate is about “location, location, location” may be tired but is also true. Market conditions are extremely local, varying across regions and within local metropolitan areas. Across different markets, factors such as significant regional industries, labor market conditions, and municipal regulations affect both affordability and stability.

**BLACK MOTHERS WITH  
YOUNG CHILDREN ARE  
BY FAR THE MOST LIKELY  
TO FACE EVICTION**

Within markets, housing affordability and stability vary by neighborhood, due to factors such as concentrated poverty, the quality and quantity of available homes, and population trends. Affordability and stability may vary greatly within a market depending on whether units are located in opportunity neighborhoods or disinvested communities. Whether a home's location provides access to transit, quality jobs, and educational opportunities affects its affordability as well as residents' quality of life.

Climate change introduces additional variables of place. Some areas are becoming less habitable and increasing needs for structural improvements and insurance against heightened risk put pressure on affordability and systemically depress housing values in disaster-prone areas.<sup>77</sup> More frequent and destructive natural disasters impose additional costs and generate greater instability. The most vulnerable areas are disproportionately lower-income and populated by people of color. Moreover, the ability and commitment to plan for, respond, and recover from weather-related catastrophes is not uniform.

State laws and local regulations and leadership influence key aspects of housing affordability: zoning limits on multi-family construction raise rents,<sup>78</sup> and zoning and permitting of new construction and density limits can drive up prices for homebuyers. The relative costs across local areas of maintaining and rehabilitating properties also affect affordability.

Economists have developed market taxonomies that articulate how variations can influence affordability. Glaeser and Gyourko, using metropolitan area-level data, compared the costs of supplying single-family

homes to the sale price of those homes and identified three types of markets for new home sales:<sup>79</sup>

- **Plentiful new supply sufficient for growing demand; these markets are *affordable*,** feature growing economies, affordable land, and light regulation of new development; the authors cite Atlanta (though its affordability has recently declined<sup>80</sup>) and Dallas-Fort Worth.
- **No new supply but low demand; these markets are *affordable*,** have plentiful existing stock of medium- to poor-quality housing and stagnant or declining economies; regardless of regulations on new development, the cost of supplying new homes exceeds their value, and homebuying residents are highly price constrained; the authors cite Detroit.
- **Supply growth is below demand growth; these markets are *unaffordable*,** with high levels of local regulations on development and/or high land values, paired with growing economies; this mismatch increases home prices significantly above the cost of production; the authors cite San Francisco.

Schuetz offers an alternative market triptych:<sup>81</sup>

- **Balanced markets:** population is growing and local regulations are not overly restrictive of new development. These markets can produce enough market-rate housing to meet growing demand without dramatic price increases; example: Nashville.
- **Hot markets:** population is growing but there are steep restrictions on new supply. These markets face increasingly inadequate supply and quickly rising housing costs; example: San Francisco.
- **Declining markets:** population is shrinking and there are restrictions on new supply. These markets have excess supply and depressed prices but may not be able to produce new housing where it is most needed; example: St. Louis.

Rural markets often do not fit within these typologies, and they can have unique characteristics affecting housing prices and affordability, such as lack of regulation and oversight and a greater supply of unlicensed labor for home construction and rehabilitation.<sup>82</sup>



## HOUSING AFFORDABILITY AND STABILITY IN RURAL MARKETS

**Nearly 60 million people—one in five Americans—live in rural communities throughout the United States.**<sup>83</sup> Often anchored by industries such as agriculture, forestry, or energy, rural communities and economies have characteristics that impact the availability of housing that is affordable to local families.<sup>84</sup> While rural communities offer unique and appealing amenities, from tradition and culture to lower costs of living, they face significant challenges in an age when economic growth is highly concentrated in cities.<sup>85</sup> Rural areas are often thought of as heterogeneous but their communities and industries are actually quite diverse; many rural economies are thriving—particularly those with robust amenities and access to high-speed internet. Even still, during times of economic growth, rural economies have below-average growth rates.<sup>86</sup> Recessions can be more damaging for rural households because these economies are typically slower to rebound.

Rural communities have struggled for decades with outmigration, as the best paid jobs—and in fact the majority of all new jobs—are in urban and suburban areas.<sup>87</sup> Rural households have lower median incomes than other households<sup>88</sup> and also face a

higher prevalence of long-term poverty, particularly those living in the lower Mississippi Delta, along the southern border with Mexico, in Central Appalachia, and on Native American lands.<sup>89</sup> Rural residents are also more likely to be credit invisible, regardless of their income.<sup>90</sup> The steady outmigration of young residents to urban centers puts additional pressure on rural communities: with a large share of residents over age 65, there is increasing need for social services and declining capacity to provide those services. Sparse and declining populations can make it difficult to maintain local infrastructure and civic institutions, both of which play key roles in the quality and value of available housing. These factors exacerbate other challenges in rural markets, including a lack of new housing production, substandard existing housing stock, and changing demographics.

### HOMEOWNERS

Rural markets have lower home values and higher levels of homeownership. Distance from employment and amenities contributes to lower median home values, with over 40% of homes in rural markets being valued at less than \$100,000 (compared with 23% nationwide).<sup>91</sup> However, lower home values make homeownership more attainable, including for households of color. Almost 45% of rural households own their home with no mortgage or loan payment.<sup>92</sup>



**RURAL MARKETS  
HAVE VARIABLE  
ACCESS TO BASIC  
INFRASTRUCTURE,  
MAKING CONSTRUCTION  
MORE CHALLENGING**

This is mostly due to factors such as the larger share of manufactured homes (which, when financed as personal property, have shorter loan terms, and which are often purchased in cash<sup>93</sup>), the relatively low purchase price of homes, and the greater share of senior homeowners.<sup>94</sup>

Despite high levels of homeownership, access to mortgage financing in rural markets has been constricted for decades and was severely disrupted by the Great Recession. Between 2003 and 2010, applications for home purchase loans declined by 56%, making home refinancing the most common lending activity.<sup>95</sup> Furthermore, the prevalence of high-cost lending has increased in rural markets as a substitute to safer, but unavailable, mortgage loans. Rural markets account for over 35% of all high-cost loans nationwide, with rural borrowers of color receiving the greatest share of these expensive loans.<sup>96</sup> Leading up to the foreclosure crisis, subprime lending contributed greatly to foreclosures across rural communities.<sup>97</sup>

## **RENTERS**

Rural markets often lack enough rental housing, particularly for low-income households. The Center on Budget and Policy Priorities estimates that nearly 2.3 million rural renter households are eligible for but do not receive housing assistance.<sup>98</sup> Additionally, nearly one-third of rural renter families have incomes below the poverty level and lack the financial resources to secure stable housing.<sup>99</sup> Moreover, new housing development does not occur at a large scale in rural markets due to construction costs that are often higher than in urban markets. Rural markets have variable access to basic infrastructure, such as

water, sewers, and quality roads, making construction more challenging. These factors reduce incentives for private investment, resulting in restricted housing supply for renter families.<sup>100</sup>

## **HOUSING QUALITY**

Substandard housing stock is another challenge. Rural renters are more likely to experience housing conditions such as inadequate plumbing, heating, or electricity.<sup>101</sup> In fact, rural residents pay more for electricity and natural gas utility services than people in urban and suburban places, in part due to housing quality.<sup>102</sup> People of color living in rural areas are more likely than average to live in inadequate housing conditions. In rural Native American lands, for example, the incidence of homes lacking basic plumbing is more than 10 times the national level.<sup>103</sup> Homeowners in rural areas are similarly more likely than their urban counterparts to live in a moderately or severely substandard quality home.<sup>104</sup>

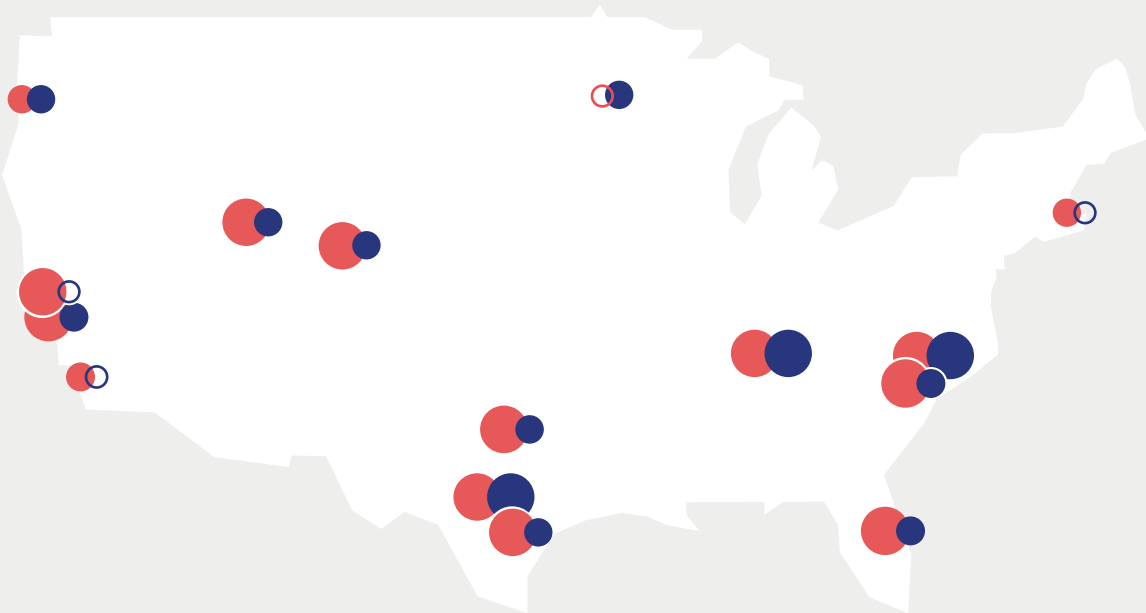
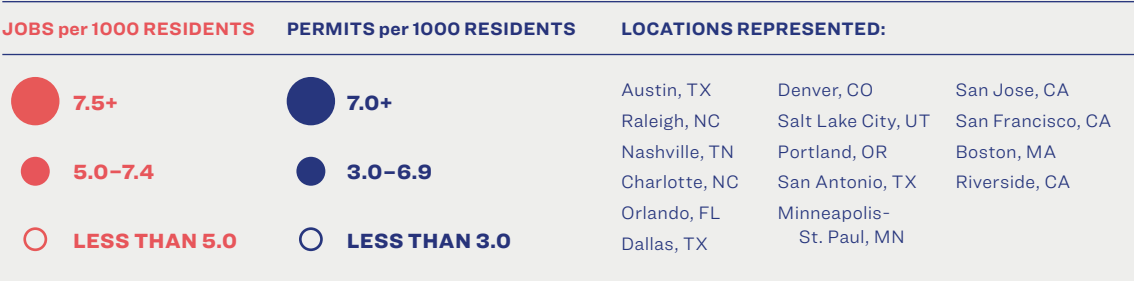
The comparative lack of regulation of unsubsidized rural housing, inadequate oversight of USDA subsidized housing,<sup>105</sup> and limited availability of financing for the maintenance and repair of older rural housing all contribute to the declining quality of available units.

Given the unique challenges faced by both homeowners and renters, rural markets will need innovative solutions to address their funding, supply, and rehabilitation challenges. ▲

An emerging body of evidence indicates that areas with high levels of income inequality are associated with lower housing affordability, because these forces act together to reduce geographic and economic mobility.<sup>106</sup> Lack of affordable housing in some markets has suppressed the expected mobility response to variations in regional labor demand; lower-income or

lower-skilled workers have less access to good jobs in high-productivity labor markets, resulting in an overall loss of productivity.<sup>107</sup> Americans are moving at the lowest rate since the Census Bureau starting tracking in 1948.<sup>108</sup> Some employers report difficulty in attracting and maintaining talent due to an inability to increase salaries as fast as housing costs are rising.<sup>109</sup>

**FIGURE 9. HOUSING IS NOT GROWING IN THE SAME PLACES AS JOBS, 2008–2018**



The locations shown are part of the group of metro areas that produced the most jobs between 2008–2018; these have the greatest number of new jobs per 1,000 residents.

Data sources: US Bureau of the Census, Building Permits Survey, and US Bureau of Labor Statistics, Quarterly Census of Employment and Wages; calculations by ApartmentList. See [https://docs.google.com/spreadsheets/d/1vxquw-T72QQ6oZn8VaLO\\_9UPzHFip-OCdNn1dirL83I/edit#gid=0](https://docs.google.com/spreadsheets/d/1vxquw-T72QQ6oZn8VaLO_9UPzHFip-OCdNn1dirL83I/edit#gid=0)

**GENTRIFICATION-DRIVEN  
PHYSICAL DISPLACEMENT  
IS CONCENTRATED IN A  
FEW REGIONS, NOTABLY  
CITIES SUCH AS  
NEW YORK, LOS ANGELES,  
AND WASHINGTON**

Communities also differ in the degree to which they facilitate or discourage housing stability. One significant variable is the legal environment with respect to tenants' rights, landlords' prerogatives, and the process for eviction.<sup>110</sup> The fragmented, largely locally-developed and enforced,<sup>111</sup> legal frameworks governing rentals tend to favor landlords and contribute to instability (as discussed in greater detail in Sections 4 and 5).

Displacement from one's community is another form of instability. Displacement happens in communities of all incomes, including low-income neighborhoods. It is more common in neighborhoods where economic conditions are changing, whether deteriorating or gentrifying.<sup>112</sup> In disinvested low-income neighborhoods, displacement is common among low-income residents who are often forced to move in response to challenges related to affordability or the adequacy of their housing. In many central cities there are a few economically robust areas where longtime residents are concerned about potentially being physically displaced (forced to move) or culturally disenfranchised (such as when a historical immigrant community experiences dramatic cultural shifts with an influx of native-born residents).<sup>113</sup> Existing data show that gentrification-driven physical displacement is concentrated in a few regions, notably cities such as New York, Los Angeles, Washington, Baltimore, Philadelphia, and Chicago.<sup>114</sup> 🏠



## SECTION 3

# IMPACTS OF HOUSING UNAFFORDABILITY AND INSTABILITY

This section reviews the research on how housing unaffordability and instability impact financial security and family well-being; it also discusses the implications for individual households and the community at-large.



