

I. Growing Numbers of Low-Income Families Face Unaffordable Housing Costs

To thrive, families and individuals need decent housing in safe neighborhoods with access to reliable transportation and other essential services — and at a cost that does not squeeze other necessities from the family budget. When housing costs are unaffordable, families can be forced to cut back on food, clothing, medications, or transportation. High housing costs also can compel families to live in housing that is overcrowded or unhealthy, or in neighborhoods with failing schools, high rates of crime, or limited access to basic services. In addition, a large percentage of poor families experience homelessness or live for prolonged periods in a series of temporary accommodations, such as the homes of extended family or friends. Research suggests that housing instability and homelessness can hinder the healthy development of children in ways that have a lasting impact.²

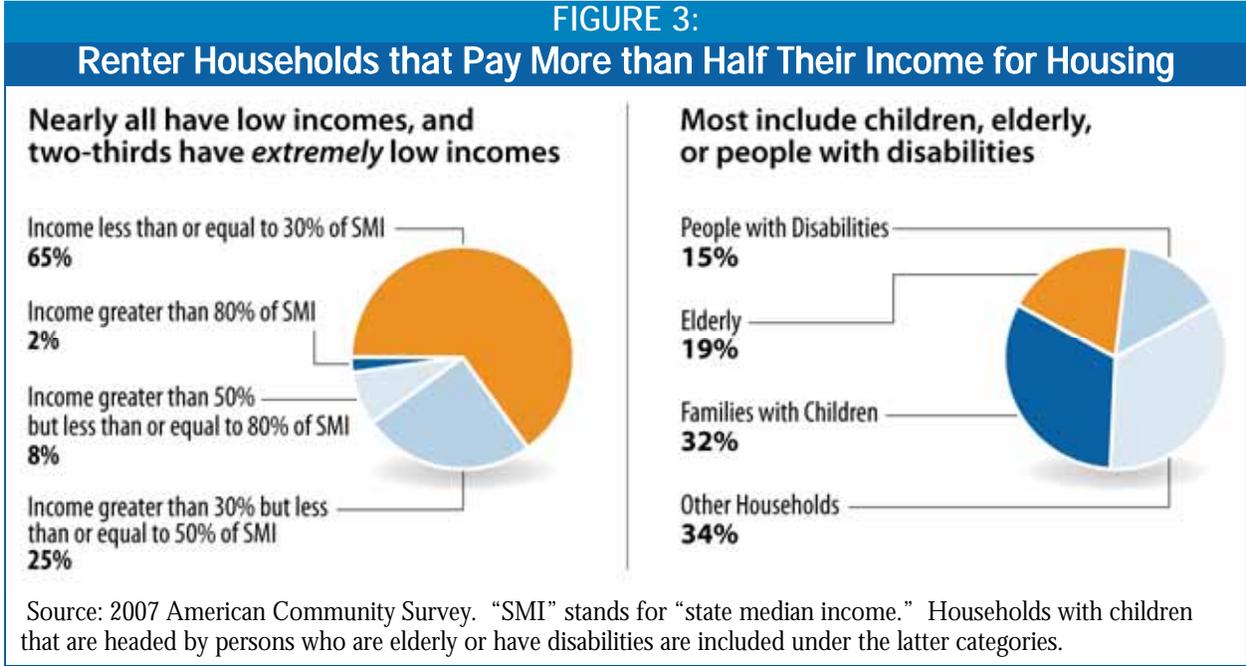
Recent Census data show that unaffordable housing costs are a growing problem for the one-third of American families who rent their homes — and that the problem is most pervasive, and the consequences most acute, among households with the lowest incomes. A comparison of Census data from 2007 (the most recent year available) and 2000 shows that the problem of unaffordable housing costs is:

- **Large and concentrated among the poorest families.** Overall, 16.4 million American renter households face unaffordable housing costs, meaning that rent and basic utilities cost more than 30 percent of their income.³ About half (8.3 million) of these households pay more than *half* of their income for housing. Nearly all (98 percent) households in this latter group have “low incomes” (i.e., at or below 80 percent of the state median income); nine out of ten have “very low incomes” (i.e., at or below 50 percent of the state median); and two out of three have “extremely low incomes” (i.e., below 30 percent of the state median income, a level that is roughly equivalent to the federal poverty line).⁴
- **Growing worse.** Between 2000 and 2007, the number of low-income renter households that pay more than half of their income for housing increased by 2 million or 32 percent, according to Census data. The largest increases, in numerical terms, were among the households with very low or extremely low incomes. The 2007 data were collected prior to the current recession; the situation has almost certainly worsened since then.
- **A serious problem in every state.** Depending on the state, anywhere from nearly one-quarter (in Wyoming) to nearly one-half (in Florida) of low-income renter households spend more than 50 percent of their income on housing. (See Appendix A.)

