

American Social Welfare Policy: A Pluralist Approach

Chapter 16

Housing Policies

Overview of Housing Legislation

- Cranston-Gonzales National Affordable Housing Act
- The HOME program
- The SHOP program
- The HOPE program
- Family Sufficiency Program

Overview of Housing Legislation

- Quality Housing and Work Responsibility Act
- American Recovery and Reinvestment Act of 2000

The Housing Act of 1937

The United States had no national housing policy prior to the Housing Act of 1937. The objective of the act was to: “provide financial assistance to the states and political subdivisions thereof for the elimination of unsafe and unsanitary housing conditions, for the eradication of slums, for the provision of decent, safe and sanitary dwellings for families of low income, and for the reduction of unemployment and the stimulation of business activity, to create a United States Housing Authority and for other purposes.”

The Housing Act of 1949 (Amended 1937 Act)

This amendment called for federal money for slum clearance and urban redevelopment and for the creation of a public authority charged with building and administering low-income housing units. Specifically, this bill required each locality to develop a plan for urban redevelopment that contained provisions for “predominantly residential dwellings.” The wording of this bill was interpreted by localities to mean that only one-half of new construction was to be devoted to low-income housing.

Housing Act of 1954 (Amended the 1949 Act)

“Urban development” was changed to urban renewal, and localities were required to submit a master plan for removing urban blight and for community development. The act removed the requirement that new federally subsidized urban construction be “predominantly residential,” clearing the way for massive slum clearance projects. It also allowed localities to more easily lease or sell land and to avoid the construction of public housing. Through renewal projects, localities tried to revitalize inner cities by attracting middle- and upper-income families at the expense of displaced poor families. From 1949 to 1963, urban renewal projects removed about 243,000 housing units and replaced them with 68,000 units, of which only 20,000 were for low-income families.

The Demonstration
Cities and Metropolitan
Development Act
(Model Cities)

Passed in 1966 as part of President Lyndon Johnson's War on Poverty, the act focused on deteriorated housing and blighted neighborhoods. The Model Cities legislation promised to "concentrate public and private resources in a comprehensive five-year attack on social, economic, and physical problems of slums and blighted neighborhoods." The Model Cities Act and virtually all neighborhood development acts were superseded by the Housing and Community Development Act of 1974.

The Housing
and Community
Development Act of
1974

This wide-ranging bill included provisions for urban renewal, neighborhood development, model cities, water and sewer projects, neighborhood and facility grants, public facilities and rehabilitation loans, and urban beautification and historic preservation. Although spending priorities were determined at the national level, communities were required to submit a master plan, including specific references to their low-income housing needs.

Home Mortgage
Disclosure Act (HMDA)

This act focused on mortgage redlining. Advocates argued that a major cause of community deterioration was a "lending strike," or redlining, by financial institutions. Redlining is defined as "an outright refusal of an insurance company, bank, or other financial institution to provide its services solely on the basis of the location of a property." The term is derived from the practice of marking in red the area on a map avoided by insurance or financial institutions. As a result, families seeking to purchase a home in a redlined neighborhood may be denied a mortgage, insurance, or other necessary services. In 1976, President Gerald Ford signed the Home Mortgage Disclosure Act, which required virtually every bank or savings and loan association to annually disclose where it made its loans.

FIGURE 16.1 Historical Highlights of Pre-1990 Housing Legislation

Community
Reinvestment Act (CRA)
of 1977

Broader than the HMDA, the CRA established the principle that each bank and savings institution has an obligation to make loans in every neighborhood of its service area. Virtually all lending institutions are covered under the CRA, and the law requires the federal government to annually evaluate the performance of each lending institution. Primary enforcement involves control by federal regulatory agencies over new charters, bank growth and mergers, relocations, and acquisitions. Only a handful of the CRA challenges result in punitive action against lenders. The power of the act rests with the ability of community groups to win concessions from lending institutions, usually in the form of negotiated settlements.

Sources: Quoted in Charles S. Prigmore and Charles R. Atherton, *Social Welfare Policy: Analysis and Formulation* (Lexington, MA: D. C. Heath, 1979), pp. 146–147; Robert Morris, *Social Policy of the American Welfare State*, 2nd edition. (New York: Longman, 1985), p. 131; Barbara Habenstreit, *The Making of America* (New York: Julian Messner, 1971), p. 46; Richard Geruson and Dennis McGrath, *Cities and Urbanization* (New York: Praeger, 1977), pp. 6–7; National Training and Information Center, *Insurance Redlining: Profits v. Policyholders* (Chicago: NTIC, 1973), p. 1.

FIGURE 16.1 (Continued)

The Federal Government and Low-Income Housing Programs

- Housing is a fixed cost that is often paid before food, clothing, and health care bills
- Low Income Housing Tax Credits
- Relatively low levels of funding have been earmarked for housing programs