Housing unaffordability and housing instability matter because they undermine financial security and family well-being. This section reviews the research on these relationships and discusses the implications for individual households and communities at-large. The effects are harmful to adults' financial security, economic opportunities, health and well-being. For children, the impacts are severe and frequently lifelong. The damage ripples through society: housing unaffordability and instability thwart the functioning of other systems such as health care and education, and extend through employers and retailers to the broader economy.

## UNAFFORDABILITY

At the most immediate level, excessive housing costs lessen resiliency for coping with variable or unexpected expenses (such as fluctuating utility bills, car repairs, and medical needs). The likelihood of overlapping hardships is reflected in the share of households that miss a rent or mortgage payment and also fail to pay a utility bill (66.9%) or who report they are food insecure (67.5%).<sup>115</sup> Affordability links to stability; for example, after controlling for income, race, and other factors, the neighborhood-level housing cost burden is a critical contributor to an area's eviction rates.<sup>116</sup>

Housing affordability has a complex relationship with employment and earnings. People living in disinvested and declining neighborhoods frequently have fewer nearby job options. In high-growth regions, lower-income workers have less access to living wage jobs than their higher-income counterparts, but face similar costs of living.<sup>117</sup> As one respondent to EPIC's expert survey put it, "Stagnant wages over the past 30 years severely hampered the ability of working families to [afford] housing." She added that wage stagnation combined with "the gentrification of many neighborhoods across the country has significantly reduced the availability of affordable housing."

The tradeoffs made in coping with housing affordability affect health and child development. The American Hospital Association finds housing cost burdens to be associated with stress, depression, and anxiety disorders, poor self-reported health, and delayed or diminished access to medications and medical care.<sup>118</sup> Those forced to live in substandard housing experience

a range of adverse effects including asthma and other respiratory issues, allergic reactions, lead poisoning, impaired brain development, other chemical and carcinogenic exposures, and falls and other injuries arising from structural issues. Poor children are more likely to live in substandard housing that puts them at risk of lead poisoning, asthma, and injuries; they are also more likely to live in areas where they may become victims of crime.<sup>119</sup> Black children appear to suffer these impacts at higher rates than children of any other race or ethnicity; their asthma rates, for example, are 1.6 times higher than average.<sup>120</sup> Indirect financial impacts include permanently higher medical costs and a greater risk of lower lifetime earnings due to development of chronic conditions.

## INSTABILITY

Precarious living arrangements undermine financial security and family well-being. As one respondent to EPIC's expert survey put it: "The only way our society can thrive is if our people can thrive—be healthy, get an education, have good jobs, take care of their families—and housing stability is the foundation of all of that."

Relocation costs can consume financial reserves, losing a place can make it harder to lease again, and the experience can reduce employment opportunities, reduce credit scores, limit access to credit, and constrain a household's ability to respond to unexpected expenses using savings, credit, or informal resources.<sup>121</sup> Because some employers pull credit reports when considering applicants, unstable residential histories or problems paying rent can hurt the chances of being hired. Workers experiencing a residential crisis might be late to or miss work, resulting in employer concerns about performance.

Instability experienced as homelessness increases rates of chronic and infectious diseases (such as diabetes, asthma, COPD and tuberculosis), and mental health challenges (including depression and elevated stress).<sup>122</sup> Experiencing housing instability also increases rates of developmental delays in children. The annual cost of homelessness-related hospitalizations of children under age four was more than \$238 million in 2015.<sup>123</sup>

**THE ANNUAL COST  
OF HOMELESSNESS-  
RELATED  
HOSPITALIZATIONS OF  
CHILDREN UNDER AGE  
FOUR IS MORE THAN  
\$238 MILLION**

## **A RECORD OF SUCCESSFUL INTERVENTIONS**

In addition to the evidence that lacking housing affordability or stability directly and indirectly harms households' financial security, there is also evidence that interventions that ensure access to affordable and stable housing improve financial security. Recipients of rental assistance vouchers, primarily through the federal Housing Choice Voucher (HCV) program, have greater food security than eligible families that do not receive assistance.<sup>124</sup> Children of families receiving housing assistance are more likely to have access to nutritious food and meet "well-child" criteria than families on the waiting list for assistance. Children in low-income households that live in affordable housing score better on cognitive development tests than those in households with unaffordable rents.<sup>125</sup>

Housing assistance that facilitates living in neighborhoods with lower poverty and fewer housing cost-burdened households has produced additional positive results. Relocation-based rental assistance to low-poverty neighborhoods, such as the Moving to Opportunity (MTO) demonstration, improved parents' health,<sup>126</sup> and increased the future earnings of children who relocated before age 13.<sup>127</sup> Children with affordable housing in lower-poverty neighborhoods have better outcomes than children with affordable housing in high-poverty neighborhoods, including earnings and college attendance rates.<sup>128</sup> Young adults who lived in public or voucher-assisted housing in lower-poverty neighborhoods as children have higher earnings and lower rates of incarceration.<sup>129</sup>

There are also positive results from interventions addressing instability. Comparing households eligible

to receive housing vouchers, those who were voucher recipients experienced lower rates of housing instability.<sup>130</sup> Among low-income single mothers, those receiving housing assistance are significantly less likely to experience eviction.<sup>131</sup> Homeless families receiving permanent housing subsidies in the Family Options study had fewer negative experiences (stays in shelters or places not meant for human habitation, doubling up, child separations, and intimate partner violence), greater food security, and less economic stress.<sup>132</sup> A Chicago program providing one-time emergency cash assistance of as little as \$1,000 to keep a family from losing their housing has prevented evictions; for every averted case, the city has saved nearly \$10,000 in homeless services costs.<sup>133</sup> Eviction legal assistance and diversion programs can help those appearing in eviction court stay in their housing, which reduces homelessness and moderately increases household earnings.<sup>134</sup> The federal program providing rental vouchers and supportive services to homeless veterans halved the rate of homelessness and achieved impressive results in terms of program participants gaining permanent housing and exiting supportive services.<sup>135</sup> The majority of participants, especially those who utilize social services, experience improved health and capacity to maintain housing for years afterward.<sup>136</sup>

## **IMPACTS ON OTHER STAKEHOLDERS**

Affordable and stable housing is fundamental to the success not only of individual households but to the functioning of society at large: everyone is a stakeholder. Housing deficits ripple through other sectors of the economy. Health care and higher education are two examples, but any enterprise that employs people can be affected, as are local governments, regional economies, and the US economy as a whole. Increased recognition of this dependency is leading non-housing actors to engage proactively.

Housing greatly affects health care systems. Being ill-housed makes people more likely to become ill and makes getting and staying well more challenging.<sup>137</sup> Stable housing makes patients more likely to keep their appointments, take their medication, and better manage chronic conditions. Medical institutions are realizing the need to reach beyond their walls to address the social determinants of health.<sup>138</sup> A particular issue for hospitals is the inability to discharge patients who

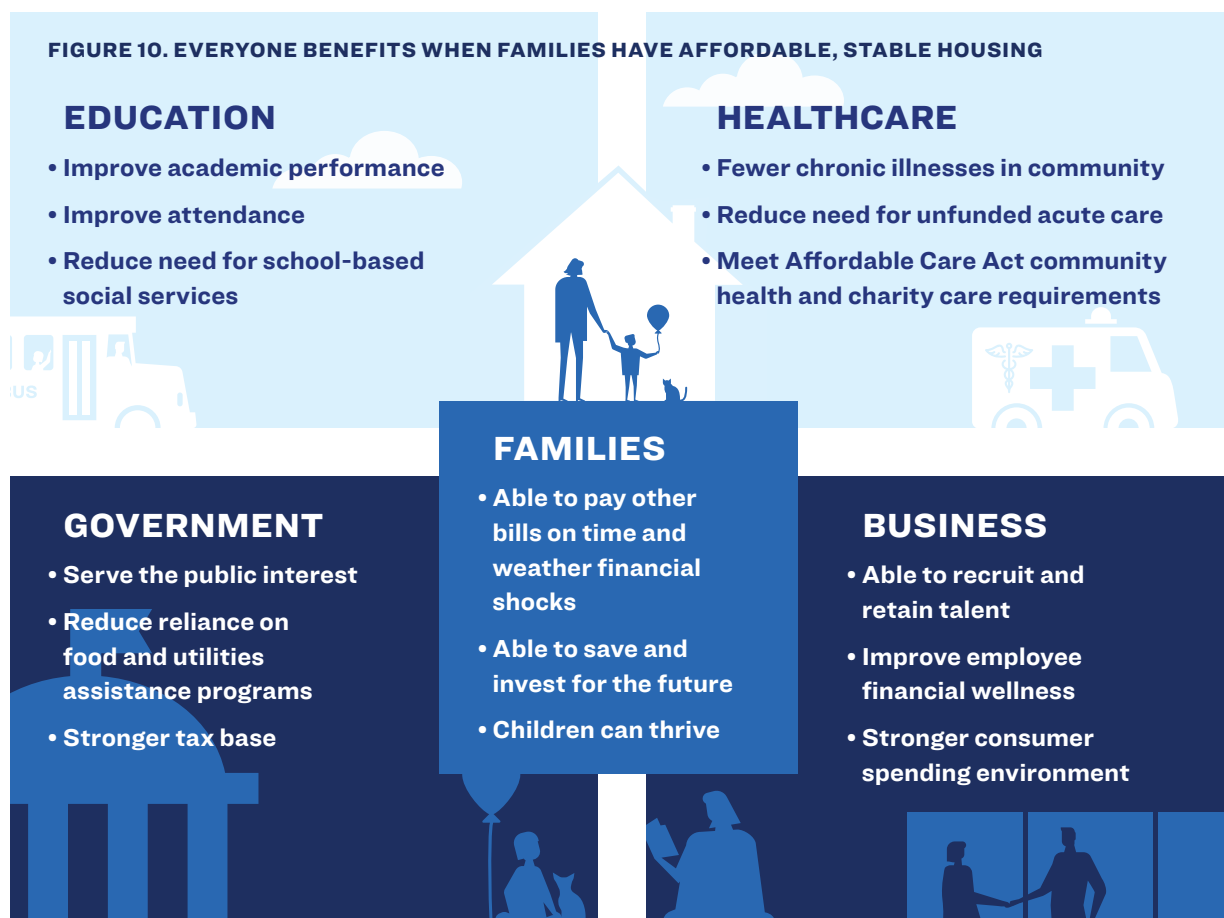


do not have a safe place to go, resulting in the use of expensive acute care beds as temporary housing.

Many college students experience difficulty finding affordable and stable housing. One survey found that 36% of university students and 46% of community college students have insecure housing.<sup>139</sup> This negatively affects their ability to learn and earn a degree. Likewise, school children whose families lack affordable or stable housing have lower academic achievement and graduation rates.<sup>140</sup>

Companies incur costs from absenteeism, distraction, and low morale when their workers cannot afford housing accessible to their places of work.<sup>141</sup> It also affects the ability to recruit and retain employees. The San Diego Regional Chamber of Commerce has commissioned several housing studies addressing the lack of reasonably priced housing and its impact on employers.<sup>142</sup> The Massachusetts Housing Partnership found that over two-thirds of companies said housing unaffordability had negatively affected them.<sup>143</sup>

Entire regional economies—and their local governments—can be placed at a competitive disadvantage when there is an insufficient supply of affordable and stable housing. Minimal housing production and housing prices that are not proportionate to local wages reduce the share of income that residents can spend on necessities, in addition to reducing the number of workers who can afford to move into a locality. The Center for Housing Policy finds that the development of affordable and stable housing increases spending and employment in the surrounding economy, acts as an important source of revenue for local governments, and reduces the likelihood of foreclosure and its associated costs.<sup>144</sup> Conversely, recent estimates suggest that when the supply of housing affordable to workers is restricted the overall costs to the US economy are enormous, on the order of \$1.3 trillion in lost wages and \$2 trillion in foregone Gross Domestic Product (GDP) growth.<sup>145</sup> 🏠



## SECTION 4

# POLICY AND MARKET FOUNDATIONS OF HOUSING AFFORDABILITY AND STABILITY

This section provides an historical overview of the housing policies and private market developments that shape today's housing markets.



Public policy decisions have shaped housing outcomes for most of the nation's history—and to a greater extent than many Americans realize. The US housing market is based on a complex web of public policies and programs implemented at every level of government, with private sector financing and ownership of most single-family homes and multi-family buildings. This section provides an overview of some of these policies—and the private market responses to them—have created the patterns seen today in residential segregation, access to mortgage credit, the affordability of housing for low-income households, and the spatial distribution of housing from urban cores to remote rural areas.

Public policy fueled the nation's shift from one of renters to one of owners during the mid-20<sup>th</sup> century, creating significant wealth for the mostly white Americans who benefited and creating significant barriers to financial security for those who were excluded, frequently because of their race. Policy also spurred suburbanization and urban sprawl, which lead to environmental, employment, and transportation challenges that remain thorny issues today.