² See footnotes 10-13.

³ Unless otherwise noted, all housing cost burden data are based on Center on Budget and Policy Priorities' tabulations from the 2000 and 2007 American Community Survey and Supplemental Survey, administered by the U.S. Census Bureau. The federal government considers housing unaffordable if costs exceed 30 percent of household income.

⁴ The income groupings used here correspond roughly to the eligibility thresholds used by HUD for low-income housing programs. For a comparison, national median income for a household of three in 2007 was \$64,403; 30 percent of this amount is \$19,321. These figures are from the Census Bureau's Current Population Survey. The federal poverty line for a family of three was \$17,170 in 2007.



High Housing Costs Can Cause Severe and Enduring Harm

Housing affordability problems are not only more prevalent among poorer families, they also have more severe impacts. Data from the Consumer Expenditure Survey provide evidence that high housing costs compel poorer families to cut back on food, clothing, transportation, prescription drugs, medical care, and other necessities. Among the one-fourth of families with children that spend the fewest dollars overall, for example, families that pay more than half of their income for housing typically spend 31 percent less on food, 70 percent less on transportation, and 47 percent less on clothing than families whose housing costs are affordable.⁵ Such spending reductions can affect the health and nutrition of children and seniors and make it more difficult for parents to obtain and maintain jobs.

High housing costs also limit poorer families' housing and neighborhood options. Among families with very low incomes, those that pay more than half their income for housing are 12 percent more likely than others to live in housing with serious physical condition problems, such as lack of functional plumbing, inadequate heating, or exposed electrical wiring.⁶ In addition, high housing costs are a major reason (though not the only one) why poor families are concentrated in particular neighborhoods. While it can be difficult to disentangle the effects of neighborhood quality from other causal factors on family well-being, research indicates that families living in areas of concentrated poverty are more likely to attend failing schools, experience higher rates of crime, and have less access to basic goods and services, as well as jobs.⁷

⁵ Joint Center for Housing Studies of Harvard University (2006), table A-7.

⁶ CBPP calculation based on HUD (2007a), appendix table 6a.

⁷ Berube (2008).

Severe housing cost burdens also contribute to housing instability and homelessness. Over the course of a recent 12-month period, an estimated 1.6 million people lived at least part of the year in an emergency shelter or other residential facility for homeless persons.⁸ Other poor people lived for a time on the street, in shelters for victims of domestic violence, or in other temporary and unstable accommodations, such as “doubled up” with friends or extended family. One study of families with children that recently had received, or were eligible to receive, welfare assistance concluded that 45 percent of the families had experienced some form of “housing instability” during the previous 12 months.⁹

Numerous studies suggest that housing instability and homelessness have harmful effects on children that can be long lasting. Studies have linked housing instability and homelessness to reduced academic performance, increased chances of repeating a grade, and lower high school completion rates.¹⁰ One study found that children experiencing homelessness were much more likely than other children to suffer from emotional or behavioral problems that interfere with learning.¹¹ Children experiencing homelessness also are more likely to have severe health problems than similarly poor children who do not become homeless.¹² While the specific causal pathways connecting housing instability to these harmful effects are not well understood, the research strongly suggests that housing instability may have damaging effects on children that persist for many years.¹³

Many *Working* Families Face Housing Affordability Problems

Most low-income households that have housing affordability problems and do not include elderly or disabled adults are working households. Fully 70 percent of low-income households that pay more than half their income for housing reported that at least one household member was working during every week in the prior year. On average, these households reported that family members worked for a combined total of 25 hours per week for 25 weeks during the prior year.¹⁴

Wages, especially at the lower end pay scale, have fallen behind inflation in recent years, while housing costs for renters have risen faster than the overall inflation rate. Since 2000, the income of the average household in the bottom fifth of the income spectrum has fallen 5.6 percent in real (i.e., inflation-adjusted) terms, while rents and utility costs have increased 6 percent and 22.9 percent, respectively.¹⁵

⁸ HUD (2008a).