## POLICIES SHAPE THE HOUSING MARKETS—EARLY INTERVENTIONS AND INVENTIONS

Some of the earliest US policies affecting housing concerned the relationship between US Government entities and the people of sovereign Native American nations. The post-Revolution practice of making peace with native tribes was soon supplanted by abrogation of treaty provisions and explicit policies of removal and exclusion. In the 1830s, Congress and the states implemented a series of laws designed to create mass

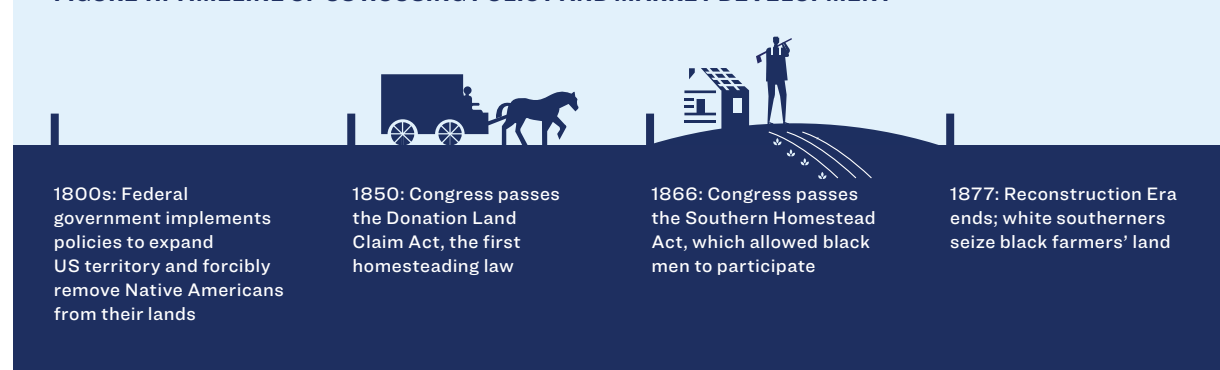
displacement of Native Americans from the US and its expanding territories. The allocation of land allotments to individuals became a means of white encroachment on “surplus” lands. Accompanying the establishment of reservations were land titling practices with effects that still echo today.<sup>146</sup>

Homesteading was one of the earliest federal housing initiatives intended to provide widespread access to land ownership. Under multiple enactments between the 1850s and 1930s, some American citizens—usually but not always limited to white men—could for very little money claim land considered unused, provided they constructed residences and improved the land. Homesteaders could pass the property to heirs, making it one of the first tools the federal government used to create widely-distributed wealth.<sup>147</sup>

The earliest homestead law—the Donation Land Claim Act of 1850—aimed to spur white citizens' expansion westward into the Oregon Territory.<sup>148</sup> Subsequent acts addressed other regions, formerly enslaved people, and specific industries.<sup>149</sup> The 1866 Southern Homestead Act offered all citizens who did not fight for the Confederacy—explicitly including black Americans—the opportunity to homestead in the South; this led to widespread land ownership among Southern black farmers.<sup>150</sup> Over time, homesteading was dominated by larger companies rather than families.<sup>151</sup>

As homesteading faded in the early 20<sup>th</sup> century, new policies and financial innovations again spurred the growth of homeownership and housing wealth. The 1913 creation of the Federal Reserve led to lower interest rates throughout the economy, which in turn spurred a

**FIGURE 11. TIMELINE OF US HOUSING POLICY AND MARKET DEVELOPMENT**



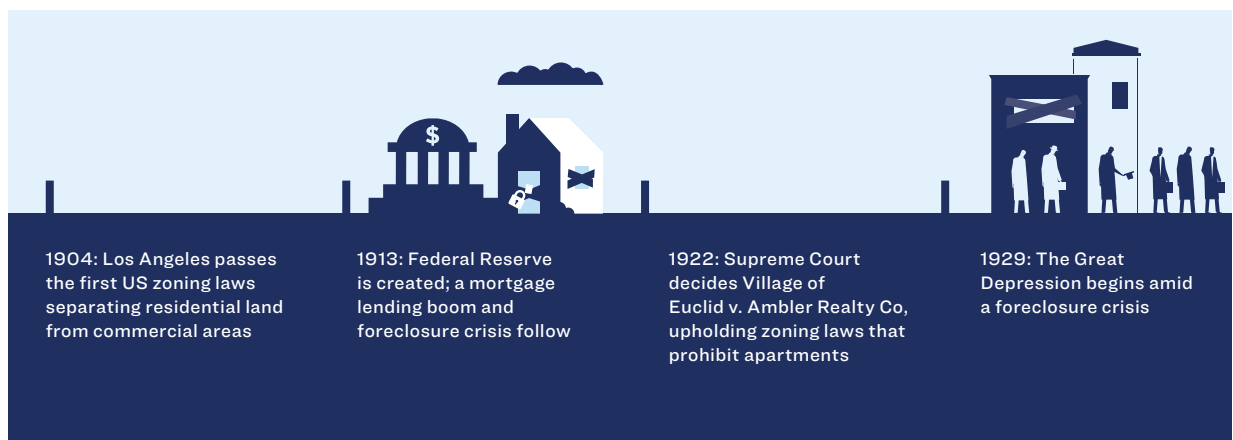
**AS IN THE 21<sup>ST</sup> CENTURY'S GREAT RECESSION, THE SPREAD OF HIGH-RISK FINANCING TOOLS SPARKED A FORECLOSURE CRISIS IN THE 1920S**

boom in mortgage lending. Builders sharply increased the rate of construction of multi-family and single-family homes in the mid-1920s. New types of lenders (primarily commercial banks) created capital markets for residential construction and mortgage loans. Lending features included low or no down payments, non-amortization, and balloon payments. As in the 21<sup>st</sup> century's Great Recession, the explosion in investor interest in housing and higher-risk financing tools sparked a foreclosure crisis in the late 1920s.<sup>152</sup> Before the 1930s, mortgage lending was characterized by short-term loans, often structured as interest-only debt that required periodic refinancing. This exposed borrowers to uncertainty and risk that rates would rise, or a new loan would not be available to roll over a maturing mortgage.<sup>153</sup> Homeownership rates remained relatively low, generally not available to working households.

In this era, the federal government took a hands-off approach to rental markets, and much of the nation's rental housing stock was of poor quality. Instead, cities began implementing residential building safety regulations and required landlords to do more to

maintain healthy environments and habitable homes. At the turn of the century, Jacob Riis's intimate photography of life inside New York's tenements, *How the Other Half Lives*, raised public awareness of unsafe rental housing and helped build political will.<sup>154</sup> A 1902 article in the *Annals of the American Academy of Political and Social Science* identified dozens of municipal ordinances focused on fire safety, overcrowding, sanitation, and the size of both individual units and buildings.<sup>155</sup>

The early 20th century also saw the emergence of government intervention to shape local real estate markets through zoning. The City of Los Angeles passed the first municipal zoning laws in 1904 delineating residential and industrial areas of the city.<sup>156</sup> Other communities followed, generally prohibiting location of certain types of businesses in residential areas and construction of apartments near single-family homes.<sup>157</sup> The US Supreme Court sanctioned zoning in 1922's *Village of Euclid v. Ambler Realty Co*; it found that apartment buildings were nuisances to homeowners, so it was permissible for municipalities to restrict multi-family housing development and segregate it from single-family neighborhoods.<sup>158</sup> Municipal zoning then became ubiquitous, utilizing blueprints for state legislation published by the US Commerce Department.<sup>159</sup> Zoning remains today one of the most widely used<sup>160</sup> and controversial tools of municipal planning. Although zoning can be an important tool of citizen empowerment (for some groups of residents), it also artificially inflates the value of single-family homes in certain neighborhoods while depressing home values in other places, contributing to racial, income, and wealth inequality.<sup>161</sup>



In response to the 1920s housing foreclosure crisis and the ensuing Great Depression, the federal government enacted several pieces of landmark legislation that still shapes housing markets today. The 1932 Federal Home Loan Bank Act created financial institutions to support liquidity in housing finance; today the regional FHLBs continue to ensure liquidity for housing finance.<sup>162</sup> The 1933 Home Owners Loan Act established the Home Owners Loan Corporation (HOLC) to purchase distressed mortgages and finance new loans. HOLC standardized mortgage products and led to the development of a secondary market to facilitate financing.<sup>163</sup> The Housing Act of 1934 created the Federal Housing Administration (FHA), which introduced mortgage insurance to encourage banks to lend to households considered too risky to approve and further standardized mortgage products, introducing the long-term, fixed-rate, level payments, fully-amortizing mortgages we know today.<sup>164</sup> After World War II, the G.I. Bill of Rights guaranteed returning white veterans benefits that included access to low-cost mortgages.<sup>165</sup> These changes collectively greatly lowered the cost of mortgage credit and helped finance a boom in white homeownership that lasted until the Great Recession, with benefits that continue to support the US system of mortgage finance today.

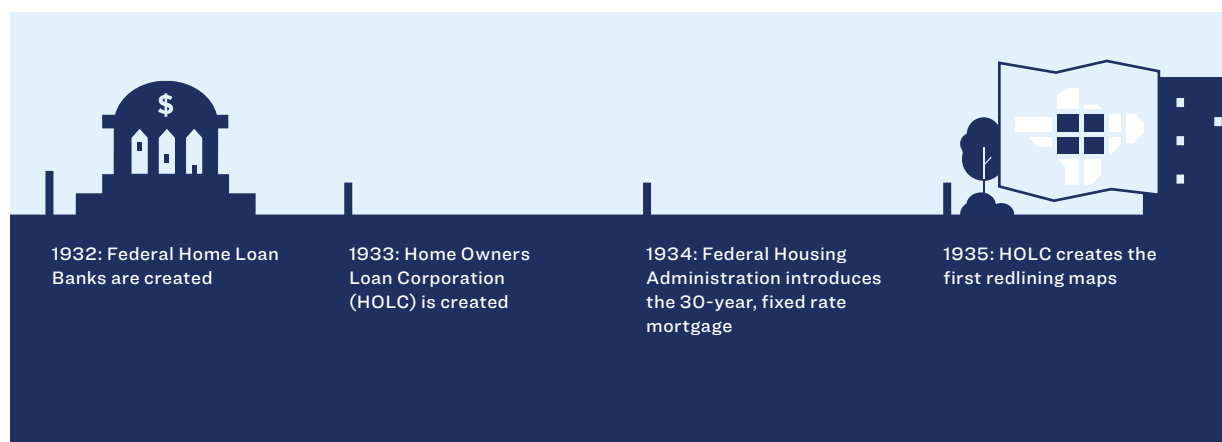
An additional Roosevelt-era reform was the creation of federal public housing in 1937.<sup>166</sup> The government financed the construction of thousands of apartments, mainly in medium-sized buildings. The units were intended to help those temporarily out of work during the Depression rather than those facing the greatest long-term affordability challenges. All capital construction costs were funded through US government bonds. The

rents charged were not tied to income, and eligible households could have incomes up to five or six times the cost of rent. Public housing required the establishment of independent public housing authorities, which were responsible for raising the funds necessary to operate the housing from rents.<sup>167</sup>

### A Painful Legacy of Racial Exclusion

An ugly and central aspect of the history of public policy in housing is its purposeful, race-based exclusion and marginalization of many people, particularly Native American and black populations. The Donation Land Claim Act explicitly required claimants to be white (or Native American with a white father). Although homestead policies after the Civil War successfully benefited black Americans, the backlash that ended Reconstruction all but erased black southerners' gains. In the Jim Crow era, most black farmers' lands were systematically stolen or stripped from them,<sup>168</sup> denying them a source of wealth to pass on to their children.

Early zoning laws generally mandated racial segregation by forbidding black people to own property or reside in certain areas, though the US Supreme Court declared those ordinances unconstitutional in 1916.<sup>169</sup> Residential segregation was nonetheless reinforced by the New Deal. HOLC created maps of 200 cities that provided neighborhood-level risk assessments to guide mortgage lenders' decisions. The risk assessments were based in large part on neighborhood racial and ethnic composition, singling out black, Latinx, and white immigrant neighborhoods. The maps designated in red neighborhoods with high proportions of black residents, identifying them as high risk and undesirable, and lenders would not make loans in redlined areas.<sup>170</sup>



## THE FAIR HOUSING ACT OF 1968 OUTLAWED REDLINING AND RACIAL DISCRIMINATION IN RENTING AND MORTGAGE LENDING

These exclusionary policies were also carried out by the FHA and VA. Whites found mortgage credit readily available for purchasing in other neighborhoods and began a steady accumulation of wealth through homeownership. Black and other households of color were unable to access mainstream financing and were instead targeted with higher-cost, risky loan products—including contract lending and deed-in-lieu agreements—that depressed wealth accumulation and frequently led to foreclosure. This environment, originating in public policy, dramatically widened the racial wealth gap.

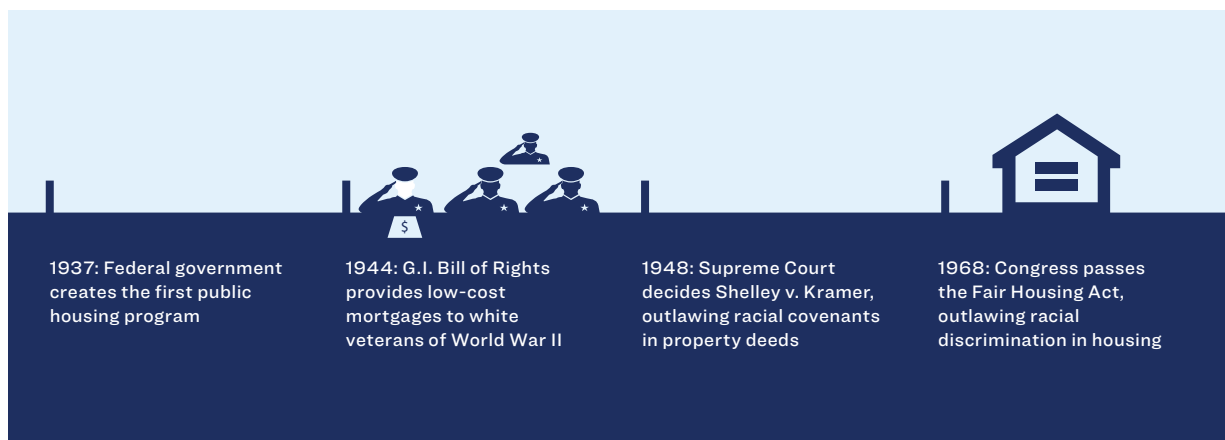
Although zoning ordinances to enforce residential segregation by race had been nullified in 1916, private agreements known as racial covenants achieved the same effect in some communities by restricting in the sale of property to people of color. These were not struck down by the US Supreme Court until 1948.<sup>171</sup> After World War II, G.I. Bill benefits were effectively restricted to white veterans, in part due to use of redlined maps in loan underwriting.<sup>172</sup>

The Eisenhower administration’s investment in the interstate highway system further entrenched residential segregation because it facilitated white residents moving far away from black households and neighborhoods.<sup>173</sup> “Urban Renewal” programs in the post-War era were implemented to reduce the presence of slums and blight in center cities, but they too often funded the demolition of long-standing black neighborhoods and other communities of color without providing new housing that current residents could afford, or doing so on a timeline that was incompatible with the needs of displaced residents.<sup>174</sup> The resulting legacy of disinvestment in these urban neighborhoods and their residents continued unabated for decades.

### Housing Policy Revolutions

The 1960s saw the successful enactment of federal legislation aimed at upholding the equal rights of all Americans, especially people of color. A key achievement was the Fair Housing Act of 1968 (FHA). The law outlawed redlining and racial discrimination in renting and mortgage lending. FHA enabled vigorous prosecution of unfair practices<sup>175</sup> but a hallmark of the law’s implementation is inadequate enforcement. This has greatly limited FHA’s ability to end housing discrimination.

The legislation introduced new programs that directed the Federal Housing Administration to pair its mortgage insurance with subsidies in order to expand homeownership and affordable rental housing to underserved populations. These new efforts marked a significant turn away from public investment and ownership of affordable housing to a private market system, through subsidies, guarantees, and regulation





of private capital and developers. Ambitious and well intentioned, both the homeownership and rental initiatives suffered from poor management and the political will to sustain them faded.<sup>176</sup>

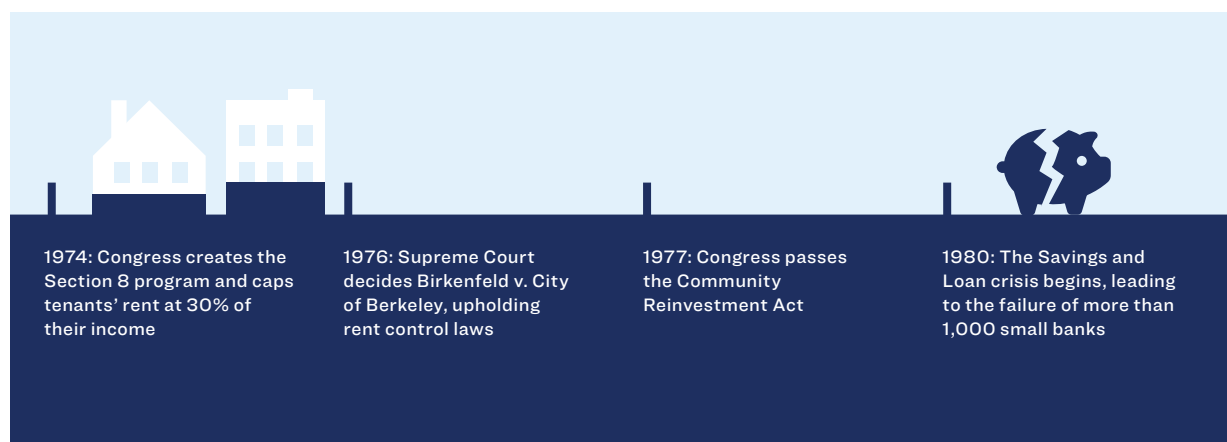
During the 1970s, government strategies to produce affordable housing emerged which shifted decision making back to local communities from the federal government. The Ford Administration combined multiple competitive grant programs into the Community Development Block Grant Program (CDBG), which allows state and local jurisdictions to allocate funds in ways that best meet local needs—and also enables the federal government to limit spending on these programs.<sup>177</sup>

At the same time, the Ford Foundation launched an ambitious effort to support community-based development efforts, eventually creating the Local Initiatives Support Corporation (LISC).<sup>178</sup> This marked a significant shift to supporting social enterprises focused on more comprehensive community development agendas. These developments helped form today's widespread and productive nonprofit housing and community development sector which is responsible for a significant share of affordable housing production.

Nonetheless, mortgage lending remained unavailable to many black households, and urban disinvestment continued. In response, Congress in 1977 enacted the Community Reinvestment Act (CRA).<sup>179</sup> The CRA requires banks (though not credit unions or non-bank lenders) to meet the credit needs of businesses and households in the communities where they operate and mandates regular examinations by federal regulators.

Concern with power imbalances in private markets manifested in changes in landlord-tenant law. Rabin provides a detailed overview of the civil rights-era court cases that reshaped landlord-tenant laws and increased protections for renters.<sup>180</sup> *Edwards v. Habib* (1968) prohibited retaliatory eviction, and case law over time made landlords also liable for informal eviction actions (such as locking a tenant out or cutting off utility services). *Javins v. First National Realty* (1970) established a landlord's duty to repair all defects regardless of how they occur. *Kline v. 1500 Massachusetts Avenue Apartment* (1970) held landlords liable for rapes, burglaries, and assaults by criminal intruders if the landlord did not provide proper protections against such occurrences. *Sargent v. Ross* (1973) held landlords liable for personal or physical injuries caused by defects in a unit.

In 1972, a national commission promulgated the Uniform Residential Landlord Tenant Act to promote clarification, standardization, and modernization of the rights and responsibilities of tenants and landlords in the United States.<sup>181</sup> Most states adopted all or part of the model, and many states augmented it with provisions addressing their unique challenges.<sup>182</sup> In 1948, the US Supreme Court had validated the right of the federal government to enforce wartime and post-war rent controls in housing shortage emergencies (*Woods v. Cloyd W. Miller Co.*).<sup>183</sup> In 1976, the California Supreme Court ruled rent control to be a reasonable means of counteracting harms and dangers to public health and welfare, regardless of a legally determined "emergency" (*Birkenfeld v. City of Berkeley*). Just cause eviction laws appear to have emerged around this time; EPIC could not definitively identify the first such ordinance



**IN 1973, PRESIDENT NIXON STOPPED THE CONSTRUCTION OF NEW PUBLIC HOUSING. IN 1974 CONGRESS AUTHORIZED THE SECTION 8 VOUCHER PROGRAM**

enacted, but by 1975, California and New Jersey had statewide statutes and all residents of federally funded public housing were protected by prohibition of no-cause evictions.<sup>184</sup>

Despite these advances in renters' rights, in many jurisdictions today, landlords can evict tenants without justification,<sup>185</sup> tenants are rarely guaranteed access to legal assistance in disputes,<sup>186</sup> and the timelines for eviction—as little as one week to a minimum of 30 days<sup>187</sup>—are generally shorter than those for foreclosure, leaving renter households with less capacity to address the situation and avoid instability. Renters face fewer barriers to housing stability in jurisdictions with rent stabilization acts,<sup>188</sup> just cause eviction standards,<sup>189</sup> and eviction policies that prioritize tenants' needs (such as “duty to store” standards that prevent landlords from disposing of evicted tenants' possessions).<sup>190</sup>

In the decades following the government's decision to directly provide affordable housing, the programs saw major shifts, focusing specifically on low-income households. By the 1950s, most new public housing took

the form of large high-rise buildings with hundreds of units. As federal policy encouraged both white households' flight from central cities and the clearance of unsafe tenements and slums, public housing authorities increasingly served very low-income residents who could not afford rents that would cover the homes' operating expenses. Congress in 1968 limited rents to no more than 25% of a tenants' income—this policy, known as the Brooke Amendment, is the genesis of today's 30% of income rent payment for public housing residents and voucher recipients.<sup>191</sup> HUD has since then provided operating subsidies to bridge the gap between rental revenues and operating costs. These projects required ongoing subsidy, as rents were far below market rate, but policymakers and the public soon tired of supporting costly buildings.<sup>192</sup>

Beginning in the 1970s, federal support for public housing shifted sharply away from physical structures toward vouchers that individual low-income households use to offset the cost of private-market rentals. In 1973, President Nixon imposed a moratorium on new construction of public housing and, in 1974, Congress authorized the Section 8 voucher program.<sup>193</sup> In the short-term, this fueled private construction of thousands of apartments based on HUD contracts to pay the difference between qualified low-income tenants' rents and actual operating expenses. The new construction and substantial rehabilitation portions of Section 8 were eventually repealed, but not before many projects had been built. Today, regardless of whether a household resides in a public housing unit or receives a voucher, the tenant's portion of rent is capped at 30% of their income.<sup>194</sup>





## Market Revolutions

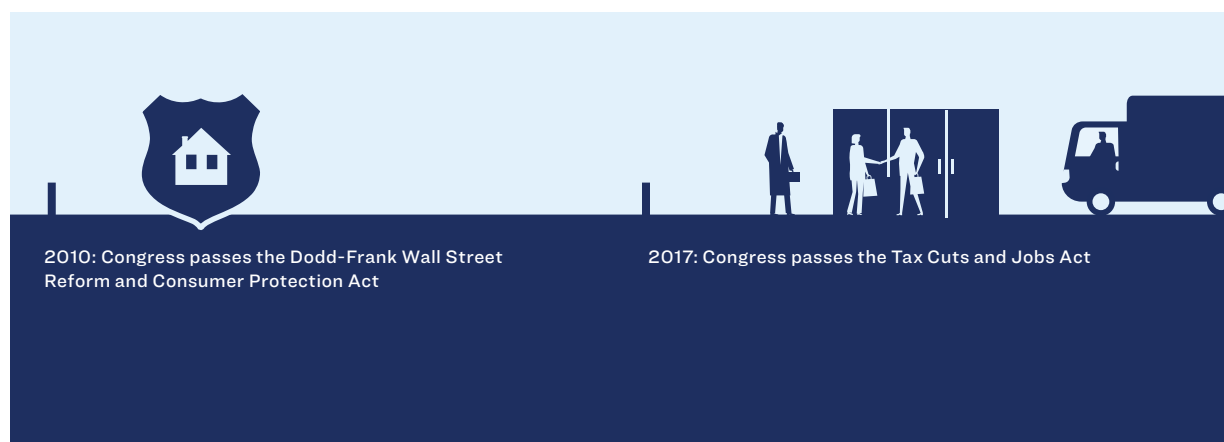
Shaped and supported by public policy reforms, private markets continued to transform in the 1980s and 1990s. Several amendments to the CRA were enacted between 1989 and 1995 making banks' examination data public, coinciding with the passage of legislation that supported bank mergers.<sup>195</sup> Advocates were able to use the public data to argue against mergers unless the new financial institution committed to significant investments in specific communities.<sup>196</sup> CRA became and remains a leverage point for community organizations, which can strike "community benefit agreements" with CRA-covered banks in their area, leading to commitments to hire within the neighborhood, pay certain wages, and target investments to specific locations or populations.<sup>197</sup>

Financial deregulation under President Reagan allowed state-chartered banks to make mortgages with interest rates above the caps some states had implemented, planting the seeds of subprime mortgages.<sup>198</sup> Further financial deregulation enabled savings and loan associations and thrifts, the main providers of mortgage loans at that time, to make riskier loans, many of which eventually defaulted. The resulting "savings and loan crisis" destroyed thousands of small financial institutions, required a \$160 billion bailout by the federal government, and led to an increasing role for Fannie Mae and Freddie Mac.<sup>199</sup> New regulations implemented during the Clinton Administration created affordable lending goals for Fannie Mae and Freddie Mac that required them to purchase loans made to low-income homebuyers as a minimum proportion of their annual business.<sup>200</sup> Changes in mortgage loan products greatly increased the credit available to low-income, black, and Latinx homebuyers. Automated

systems facilitated by computer technology greatly reduced the time and money costs of underwriting and moderately reduced the amount of discretion loan officers could use to discourage low-income and non-white applicants or offer them less favorable products.<sup>201</sup> Between 1990 and 1999, homeownership rates grew for white, black, Hispanic/Latino, and Asian households.<sup>202</sup>

The Tax Reform Act of 1986 created one of the largest housing-related tax expenditures we have today and cemented the central role of another. Within the corporate tax code, the Tax Reform Act consolidated a complicated series of tax deductions and accelerated depreciation for affordable housing production with what is today the largest and longest-lived source of financing for the production of affordable housing: the Low Income Housing Tax Credit (LIHTC). This tax credit, today worth nearly \$10 billion annually, is available to developers of new housing units and developers preserving existing affordable housing.<sup>203</sup> Private for-profit and nonprofit firms participate in a competitive process to receive the credits, which are administered by state housing authorities. The reduction in federal tax liability enables firms to profitably execute projects that would otherwise not deliver sufficient revenue streams and would not move forward. Since its inception, LIHTC has financed nearly 40,000 properties and more than 2.3 million housing units.<sup>204</sup>

On the individual side of the tax code, the act protected the Mortgage Interest Deduction (MID). Prior to 1986, all interest was tax deductible. The Tax Reform Act limited deductible interest to that paid on mortgage loans. While intended to make housing more affordable for current homeowners, it largely enabled additional



**LOSSES FROM THE GREAT RECESSION WERE NOT EVENLY DISTRIBUTED. THE BLACK-WHITE AND LATINX-WHITE RACIAL WEALTH GAPS ARE LARGER TODAY THAN IN THE 1980S**

consumption of housing—that is, people purchased larger and costlier homes rather than reducing spending on housing.<sup>205</sup> The MID, one of the largest tax expenditures, cost \$60 billion in 2017, though this fell to \$30 billion in 2018 as a result of the Tax Cuts and Jobs Act of 2017.<sup>206</sup>

Growth in secondary capital markets expanded the availability of mortgage credit. Before the 1990s, most mortgage loans were not securitized and sold to investors.<sup>207</sup> Fannie Mae and Freddie Mac were leaders in securitization—they moved from primarily holding loans in portfolio to primarily securitizing throughout the 1980s and 1990s, and were the dominant producers of mortgage-backed securities until the early 2000s. During this time, financial institutions also developed a robust private secondary market of securities composed of loans that did not conform to Fannie and Freddie’s requirements of the traditional secondary market gatekeepers, Fannie Mae and Freddie Mac.<sup>208</sup> As subprime loans expanded rapidly in the 2000s, securitized mortgage loans packaged into increasingly complex investment vehicles, especially those offered by the private sector, spread lending risks throughout the housing industry and into broader, global financial markets.<sup>209</sup>

Securitization further fueled subprime lending. Subprime mortgages were initially developed to enable loans to lower-income, lower-credit score borrowers. They had high fees and steep pre-payment penalties. Although they contributed to growing homeownership rates, the majority of subprime loans were home equity credit for existing homeowners.<sup>210</sup> Subprime lenders targeted black borrowers and neighborhoods, sometimes forcing borrowers with prime credit scores into more costly and less sustainable loans.<sup>211</sup>

## **The Great Recession and Its Aftermath**

The credit-fueled housing market accelerated until 2007, when home values and homeownership rates peaked and foreclosures began rising. In the decade after the onset of the crisis, more than 16 million foreclosure proceedings commenced,<sup>212</sup> approximately 7 million were eventually completed,<sup>213</sup> and more than 9 million people were displaced from their homes.<sup>214</sup> The crisis for homeowners generated a sudden growth in demand for rental housing, so rents rose precipitously even as housing values remained depressed.