⁹ Wood, Turnham, and Mills (2008).

¹⁰ Lubell and Brennan (2007).

¹¹ Better Homes Fund (1999).

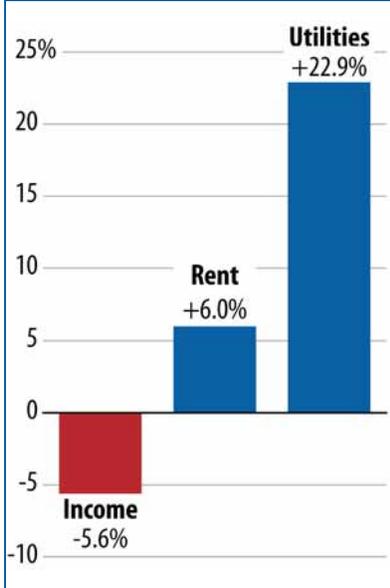
¹² Lubell, Crain, and Cohen (2007).

¹³ As Lubell and Brennan note, researchers hypothesize that disruptions in instruction or in social networks that support learning, or increased stress and anxiety caused by housing instability, could contribute to educational difficulties.

¹⁴ These figures exclude households headed by people who are elderly or have disabilities. Based on CBPP tabulation of data from the 2007 American Community Survey.

¹⁵ Income changes reflect the change in the average income of households in the bottom income quintile from 2000 to 2007, as reported in the historical tables of the 2007 Current Population Survey and adjusted by CBPP for inflation. Rent and utility cost changes reflect changes in the CPI indices for residential rents and fuels and utilities through 2007, adjusted for overall inflation.

**FIGURE 4:
Incomes of Lower-
Income Families Have
Not Kept Pace with
the Cost of Housing,
2000 - 2007**



Source: Bureau of the Census and Bureau of Labor Statistics. Income data are for households in the bottom quintile of incomes.

Nationally, renting a modest two-bedroom apartment costs \$900 per month on average, according to HUD estimates for 2008.¹⁶ For this rent level to be affordable, an individual or family has to earn \$17.32 per hour, working full time — well above federal and state minimum wages. There is no community in the country in which the rent and utilities for a modest one- or two-bedroom apartment are affordable for an individual or family living on full-time, minimum-wage employment.¹⁷

Problem Expected to Worsen in Near Future

In a recent analysis, Harvard researchers noted that affordability pressures on renters have worsened over the past decade, even though the growth in the number of renter households slowed. This is because two of every three new rental units produced over the decade have been offset by the removal of other units from the rental market. As a result, between 1995 and 2005 the number of renter households rose more than twice as fast as the number of rental units.¹⁸

While the long-term outlook is less clear, this trend is likely to worsen in the short term. In many areas across the country, rising foreclosures are displacing additional families into the rental market, thereby increasing demand and placing upward pressure on rents. Frequently, the homes they left behind are unavailable for occupancy pending the completion of the foreclosure process and sale to a new owner. Even in other areas

where markets are softening, rents are still rising at a faster rate than incomes of low-income families. In the absence of policies that raise the incomes of low-income renters or expand the supply of affordable housing, the deepening crunch is likely to hit the lowest-income renters especially hard.

¹⁶ HUD publishes annual estimates of the median (50th percentile) and 40th percentile “gross rent” (rent and utilities) of recently-rented non-luxury dwellings for each metropolitan area and non-metropolitan county. For 28 metropolitan areas, HUD sets the “Fair Market Rent” (FMR) at the 50th percentile based on findings that voucher holders are overly concentrated in a small portion of the area’s census tracts. For all other metropolitan areas and all non-metropolitan counties, HUD sets the FMR at the 40th percentile of the rent charged for recently-rented non-luxury dwellings. The \$900 average rent figure was calculated by the National Low Income Housing Coalition using the HUD FMR estimates for 2008, weighted by the number of renter households in each county in 2000. See Wardrip et al. (2008).

¹⁷ Wardrip et al. (2008). More precisely, there is no community in which HUD’s “Fair Market Rent” level for a one-bedroom apartment does not consume more than 30 percent of the income of an individual or family that is living on full-time, minimum-wage earnings.

¹⁸ Joint Center for Housing Studies of Harvard University (2008).