Since the Great Recession, economic growth has been concentrated in cities and that is likely to continue.<sup>215</sup> Home prices in urban cores rose sharply after decades of decline and stagnation.<sup>216</sup> There have been historically low new construction rates for all types of housing, though multi-family is more rapidly approaching normal.<sup>217</sup> This has contributed to a low supply of housing inventory.<sup>218</sup> This tightness is reflected in low vacancy rates of around 6% for rental units nationwide,<sup>219</sup> higher than the 7% to 8% considered healthy.<sup>220</sup> It is also reflected in low vacancy rates of homes for sale (just over 1%, while roughly 2% is considered healthy<sup>221</sup>) and low inventory of units for sale (currently 4.5 months, below the long-term average).<sup>222</sup> Vacancy rates in 2018 were extremely low (2%) among multi-family units with monthly rents under \$600. These tight markets contribute to high cost burdens among low-income households in two ways: those who have low-cost housing lack incentives to move, and low inventory pushes prices higher.<sup>223</sup> Indeed, between 1990 and 2017 there was both a proportional and absolute loss of low-rent apartments (under \$600 per month), leaving 4 million fewer units for a population that was underserved to begin with.<sup>224</sup>

A lasting aftermath of the Great Recession has been tight credit standards.<sup>225</sup> In 2007, the average homebuyer had a credit score of 711;<sup>226</sup> the median down payment by first-time homebuyers was 3%.<sup>227</sup> In 2019, the median homebuyer credit score is 759,<sup>228</sup> and first-time buyers are putting down a median payment of 7%.<sup>229</sup> Lenders are reluctant to make smaller mortgage loans, resulting in few financing options for low-cost homes.<sup>230</sup> In racially segregated neighborhoods and disinvested communities, products that had fallen out of use due to fair lending laws, the prohibition of redlining, and the development of subprime mortgages are reemerging (such as contract lending and deed-in-

lieu agreements).<sup>231</sup> The Federal Reserve Bank of Boston noted in 2017 that, while land installment contracts had previously been made by small firms that owned just a few properties, the resurgence of these products lacking the protection of mortgages has been led by major private equity firms.<sup>232</sup> In areas with relatively low housing values—such as those with higher poverty and higher levels of racial segregation—prospective homebuyers may have few options other than these risky loans.<sup>233</sup>

Another post-Recession trend has been the commodification of residential housing. Cash-only purchases by investors played a key role in resolving the foreclosure crisis but made it difficult for home buyers to compete.<sup>234</sup> Many foreclosed properties were converted to rental, and this has continued even as home prices have rebounded and home inventories have shrunk. Private equity firms play an increasing role in rental markets,<sup>235</sup> and an emerging trend has been developers building single-family homes not for sale but to own and manage as rentals.<sup>236</sup> Foreign-owned units in hot markets may also be pushing up home values and rents.<sup>237</sup> The impact on household financial security is not well-researched, but there are troubling indicators of harms from these trends.<sup>238</sup>

## A Painful Legacy Endures

The losses from the Great Recession were not evenly distributed, and they were skewed in patterns familiar in the history of housing in the United States. Black households lost nearly all the wealth gains they had made since the 1990s.<sup>239</sup> Latinx households lost about half of total wealth.<sup>240</sup> The black-white and Latinx-white racial wealth gaps are accordingly wider today than they were in the 1980s.<sup>241</sup> Moreover, all the gains in the black homeownership rate since the passage of the Fair Housing Act are gone.<sup>242</sup>

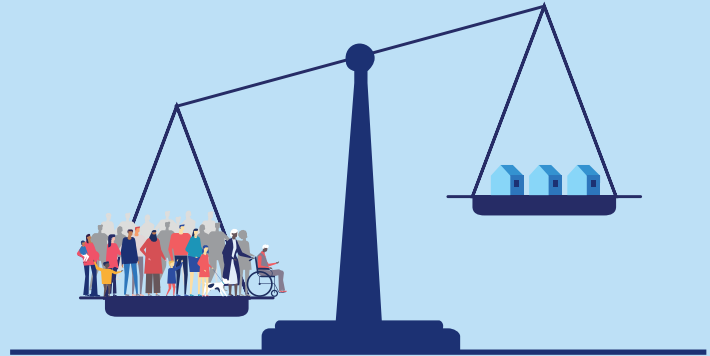
Homeownership is the largest source of wealth for most Americans. Public policy has emphasized it for years, subsidizing asset acquisition through free land (during homesteading) and reduced costs of credit. These subsidies have been largely invisible to their beneficiaries, who have primarily been white Americans. They have successfully generated wealth from long years of real estate appreciation while other households lag behind—and these disparities are still growing.

Wealth drives life outcomes. Because white people have been able to accumulate greater wealth in their homes, they tend to see better outcomes on a variety of dimensions. The lack of wealth held by black, Native American, and Latinx people has ramifications for their health, educational opportunities, earnings and job opportunities, and ability to weather financial challenges. This legacy of outdated, racist policies has never been fully addressed. 🏠



## SECTION 5

# DRIVERS OF HOUSING UNAFFORDABILITY AND INSTABILITY



This section provides Aspen EPIC's topline analysis of key dimensions of today's housing affordability and stability challenges and explores the underlying drivers.



Today's housing affordability and stability challenges have many drivers, reflecting both deep historic roots and current global economic forces. This section provides our topline analysis of key dimensions of these problems. It then explores the underlying drivers of these conditions with a focus on their effects on rents, home prices, access to areas of opportunity, and housing stability. EPIC's analysis in this section is informed by an extensive literature review, conversations with 75 experts through interviews and a convening and more than 100 responses to an expert survey fielded in mid-2019. Additional information about our methodology is available in *Appendix 1*.

## FOUR KEY DIMENSIONS OF UNAFFORDABILITY AND INSTABILITY

Why are so many US households unable to secure stable housing that is affordable to them? Through our research process, EPIC has identified four main reasons, which are present to varying degrees across local markets:

- **Insufficient supply of new and existing housing:**

For the past two decades, the US has not produced enough new housing and is losing substantial quantities of existing housing that is affordable to low-income and middle-class households, leading to supply constraints in many markets.

- **Demand-side factors:** Insufficient income and financial resources—aggravated by limitations on the availability of credit—make it impossible for some households in every market to afford market-rate housing; the gaps between what people can afford and the operating cost of market-rate housing are not sufficiently filled through public investments in affordable housing or rental assistance; and, in many markets, labor market conditions are aggravating high cost burdens.

- **Racial/ethnic segregation and discrimination:**

In all markets, people of color are disadvantaged in access to affordable, stable housing due to generations of compounding inequality, historical exclusion, and ongoing segregation and discrimination.

- **Policy environment for renters:** Many state and local governments do not grant renters the rights and legal protections necessary for them to have dependable access to affordable and stable housing.

Research identifies multiple factors that depress the resources to obtain housing, restrict the supply of new housing, maintain segregation and inequality, and fail to protect renters. Local market conditions have a large impact and can vary widely, even between areas that are geographically close. And trends related to climate change and changing demographics of US population intersect with many of these factors. The remainder of this section describes the drivers of each of the four conditions described above.

## INSUFFICIENT SUPPLY OF NEW AND EXISTING HOUSING

For the past two decades, the US has not produced enough new housing and is losing substantial quantities of existing housing that is affordable to low-income and middle-class households, leading to supply constraints in many markets. Overall, the US needs to supply 2.5 million additional housing units to meet long-term demand.<sup>243</sup>

In some markets, the cost of developing and operating housing without subsidies is too high to supply housing that is affordable to even middle-income households in quantities sufficient to meet growing demand. This is a product of both direct cost and the opportunity cost of foregoing the greater profits to be gained in developing luxury housing. The supply of existing housing may also be insufficient in many markets because there is a lack of investment in the maintenance of existing affordable rental units, little available financing to preserve smaller, more affordable, multi-family housing, as well as few sources of financing available to low-income homeowners who struggle to maintain or repair their homes. Some markets are losing housing to climate-related catastrophes. Few places are supplying enough housing to meet the needs of a population that is aging and living longer.

With respect to the cost of development itself, three key drivers are: 1) land use policies and development regulations; 2) land costs; and 3) construction costs. As one of the participants in our convening noted: **“Housing is a basic need provided by a private market. Therefore, increases in costs of production—regardless of the driver—impede the provision and allocation of housing supply to meet that basic need.”**

**PURCHASING AND  
PREPARING LAND  
FOR CONSTRUCTION  
ACCOUNTS FOR 22%  
OF THE COST OF A  
NEW HOME**

**Land Use Policies and Development Regulations**

Just over a third of our expert survey respondents selected the local regulatory environment as the most important contributor to the restricted supply of housing. Of particular concern are practices stemming from “NIMBY” (Not In My Back Yard) responses to market forces—namely rules that enable current residents to block, or even outright forbid, the construction of multi-family properties (especially those utilizing LIHTC or other subsidies), restrict density, impose high minimum parking requirements, or otherwise limit residential construction. Zoning laws can be so restrictive that, regardless of cost, there is simply no opportunity for housing development. Local land use regulation reduces the elasticity of housing supply, resulting in a smaller stock of housing, higher house prices, greater volatility of prices, and less new construction).<sup>244</sup> The gap between price and cost reflects the influence of regulation, with more highly regulated housing markets having greater inefficiencies. Regulatory constraints are influenced by housing prices and demographic growth, while physical constraints (such as steep terrain and presence of bodies of water) also affect supply elasticity and price.<sup>245</sup>

**Cost of Land**

Developing housing requires land, and this is a significant contributor to overall cost. Land is a finite resource, particularly in the most economically dynamic and desirable areas. As demand for housing goes up the market cannot respond by producing more land, only more housing units, which leads to long-term increases in land values. The National Association of Home Builders found that purchasing land and preparing it to be suitable for construction accounts for 21.5% of the total cost of a new home.<sup>246</sup> The cost of land varies across markets. One key driver is zoning: regardless of geographic constraints, restrictions can make buildable land an artificially scarce resource.<sup>247</sup>

Land zoned for residential use appreciates at a higher rate than home prices, especially in densely populated areas, and the value of residential land has increased significantly since 2012; the share of housing cost attributable to land has gone up in large cities and declined in small cities.<sup>248</sup> The price of land is much more volatile than the price of structures and has a greater influence on housing values. It tends to be less expensive in areas with high vacancy rates (of both developable land and in existing housing).<sup>249</sup>

**Cost of Construction**

The National Association of Home Builders found that, on average, over half (55.6%) of the final sales price of a new home is due to construction costs.<sup>250</sup> The cost of construction involves two components: materials and labor. Construction materials costs have been steadily increasing since 2014 and rose 9.6% from 2017 to 2018.<sup>251</sup> International trade is a large factor. Higher steel and aluminum tariffs, as well as a 20% increase to the tariff on Canadian lumber, have impacted US construction companies. A 2018 tariff of 10% on \$200 billion worth of Chinese imports has made it more expensive to acquire building materials through international trade, spurring hunts for new suppliers.<sup>252</sup>

Escalating labor costs and shortages also drive up the cost of construction. An insufficient number of skilled construction workers raises costs by causing project delays. In the decade since the Great Recession, workers have exited the field and have not been replaced; the labor force is significantly older, with young construction workers declining by nearly 30% from 2005 to 2015.<sup>253</sup> Changes in immigration patterns and more restrictive immigration policies have limited the availability of immigrant workers in the construction labor force.



## DEMAND-SIDE FACTORS

Insufficient income and financial resources—aggravated by limitations on the availability of credit—make it impossible for some households in every market to afford market-rate housing. The gaps between what people can afford and the operating cost of market-rate housing are not filled through public investments in affordable housing or rental assistance; and, in many markets, labor market conditions are aggravating high cost burdens.

### Shortfalls of Household Income and Savings

Housing subsidies are necessary because income for many households is simply too low to afford anything market-rate, and these households have few if any other financial resources to fall back on (several expert survey respondents highlighted the importance of savings for maintaining stability and having the capacity to secure better housing at better costs). A household in the lowest quintile of the US income distribution earns no more than \$25,300, and households in this quintile have median financial assets under \$1,000.<sup>254</sup> A household at the 40<sup>th</sup> percentile earns \$47,100, and the median value of all their financial assets—including illiquid assets such as bonds and retirement accounts—is approximately \$4,900.<sup>255</sup>

Ensuring affordable, stable housing for the financially vulnerable requires subsidy of some form. Government subsidies play a critical role in ameliorating the market failures caused by the mismatch between some households' available resources and the market's ability to profitably provide them adequate housing. Low-income households, regardless of tenure, often cannot afford the costs of operating and maintaining any housing without subsidy. Markets with high concentrations of low-paying jobs have a greater proportion of households who cannot afford market-rate housing without subsidy, regardless of whether the local population is growing or shrinking.<sup>256</sup>

Workers in sectors with greater incidence of job-related income volatility—such as retail services—can experience additional challenges in affording housing.<sup>257</sup> Volatility can affect housing options even among those at higher incomes, such as the self-employed.<sup>258</sup> It is not possible to make partial mortgage payments, and landlords frequently reject partial rent payments, which can be particularly problematic for people who cannot predict when they will have lower-than-average

income. Escalating disaster-related insurance costs is widening the affordability gap in many communities. Elderly households experience a mismatch between fixed or diminished incomes just as they find themselves needing to invest in accessibility improvements.

### Limited Availability of Credit

Credit availability is a critical factor for home sales and the financing of rental housing. When credit is too tight or unavailable to certain households or for certain types of real estate, prices rise for those who have the least access (generally low-income households); this additionally presents a challenge for households of color over a wide range of incomes.<sup>259</sup> As many as 45 million individuals may be denied credit because they are “credit invisible” (they lack credit history and do not have credit reports) or “unscorable” (they have a report but no credit score because the information is insufficient or out of date).<sup>260</sup>

Mortgage credit has been restricted since the Great Recession. Borrowers must have higher credit scores—median credit scores of homebuyers remain 32 percentage points above the pre-Recession median<sup>261</sup>—and provide higher down payments (an average of 13% in 2018)<sup>262</sup> than in the past. This reflects new regulatory requirements, tighter standards, and reduced risk tolerance. This tightening of credit has affected conventional mortgage markets as well as FHA and VA markets. Credit available to support maintenance and renovation is also restricted.<sup>263</sup>

Another credit constraint is lack of access to low-balance mortgage loans. In many parts of the country, there is decent-quality, vacant, low-cost housing stock and households who could afford both down payments and monthly payments. However, due to high origination costs, regulations that cap fees on these loans, competition from cash buyers (investors), and low overall profitability, it is difficult to secure a mortgage on a home worth less than \$70,000.<sup>264</sup> This can keep NOAH units out of reach for prospective homeowners, and this in turn puts pressure on the rental market for low- to moderate-income and middle-class households. The Urban Institute found that in 10 markets with low home values, the share of housing stock valued under \$50,000 rose even as the share of low-balance mortgages fell as a share of all mortgages originated.<sup>265</sup>



**ONLY 23% OF ELIGIBLE  
HOUSEHOLDS RECEIVE  
FEDERALLY-FUNDED  
RENTAL ASSISTANCE;  
7.7 MILLION  
HOUSEHOLDS GO  
WITHOUT HELP**

Lack of credit has also affected manufactured home purchases. The primary means of financing these homes has long been high-interest personal property (often called “chattel”) loans that are more similar to vehicle loans than to mortgages in terms of their features and consumer protections.<sup>266</sup> The high costs of these loans dampen the capacity to build wealth through homeownership and put the owners at greater risk of losing their homes, especially if they rent the land beneath them.<sup>267</sup> There have been several efforts to expand access to mortgage financing for manufactured homes,<sup>268</sup> but the homes’ lower values make it difficult to secure mortgage financing even when it might be a possibility.

### **Insufficient Public Subsidy**

In the marketplace, subsidy is what makes affordable housing affordable. Especially for low-income households, subsidy bridges the gap between the cost of producing and maintaining a home or apartment and the price households can reasonably afford to pay. By far the most common sources of subsidy are public funding in the form of tax expenditures and direct spending intended to provide housing for low-income and other financially vulnerable households (such as disabled people and those with a history of homelessness). Public funding has not kept up with inflation, population growth, or need—except in the case of the Mortgage Interest Deduction, which is an entitlement that benefits the homeowners least in need of support. When asked to identify the most important driver of housing unaffordability and instability, nearly half (46%) of expert survey respondents identified insufficient federal funding as the primary driver. Respondents also emphasized the inadequacy of funding from states and local jurisdictions.

Rental assistance is severely underfunded, with only 23% of eligible households receiving assistance through federal programs.<sup>269</sup> Since 2003, the number of households receiving rental assistance has been flat, while the number of households with worst-case housing needs has increased dramatically. In 2013, there were 4.6 million low-income households receiving federal housing assistance, but another 7.7 million households with worst-case needs went without help.<sup>270</sup>

Although combined funding for project-based assistance and housing vouchers rose between 2003 and 2016, the share of eligible families served fell.<sup>271</sup> In 1993, 1.2 million households received vouchers to rent private housing in the market, and this rose to 2 million vouchers by 2007 and by 2016 it was 2.3 million; nonetheless, another 20 million eligible households receive no assistance. In recent years, cuts to housing assistance programs represented 7% of all sequestration cuts under the Budget Control Act of 2011. Adjusted for inflation, funding for public housing and voucher programs is approximately 5% below the 2010 level.<sup>272</sup> The Tax Cuts and Jobs Act of 2017 adversely affected indirect subsidization: by reducing corporate tax rates, the law reduced the value of Low Income Housing Tax Credits (LIHTC)<sup>273</sup> (though other policy changes may offset the impact of that change<sup>274</sup>).

Levels of subsidization through publicly owned housing have been inadequate to maintain housing quality; HUD’s public housing deferred maintenance backlog is \$26 billion.<sup>275</sup> Buildings in disrepair endanger the health of residents and further stretch funding available for rehabilitation and preservation. The demands for ongoing investment may also be seen in the 1.5 million subsidized project-based housing units whose affordability requirements will expire and the additional 1 million LIHTC units that will need rehabilitation and recapitalization over the next decade.

### **Labor Market Conditions**

Local labor markets influence the availability and accessibility of housing that is affordable. In markets generating numerous well-paying jobs, these relatively high-income households bid up prices of available units at all price points (examples include the tech-driven economies in Seattle and San Francisco and the shale oil boom economy in North Dakota). The general increase in income and wealth inequality in the US distorts

housing markets as more affluent people drive up costs that must also be borne by those seeing their piece of the pie shrink. Rising housing prices in areas becoming more wealthy because of the returns on skill-based labor deter in-migration of unskilled workers, even though they are also in demand.<sup>276</sup> On the other hand, local labor markets with high concentrations of low-paying jobs cannot support widespread creation and maintenance of market-rate housing, regardless of whether the area population is shrinking or expanding.

## **RACIAL/ETHNIC SEGREGATION AND DISCRIMINATION**

In all markets, people of color are disadvantaged in access to affordable, stable housing due to historical exclusion, generations of compounding inequality, and ongoing segregation and discrimination. White Americans' history of displacing and excluding people of other races and ethnicities from social goods, housing, economic benefits, and participation in civic life have greatly harmed people of color. This is reflected today in a variety of housing affordability and stability metrics as well as the racial wealth gap. Segregation and isolation of housing occupied by black households lies at the root of other expressions of social exclusion. Latinx households have also suffered from segregation and exclusion, experiences also reflected in these data. For example, there are only two US cities with large Latinx populations where the Hispanic/Latino homeownership rate is equal to or greater than the white rate.<sup>277</sup> There is some evidence that this is true as well for Native American and, to a lesser extent, Asian communities, but the relative lack of data and research make it more difficult to understand how the systemic barriers facing people of color impact these groups specifically.

Racial and ethnic disparities in other areas—such as income and non-housing wealth, credit scoring, access to credit, and involvement with the criminal justice system—manifest in housing. They trigger ostensibly neutral assessors of risk and reliability in tenant selection and underwriting to reinforce disparate outcomes.

### **Generations of Compounding Inequality**

People of color have faced decades—in the case of Native Americans and African Americans, centuries—of discrimination in property ownership, education, employment, residential opportunities, rental

markets and homebuying markets, plus exclusion from the political and policy processes that shape these dimensions of American life. At various times in the nation's history, certain racial or ethnic groups have been subject to property confiscation and wealth-stripping.<sup>278</sup> The legal landscape of housing has been explicitly inclusive and anti-discriminatory since the Civil Rights Act and Fair Housing Act, but these laws have been poorly and not uniformly enforced. The Latinx experience in the US has very different roots from that of Native Americans and black Americans, but common elements of structural racism and a long history of compounding disadvantages mean both still face systematically more difficult housing challenges than non-Hispanic white people.

### **Persistent Discrimination**

Housing discrimination remains a barrier to equal access to housing for many individuals and families. Although the Fair Housing Act is broad—prohibiting discrimination on the basis of race, color, religion, sex, familial status, national origin, and disability—the law has not fully eradicated discrimination in the provision of credit for people of color, persistent redlining and loan steering, gentrification, and accessibility.<sup>279</sup> This is in large part due to HUD's and local jurisdictions' lack of capacity to enforce the law.<sup>280</sup> Immigration policies, including treatment of mixed-status households and the ambiguous status of adults brought to the US as children, also result in restricted access to affordable housing.

Preventing discrimination in evictions presents several challenges. Not only can evicting landlords often present a non-discriminatory rationale (typically non-payment), they also wield tremendous discretion that may be shaped by conscious or unconscious bias against a protected group.<sup>281</sup>

Communities of color continue to be disproportionately exposed to financial products and practices that impair asset accumulation.<sup>282</sup> Homeownership rates, liquid assets, and net worth remain lower in black households than in the years preceding the housing bubble of the 2000s; Latinx adults have the lowest rate of attainment of 4-year college degrees and the lowest wealth return on that education.<sup>283</sup> In fact, new research shows that the racial wealth gap between black and white households, and the gap between Latinx and white households, is currently growing.<sup>284</sup> Damage from natural disasters

**BETWEEN 2011 AND 2016, AVERAGE RENTS INCREASED BY 3.1% ANNUALLY, OUTPACING INFLATION AT 1.3%**

exacerbated by climate change is also increasing the racial wealth gap.<sup>285</sup>

## **POLICY ENVIRONMENT FOR RENTERS**

Many state and local governments do not grant renters the rights and legal protections necessary for them to have dependable access to affordable and stable housing. The robust body of landlord-tenant law nationwide is often advantageous to landlords and insufficient to protect renters from outcomes that severely harm their financial security and wellbeing. The resources and safety net provisions that federal government, states, and localities provide to assist renters struggling to resolve landlord problems or avoid eviction are far more limited than the need.

A central characteristic of the policy environment for renters is its variability across states and municipalities. Laws governing lease provisions, rent regulation, forms of prohibited versus legally permissible discrimination, landlords' maintenance requirements and opportunities to remediate health and safety violations, eviction procedures, and tenant assistance resources all vary from state-to-state and within states. Households that move just a few miles can find themselves living with a completely different set of rules for renting. This presents challenges for both renters, who frequently do not know their rights or how to exercise them, and landlords, who may struggle to comply with multiple jurisdictions' rules.

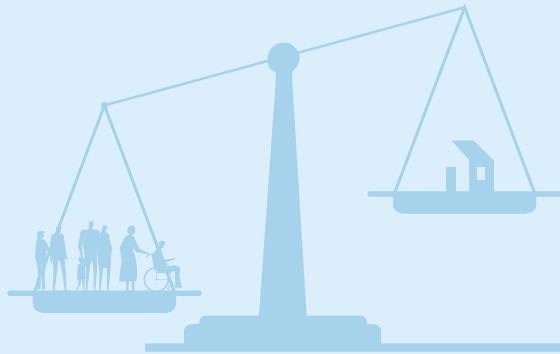
Renters are in many ways disadvantaged by lease provisions such as pay or quit deadlines and by practices such as the handling of security deposits. Renters affected by natural disasters are often unable to access relief programs and do not benefit as much as property owners. For example, disaster relief prioritizes rebuilding

housing, but a landlord often has no obligation to lease the homes back to previous tenants, so they face a higher risk of permanent displacement. Lack of enforcement of provisions intended to protect tenants, such as habitability requirements, remains a problem. Additional factors are legal frameworks of contracts and property rights that tend to favor landlords, the greater political participation and power of landlords compared to renters, and the high costs of pursuing remedies through the courts.

A different aspect of landlord-tenant law is regulation of the rents that may be charged. In areas with little to no rent control policies, rent increases are at the discretion of the landlord and the market. Between 2011 and 2016, average rents increased by 3.1% annually, outpacing inflation at 1.3%.<sup>286</sup> Between 2001 and 2015, the median rent rose 32%, excluding the cost of utilities. In many cities, however, growth rates are even more staggering. Fast-growing Aurora Colorado, for example, has seen 35% rent growth in just the past five years. Moreover, rent increases have outpaced renters' income growth since 2001.<sup>287</sup>

Tenants named in an eviction proceeding may experience long-term housing stability challenges, regardless of outcome. They are often placed on registries that function as "blacklists" to limit future leasing opportunities; blacklisting dramatically reduces access to affordable housing for low-income renters who need it most.<sup>288</sup> Moreover, episodes of instability—even when never progressing to eviction—can have a compounding effect as a pattern of constrained choices forces reliance on less sustainable lodging.

It is, however, important to note that there are costs to providing robust tenant protections and assistance resources. Policies intended to support housing stability may worsen affordability challenges because landlords pass as much of the cost on to tenants as possible. For example, some rent control policies, depending on how they are structured, are proven to restrict supply (the magnitude of the response varies depending on other market conditions), which pushes up rents for non-rent controlled units. Similarly, when landlords are required to bring inadequate housing into compliance, the costs may necessitate rent increases that are not affordable to current tenants. This is not to say that such protections are bad policy, but that examining the trade-offs from the tenant perspective is important when crafting these policies. ▲



## SECTION 6

# LOOKING FORWARD



**This section explores opportunities to equitably and inclusively address today's challenges and articulates unanswered questions for future research.**

Housing affordability and stability in the United States today are indeed challenging, but past successes are cause for optimism. From homesteading to G.I. benefits to the creation of government-sponsored secondary markets, policy interventions have successfully delivered affordability, homeownership opportunity, and growing wealth—primarily to white households and at the expense of other racial and ethnic groups.

It is possible to more effectively extend those benefits to households and communities of color, just as it is possible, with sufficient funding, to solve for insufficient income among poor households. This section explores those opportunities and articulates unanswered questions for future research. Market innovations and policy reforms may also enable better alignment of supply and demand for housing by driving down the per-unit cost of new development. Extensive research has yielded significant understanding about how to proceed, yet more remains to be known.

### Emerging Issues

Some emerging issues warranting deeper inquiry—which may present new opportunities or require new kinds of solutions—include:

- Public policy has traditionally focused on facilitating access to wealth-building through homeownership, and less on how to leverage housing as a source of financial security for renters. What are the attributes and benefits of successful strategies assisting low-income and even middle-class renters to become homeowners?
- Households of color have seen a decline in homeownership (and net worth), raising concerns about sustaining housing affordability and stability among these communities. What are the key barriers holding back the recovery of homeownership rates in communities of color?
- By how much will zoning reforms like those recently passed in Minneapolis and enacted in Oregon boost the supply of housing? By-right development of small multi-family units could drive down the per-unit cost of construction, and simply allowing new, denser supply in places that had been reserved for single-family detached homes could also alleviate costs. Data that emerges as these and other jurisdictions

implement their new laws, will make this a critical area for researchers, builders, and policymakers to pay attention and learn from the early adopters.

- The cost of construction is a driver in the high housing prices underlying unaffordability (and associated instability) in some markets. Can innovative construction techniques or other technological advances significantly reduce the cost of construction, and is the regulatory environment prepared to help the market realize any gains?
- The recent trend of private equity firms and other investment groups converting single-family homes from ownership to rental appears to be significantly altering some housing markets. What are the actual effects on affordability and stability? Is this a trend that is likely to continue, and will its influence spread to other markets? Do these new landlords bring new efficiencies to the services provided tenants?
- How are millennials likely to shape housing markets as their share of economic activity continues to grow? How will the challenges of housing affordability and stability affect their long-term financial security?
- How will baby boomers' aging impact housing markets? How would a decline in home values affect their retirement security? How will their changing health and mobility needs change the supply of and demand for new and existing housing units?

### Missing Data

In addition to these emerging areas for future research, experts consulted through the EPIC process have also identified several gaps in existing data which hamper stakeholders' ability to understand housing needs and identify effective solutions. These topics include:

- Rental prices;
- Housing unit condition and quality;
- Identity of property owners and landlords (especially when title is held by specialized limited liability corporations or similar legal entities); and
- The self-identified housing hopes, aspirations, and satisfaction level of community residents. ▲

# CONCLUSION

**Housing affordability and stability are universal concerns.** Housing typically represents the largest monthly expense for both homeowners and renters. Dependable shelter represents a fundamental form of personal and financial security. But millions of Americans lack affordable housing and struggle to maintain stable shelter as rising housing costs significantly outpace increases in household income and production of new housing lags growing demand.

Nearly half of renters and one in four homeowners pay more than 30% of their income for housing (the traditional measure of affordability). Rising housing costs outstrip income growth, with the problem especially acute in prosperous areas where some do not make enough to keep up. The need to provide subsidies to keep housing affordable is not matched by the resources to do the job adequately. Credit is not available to all who warrant it, especially those in lower-priced markets who do not need a large loan. Land use policies in some areas constrain the ability to supply the housing needed to meet demand; they drive up the cost of land as construction costs also soar. Households struggling to find an affordable place to live are often forced to make tradeoffs that strain budgets in other ways, isolate them, and put their and their children's health and development at risk.

Unaffordability can manifest in delinquent rent or mortgage payments and engender housing instability. Although affordability is a more widespread problem, stability is a more

devastating challenge for those who do face it. About one in twenty moves renters make are involuntary, some due to formal evictions and others due to displacement by gentrification, natural disasters, or simply landlord discretion. The playing field for tenants and landlords is seldom level, and the power imbalance in some communities greatly exacerbates instability. More than 1 million Americans are at any given time experiencing some form of homelessness.

The United States has a long and strong history of successfully supporting homeownership and the accumulation of wealth it affords over generations, but for a century or more this was for some and not for all. The legacy of exclusion and discrimination—especially for people of color—is an enduring handicap weakening financial well-being. Structural barriers that persist threaten affordability and stability in housing markets of all types.

Housing affordability and housing stability constitute considerable challenges to financial security and well-being, but they are challenges that can be reasonably addressed. Past policy successes in making affordable and stable housing widely available and in targeted interventions to address specific problems show a path forward. As EPIC continues to use a wide lens to examine these issues thoroughly, we look forward to identifying concrete ways in which housing is for more and more Americans an integral part of being financially secure. 🏡



# APPENDIX 1: METHODOLOGY

This Primer is a culmination of nearly a year of research on housing drawing on a wide variety of sectors and disciplines. For each EPIC issue, the Learning and Discovery phase of the project includes a literature review, detailed input from a diverse set of leaders, at least one expert survey, and guidance from a group of advisors. Beginning in December 2018, the EPIC team conducted an extensive literature review covering affordable housing, supply and demand, spatial distribution of housing and of economic opportunity, evictions, the role of housing in health, education, and earnings outcomes, the history of housing policies, and other related topics. To supplement the literature, between January and July 2019, the research team conducted nearly 70 interviews with experts in various aspects of housing and financial security, including academics and researchers, housing authority and local government officials, single and multi-family for-profit developers, nonprofit developers, service providers, tenant advocates, trade associations, and national nonprofit intermediaries. These inputs helped us deeply understand the problems of housing unaffordability and instability from the perspective of the households experiencing those challenges.

To further refine our analysis of the causes, consequences, and relative importance of the contributors to unaffordability and instability, the EPIC team convened an Advisory Group that will provide guidance and feedback throughout this entire EPIC issue cycle and fielded an expert survey to gather perspectives from an even wider selection of experts. The survey was fielded in June 2019. Approximately 500 people received invitations; 122 people responded, including 103 complete submissions. For more information on the survey questions and responses, see *Highlights from EPIC's First Expert Survey on Housing Affordability and Stability*.<sup>289</sup> In September 2019, the EPIC team convened 31 diverse experts, including our Advisory Group members, to review the draft and inform revisions. 🏠

## APPENDIX 2: ADVISORY GROUP, INTERVIEWEES, AND CONVENING PARTICIPANTS

The following lists identify the individuals who graciously shared their time and expertise. Their participation in an interview, convening, or the Advisory Group does not indicate an endorsement of the contents of this report.

### Advisory Group:

Luke Apicella, Prudential Financial  
Robert Dietz, National Association of Home Builders  
George Carter, Survey Statistician  
Stacey Epperson, Next Step  
Ingrid Gould Ellen, New York University  
Furman Center  
Mike Loftin, Homewise  
Jeff Lubell, Abt Associates  
Alanna McCargo, Urban Institute  
Jud Murchie, Wells Fargo  
Milton Pratt, The Michaels Organization  
Vincent Reina, University of Pennsylvania  
Sherry Riva, Compass Working Capital  
Shamus Roller, National Housing Law Project  
Jenny Schuetz, Brookings Institution  
Kristin Siglin, National Community  
Stabilization Trust  
Celia Smoot, National Affordable Housing Trust  
Cindy Waldron, Freddie Mac  
Barry Zigas, Consumer Federation of America

### Interviewees and Convening Participants:

Whitney Airgood-Obrycki, Joint Center for Housing  
Studies of Harvard University  
Rod Alba, American Bankers Association  
Luke Apicella, Prudential Financial  
Lucy Arellano Baglieri, Mission Economic  
Development Agency  
Andrew Aurand, National Low Income  
Housing Coalition  
Eric Belsky, Federal Reserve Board of Governors  
Marla Bilonick, Latino Economic Development Center  
Colleen Briggs, JP Morgan Chase  
Marisa Calderon, National Association of Hispanic  
Real Estate Professionals  
Corey Carlisle, American Bankers Association  
George Carter, US Department of Housing  
and Urban Development  
Mary Cunningham, Urban Institute  
David Dangler, NeighborWorks America  
Kate Davidoff, Prosperity Now  
Robert Dietz, National Association of Home Builders  
Nicole Elsasser Watson, US Department  
of Housing and Urban Development  
Stacey Epperson, Next Step  
Hala Farid, Citi  
Jeanne Fekade-Sellassie, Funders for  
Housing and Opportunity  
Karoleen Feng, Mission Economic  
Development Agency  
Lynn Fisher, American Enterprise Institute  
Caitlyn Fox, Chan Zuckerberg Initiative  
Justin Freiberg, Itasca Project

Julia Gordon, National Community Stabilization Trust	Stephen Oliner, American Enterprise Institute
Michael Gosman, ACTS Housing	Maira O’Neil, FrameWorks Institute
Ingrid Gould Ellen, New York University Furman Center	Dawn Phillips, Right to the City
Luis Granados, Mission Economic Development Agency	Joe Pigg, American Bankers Association
Steve Guggenmos, Freddie Mac	Edward Pinto, American Enterprise Institute
Peter Haas, Center for Neighborhood Technology	Melinda Pollack, Enterprise Community Partners
Kim Hart, Axios	Milton R. Pratt, The Michaels Development Company
Julian Huerta, Foundation Communities	Preston Prince, Fresno Housing Authority
Andrea Inouye, Mayor’s Office of Minneapolis	Tara Raghuveer, People’s Action/Kansas City Tenants
Andrew Jakabovics, Enterprise Community Partners	Vincent Reina, University of Pennsylvania
Raghu Kakumanu, Wells Fargo	Sherry Riva, Compass Working Capital
Ben Keys, University of Pennsylvania	Gwen Robinson, Verdigris Capital
John Kimble, Independent Consultant	Shamus Roller, National Housing Law Project
Lance Loethen, Opportunity Finance Network	Jenny Schuetz, Brookings Institution
Mike Loftin, Homewise	Esther Shin, Urban Strategies
Jeff Lubell, Abt Associates	Kristin Siglin, National Community Stabilization Trust
Alanna McCargo, Urban Institute	Julia Silvis, Itasca Project
George McCarthy, Lincoln Institute of Land Policy	Daryl Shore, Prudential Financial
Anne McCulloch, Housing Partnership Equity Trust	Alastair Smith, Howard County Housing Commission
Lisa Mensah, Opportunity Finance Network	Celia Smoot, National Affordable Housing Trust
Jeffrey Meyers, Citi	Jonathan Spader, Joint Center for Housing Studies of Harvard University
Nick Mitchell-Bennett, Community Development Corporation of Brownsville	Esther Sullivan, University of Colorado
Stephanie Moulton, Ohio State University	David Sullivan, Till
Jud Murchie, Wells Fargo	Adrienne Todman, National Association of Housing and Redevelopment Officials
Danushka Nanayakkara, National Association of Home Builders	Chris Vincent, Habitat for Humanity
Brady Nolan, Till	Cindy Waldron, Freddie Mac
	Barry Zigas, Consumer Federation of America

## APPENDIX 3: DIFFERENT MEASURES OF HOUSING AFFORDABILITY

Housing experts utilize multiple metrics to quantify housing affordability. Metrics are based on a variety of different household characteristics and different aspects of housing costs. Some focus on the conditions of individual households while others look at regional or market conditions. Below is a summary of commonly used measures of housing affordability.

Household-focused metrics describe the extent to which individual households have access to housing that is affordable to them.

HUD's Housing Cost Burden is the longest-established and most widely used metric that defines unaffordability as spending more than 30% of income on housing costs.<sup>290</sup> Spending more than 50% of income on housing is considered a severe cost burden.

The residual income approach, promoted most notably by researcher Michael Stone, considers the amount of income left to pay for necessities after housing costs are covered.<sup>291</sup> There is no widely established method to estimate the amount of residual income a household needs to have affordability. Different scholars and institutions have developed their own methods, including the Department of Veterans Affairs, which uses residual income for home loan determinations.<sup>292</sup>

The Housing + Transportation (H+T<sup>®</sup>) Affordability Index developed by the Center for Neighborhood Technology defines affordability as spending 45% of income or less on combined housing and transportation costs.<sup>293</sup> Affordable neighborhoods are often located in places that require considerable and costly travel to centers of employment and community amenities, signaling the need for combined housing and transportation measures.

HUD's *Worst Case Housing Needs* report to Congress is an assessment of populations with the greatest unmet needs for affordable, stable housing.<sup>294</sup> Those with worst-case housing needs are defined as renters that earn at or below 50% of the Area Median Income (AMI), do not receive government housing assistance, spend more than half of their income on housing, and/or live in severely inadequate conditions. *Worst Case Housing Needs* quantifies individuals with the most acute housing challenges and highlights the role of underfunded housing assistance programs.

Market-level metrics describe the degree to which a typical family in a given region can afford typical housing that is available in their market.

The Housing Affordability Index developed by the National Association of Realtors (NAR) measures the ability of a median-income family to buy a median-priced home within the largest metro areas.<sup>295</sup>

The Housing Wage developed by the National Low Income Housing Coalition (NLIHC) is the hourly wage an individual needs to earn to afford the Fair Market Rent in a given area, adjusting for local costs of living.<sup>296</sup> This metric illustrates the challenges that low-wage workers across the country face in paying for housing and is generally more helpful for renters than homeowners.

The Housing Opportunity Index developed by the National Association of Home Builders (NAHB) measures the share of homes sold in a given metro area that, based on current mortgage rates and transaction costs, would be affordable to the area's median income household.<sup>297</sup> 🏠

**TABLE A1. HOUSEHOLD-FOCUSED METRICS OF HOUSING AFFORDABILITY**

METRIC	DESCRIPTION	SOURCE	ADVANTAGES	DISADVANTAGES
<b>HUD HOUSING COST BURDEN</b>	Spending more than 30% of income on housing	HUD	Most widely used; simple	May be too simplistic; does not account for household differences
<b>RESIDUAL INCOME</b>	After paying for housing, household lacks funds to pay for other necessities	Promoted most notably by Michael Stone	Costs are contextualized; formula can account for differences in household size and structure	Difficult to calculate; relies on subjective assessment of what are necessities and their reasonable costs
<b>H+T® AFFORDABILITY INDEX</b>	Spending more than 45% of income on housing and transportation combined	Center for Neighborhood Technology	Recognizes the trade-off households make between spending on housing and transport	Does not disaggregate housing and transportation costs
<b>WORST CASE NEEDS</b>	Income is at or below 50% of AMI; not receiving housing assistance; and severely cost-burdened or living in severely inadequate conditions	HUD	Quantifies the population with the most acute challenges; highlights role of underfunded housing assistance programs	Information on key topics, such as disability and homelessness, are covered sporadically from year to year

**TABLE A2. MARKET-LEVEL METRICS OF HOUSING AFFORDABILITY**

METRIC	DESCRIPTION	SOURCE	ADVANTAGES	DISADVANTAGES
<b>HOUSING AFFORDABILITY INDEX</b>	Ratio of median household income to median home sale price	National Association of Realtors	Simply and accurately measures the affordability of homes for sale	Does not address cost of rent; does not shed light on affordability for low-income households
<b>HOUSING WAGE</b>	Hourly wage needed to afford the area Fair Market Rent on a two-bedroom apartment	National Low Income Housing Coalition	Illustrates the challenge low-wage workers face in paying for housing; adjusts for local costs of living	Does not shed light on the proportion of households earning less than the Housing Wage
<b>HOUSING OPPORTUNITY INDEX</b>	Ratio of homes sold at prices affordable to local median-income households to total homes sold	National Association of Home Builders	Simply and accurately measures the size of the local supply of homes affordable to median-income households	Does not address cost of rent; does not shed light on affordability for low-income households

# APPENDIX 4: DEMOGRAPHIC TRENDS IN HOUSING COST BURDENS

**TABLE A3. HOUSING COST BURDENS BY TENURE, 2001–2017**

	TOTAL HOUSEHOLDS	SHARE OF TOTAL WITH COST BURDEN	NUMBER OF OWNER HOUSEHOLDS	SHARE OF OWNERS WITH COST BURDEN	NUMBER OF OWNERS WITH MORTGAGE	SHARE OF OWNERS WITH MORTGAGE WITH COST BURDEN	NUMBER OF OWNERS WITH NO MORTGAGE	SHARE OF OWNERS WITH NO MORTGAGE WITH COST BURDEN	NUMBER OF RENTERS	SHARE OF RENTERS WITH COST BURDEN
<b>2001</b>	106,436,018	28.4%	69,986,392	22.8%	46,077,281	28.5%	23,909,111	12.0%	36,449,626	39.2%
<b>2003</b>	108,428,346	29.9%	72,423,984	24.2%	48,597,726	29.7%	23,826,258	12.9%	36,004,362	41.3%
<b>2005</b>	111,069,159	32.7%	74,292,694	26.9%	50,428,236	32.8%	23,864,458	14.7%	36,776,465	44.2%
<b>2007</b>	112,377,963	34.0%	75,511,557	29.0%	51,621,901	35.7%	23,889,656	14.6%	36,866,406	44.0%
<b>2009</b>	113,616,192	34.8%	74,929,333	28.9%	50,829,137	35.7%	24,100,196	14.7%	38,686,859	46.1%
<b>2011</b>	114,991,715	35.1%	74,376,307	28.2%	49,410,362	34.9%	24,965,945	15.0%	40,615,408	47.8%
<b>2013</b>	116,290,974	32.2%	73,933,462	24.2%	47,549,754	30.1%	26,383,708	13.5%	42,357,512	46.2%
<b>2015</b>	118,208,212	31.0%	74,637,866	22.6%	47,224,076	28.0%	27,413,790	13.2%	43,570,346	45.4%
<b>2017</b>	120,062,767	29.6%	76,778,665	21.2%	48,261,060	26.0%	28,517,605	12.9%	43,284,102	44.4%

Aspen EPIC calculations using data from the US Bureau of the Census, American Community Survey one-year estimates; American Housing Survey

**TABLE A4. HOUSING COST BURDENS BY HOUSEHOLD INCOME AND TENURE, 2001–2017**

PERCENT COST BURDENED					
OWNERS HOUSEHOLD INCOME					
	<\$20,000	\$20,000–\$49,999	\$50,000–\$74,999	\$75,000–\$99,999	>=\$100,000
<b>2001</b>	55.9%	29.6%	14.2%	7.5%	3.6%
<b>2003</b>	59.2%	32.4%	16.1%	8.9%	4.3%
<b>2005</b>	63.8%	36.9%	20.8%	12.4%	6.1%
<b>2007</b>	66.1%	41.1%	26.4%	17.2%	8.8%
<b>2009</b>	66.6%	42.1%	26.4%	17.5%	8.5%
<b>2011</b>	67.1%	42.3%	24.8%	15.2%	7.0%
<b>2013</b>	66.0%	38.4%	20.5%	12.0%	4.9%
<b>2015</b>	66.7%	38.6%	19.5%	11.0%	4.4%
<b>2017</b>	65.8%	37.7%	19.4%	11.0%	4.1%
RENTERS HOUSEHOLD INCOME					
	<\$20,000	\$20,000–\$49,999	\$50,000–\$74,999	\$75,000–\$99,999	>=\$100,000
<b>2001</b>	73.5%	28.9%	5.0%	2.3%	1.6%
<b>2003</b>	73.1%	33.2%	6.5%	2.7%	0.9%
<b>2005</b>	74.8%	39.0%	9.5%	3.4%	1.2%
<b>2007</b>	74.8%	43.8%	11.9%	4.7%	1.8%
<b>2009</b>	75.6%	48.9%	14.2%	6.1%	1.9%
<b>2011</b>	75.8%	52.1%	16.2%	6.8%	2.1%
<b>2013</b>	75.4%	53.3%	16.8%	7.0%	2.5%
<b>2015</b>	74.5%	56.3%	19.1%	8.2%	2.6%
<b>2017</b>	73.3%	58.4%	21.4%	9.4%	2.9%

Aspen EPIC calculations using data from the US Bureau of the Census, American Community Survey one-year estimates; American Housing Survey



## APPENDIX 4: DEMOGRAPHIC TRENDS IN HOUSING COST BURDENS (CONTINUED)

TABLE A5. HOUSING COST BURDENS BY RACE AND ETHNICITY AND TENURE, 2001–2017

PERCENT COST BURDENED												
WHITE			BLACK		ASIAN/ PACIFIC ISLANDER		NATIVE AMERICAN/ ALASKA NATIVE		OTHER RACE(S)		HISPANIC	
	OWNER	RENTER	OWNER	RENTER	OWNER	RENTER	OWNER	RENTER	OWNER	RENTER	OWNER	RENTER
2001	21.2%	36.9%	33.6%	46.2%	30.7%	38.5%	25.0%	40.0%	31.7%	42.4%	32.3%	44.5%
2003	22.5%	39.2%	34.6%	47.9%	32.7%	39.8%	26.6%	41.2%	34.1%	45.6%	34.3%	46.6%
2005	24.9%	41.4%	37.9%	51.5%	36.1%	42.0%	26.4%	41.2%	40.2%	50.4%	40.8%	50.7%
2007	26.8%	41.3%	40.6%	51.3%	38.7%	41.3%	28.6%	42.3%	44.0%	49.6%	44.4%	50.5%
2009	27.0%	43.7%	39.6%	53.4%	38.4%	40.7%	27.7%	44.6%	42.3%	52.4%	42.5%	53.1%
2011	26.4%	45.4%	38.5%	55.0%	36.0%	41.3%	26.9%	48.1%	40.8%	54.5%	39.5%	54.9%
2013	22.6%	43.7%	33.4%	53.1%	29.6%	40.8%	23.6%	43.8%	34.2%	53.2%	33.0%	52.8%
2015	21.2%	42.8%	31.0%	52.2%	27.5%	40.8%	22.9%	44.9%	30.4%	52.3%	30.4%	51.8%
2017	19.8%	42.0%	28.3%	50.9%	26.7%	39.8%	20.4%	43.7%	28.7%	50.7%	28.0%	50.9%

Aspen EPIC calculations using data from the US Bureau of the Census, American Community Survey one-year estimates; American Housing Survey

“Other race(s)” includes multiracial respondents. “Hispanic” is an ethnic rather than racial classification and, here, includes all respondents who identified as Hispanic, regardless of race.

**TABLE A6. HOUSING COST BURDENS BY AGE GROUP AND TENURE, 2001-2017**

PERCENT COST BURDENED													
	TOTAL HOUSEHOLDS	OWNERS											
		<25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70-74	≥75
<b>2001</b>	22.8%	30.3%	25.0%	25.3%	24.9%	23.6%	21.4%	19.8%	21.0%	21.9%	22.6%	21.7%	24.1%
<b>2003</b>	24.2%	33.5%	27.2%	28.0%	26.8%	25.0%	22.4%	21.5%	21.5%	23.9%	22.6%	23.2%	24.6%
<b>2005</b>	26.9%	40.8%	30.9%	30.7%	30.5%	28.6%	25.7%	23.7%	23.9%	25.3%	25.0%	25.6%	27.2%
<b>2007</b>	29.0%	41.8%	35.3%	35.0%	34.3%	31.8%	28.3%	25.9%	25.4%	26.3%	26.1%	26.9%	27.5%
<b>2009</b>	28.9%	40.3%	32.2%	33.2%	32.6%	31.9%	29.2%	26.7%	26.5%	26.7%	26.7%	27.3%	27.9%
<b>2011</b>	28.2%	38.2%	29.2%	29.7%	29.9%	30.1%	28.5%	27.2%	26.5%	26.9%	27.4%	27.1%	28.4%
<b>2013</b>	24.2%	33.0%	23.0%	22.9%	23.6%	24.4%	24.0%	23.1%	22.6%	23.9%	24.7%	25.4%	26.6%
<b>2015</b>	22.6%	30.6%	20.5%	20.4%	20.7%	21.1%	21.4%	21.1%	21.2%	22.9%	23.6%	25.0%	26.5%
<b>2017</b>	21.2%	28.6%	20.2%	18.4%	18.7%	18.3%	18.5%	18.9%	19.4%	21.8%	23.3%	24.7%	26.3%

	TOTAL HOUSEHOLDS	RENTERS											
		<25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70-74	≥75
<b>2001</b>	39.2%	48.8%	34.0%	34.5%	34.9%	35.3%	34.3%	35.7%	37.6%	42.9%	46.0%	50.5%	53.3%
<b>2003</b>	41.3%	50.4%	37.5%	36.8%	38.0%	38.6%	38.0%	37.2%	39.4%	42.0%	48.2%	47.2%	52.8%
<b>2005</b>	44.2%	54.6%	40.8%	40.7%	41.2%	41.9%	40.9%	39.9%	40.2%	44.3%	47.2%	47.9%	54.4%
<b>2007</b>	44.0%	53.7%	40.4%	40.8%	41.6%	42.1%	40.7%	40.3%	41.3%	44.4%	47.6%	48.8%	54.0%
<b>2009</b>	46.1%	56.3%	42.7%	43.2%	44.2%	43.7%	44.1%	42.9%	43.9%	46.0%	47.9%	49.1%	54.8%
<b>2011</b>	47.8%	58.9%	44.4%	45.4%	45.3%	45.3%	46.0%	45.7%	45.8%	47.5%	50.3%	51.3%	55.2%
<b>2013</b>	46.2%	57.1%	42.5%	43.0%	43.9%	43.4%	43.3%	43.5%	44.7%	48.0%	49.4%	50.5%	55.3%
<b>2015</b>	45.4%	55.2%	41.4%	42.1%	42.6%	42.7%	42.5%	43.2%	45.0%	47.1%	49.4%	51.3%	54.5%
<b>2017</b>	44.4%	53.7%	39.8%	40.8%	41.5%	41.8%	41.2%	41.8%	43.8%	47.2%	49.5%	50.5%	54.9%

Aspen EPIC calculations using data from the US Bureau of the Census, American Community Survey one-year estimates; American Housing Survey

# APPENDIX 4: DEMOGRAPHIC TRENDS IN HOUSING COST BURDENS (CONTINUED)

TABLE A7. HOUSING COST BURDENS BY DISABILITY STATUS AND TENURE, 2001–2017

PERCENT COST BURDENED				
	OWNERS		RENTERS	
	HOUSEHOLDS WITH NO DISABLED RESIDENTS	HOUSEHOLDS WITH DISABLED RESIDENTS	HOUSEHOLDS WITH NO DISABLED RESIDENTS	HOUSEHOLDS WITH DISABLED RESIDENTS
2001	21.5%	28.7%	36.1%	51.5%
2003	22.9%	30.6%	38.5%	53.1%
2005	25.6%	33.5%	41.4%	54.9%
2007	27.9%	34.5%	41.1%	55.0%
2009	28.0%	34.2%	43.7%	57.0%
2011	27.1%	34.1%	45.5%	58.3%
2013	22.9%	30.6%	43.7%	57.0%
2015	21.2%	29.7%	42.9%	56.6%
2017	19.8%	28.3%	41.9%	55.3%

Aspen EPIC calculations using data from the US Bureau of the Census, American Community Survey one-year estimates; American Housing Survey

“Other race(s)” includes multiracial respondents. “Hispanic” is an ethnic rather than racial classification and, here, includes all respondents who identified as Hispanic, regardless of race.



# ENDNOTES

- <sup>1</sup> Joint Center for Housing Studies of Harvard University (JCHS). “State of the Nation’s Housing.” 2018. <https://www.jchs.harvard.edu/state-nations-housing-2018>.
- <sup>2</sup> Kishan, Hari and Rahul Karunakar. “US House Prices to Rise at Twice the Speed of Inflation and Pay: Reuters Poll.” *Reuters*, June 2018. <https://www.reuters.com/article/us-usa-property-poll/u-s-house-prices-to-rise-at-twice-the-speed-of-inflation-and-pay-reuters-poll-idUSKCN1J20G3>.
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