TABLE 16.1 Overview of HUD's Major Grant, Subsidy, and Loan Programs

- **Affordable Housing Programs (HOME Investment Partnerships—see below)** was funded at \$4 billion in 2009.¹¹ From 1992 to 2007, more than 600 communities have completed more than 834,000 affordable housing units, including 352,000 for new homebuyers. In addition, 186,000 tenants have received direct rental assistance. HOME Investment Partnership Grants provide assistance to renters, existing home owners, and first-time homebuyers, build state and local capacity to carry out affordable housing programs, and expand the capacity of nonprofit community housing organizations to develop and manage housing. The Housing Opportunities for Persons with AIDS provides affordable housing and related assistance to persons with HIV/AIDS. The Homeless Programs consists primarily of grants to public and private organizations and agencies to establish comprehensive systems for meeting the needs of homeless people.
- **Affordable Housing Trust Fund:** is a \$1 billion trust to support local governments in creating, renovating and maintaining affordable housing options for low-income homeowners.¹²
- **Brownfields Redevelopment** provides competitive economic development grants for qualified Brownfields (i.e., the cleanup and economic redevelopment of contaminated sites) projects.
- **Community Development Block Grants (CDBG)** was funded at about \$4.5 billion in 2009. CDBGs are provided to units of local government and states for the funding of local community development programs that address housing and economic development needs, primarily for low- and moderate-income persons.
- **Demolition and Revitalization of Severely Distressed Public Housing (HOPE IV)** makes awards to public housing authorities on a competitive basis to demolish obsolete or failed developments or to revitalize, where appropriate, sites upon which these developments exist.
- **Empowerment Zones/Enterprise Communities (EZ/EC)** is designed to create self-sustaining, long-term development in distressed urban and rural areas. The program uses a combination of federal tax incentives and flexible grant funds to reinvigorate declining communities.
- **Fair Housing Assistance Program (FHAP)** provides grants to state and local agencies that administer fair housing laws that are equivalent to the Federal Fair Housing Act.

- **Fair Housing Initiatives Program (FHIP)** provides funds competitively to private and public entities to carry out local, regional and national programs that assist in eliminating discriminatory housing practices and educate the public and housing providers on their fair housing rights and responsibilities.
- **Government National Mortgage Association (Ginnie Mae)**. Through its mortgage-backed securities program, Ginnie Mae facilitates the financing of residential mortgage loans by guaranteeing the timely payment of principal and interest to investors of privately issued securities backed by pools of mortgages insured or guaranteed by FHA, the Department of Veterans Affairs, and the Rural Housing Service. The Ginnie Mae guarantee gives lenders access to the capital market to originate new loans.
- **Homeless Assistance Grants** provides funding to break the cycle of homelessness and to move homeless persons and families into permanent housing. This is done by providing rental assistance, emergency shelter, transitional and permanent housing, and supportive services to homeless persons and families.
- **Housing Opportunities For Persons With AIDS (HOPWA)** is designed to provide states and localities with resources and incentives to devise long-term comprehensive strategies for meeting the housing needs of persons living with HIV/AIDS and their families.
- **Indian Community Development Block Grant** assists Native Alaskans and Indians in building or purchasing homes on Trust Land, rehabilitating houses and improving community infrastructure and job opportunities. In FY2011, more than \$130 million was provided in funding for 84 projects.¹³
- **Indian Housing Block Grant** provides Native Americans and Indians with assistance in building, purchasing or rehabilitating their homes. In FY2011, \$654 million was provided in funding to assist 6,286 families.¹⁴
- **Making Home Affordable Program:** Homeowners can change their loans to lower-cost options and or take fixed-rate mortgages to lock in interest rates. The federal government provided \$75 billion in funds as incentives for mortgage brokers and homeowners to participate in 2009.¹⁵ The program aims for mortgage repayments to remain at or below 31 percent of homeowners' income, thus alleviating the cost burden for homeowners.¹⁶

TABLE 16.1 (Continued)

- **Mutual Mortgage Insurance (MMI) program:** This program aims to assist low and medium income people in entering the housing market through insuring mortgages for lenders. If homeowners default on these government insured loans, the Federal Housing Administration provides the mortgage payment owed.¹⁷
- **Neighborhood Stabilization Program:** \$2 billion in funds that is used to rehabilitate and sell abandoned and foreclosed houses.¹⁸
- **Office of Lead Hazard Control** is authorized to make grants to states, localities, and Native American tribes to conduct lead-based paint hazard reduction and abatement activities in private low-income housing.
- **Public and Indian Housing (PIH) Grants and Loans** was funded at about \$3.9 billion in FY2011. Public Housing Operating Subsidies are financial assistance programs provided for project operations to assist approximately 1.2 million units. Public Housing was established by the U.S. Housing Act of 1937 and is restricted to households whose incomes are too low to find suitable private housing.¹⁹ The income of most families in public housing is less than 25 percent of the area median income and about one-half rely primarily on public assistance (TANF, SSI, and General Assistance) for their income; the other half rely on earned incomes, pensions, or Social Security. Residents pay 30 percent of their monthly adjusted income on rent. Public housing is concentrated in high poverty areas.
- **Section 202/811 Capital Grants** was funded at less than \$1 billion in 2007. The program is designed to provide funds for the construction and long-term support of housing for the elderly and persons with disabilities. Advances are interest-free and do not have to be repaid, providing the housing remains available for low-income persons for at least 40 years.
- **Tax Incentives for Homeowners:** First Homebuyers will receive \$8,000 in tax credits that only need to be repaid if the home is owned for less than three years.²⁰

- **The Home Affordable Refinance Program (HARP)** Homeowners will also be able to refinance their homes providing that the cost of the mortgage is not more than 125 percent of their house's value and the mortgage is with Fannie Mae or Freddie Mac.²¹ Furthermore, the loan to value ratio (LTV) must be 80 percent.²² To ameliorate financial losses on mortgage guarantees, the government has provided subsidies to Fannie Mae and Freddie Mac, thus taking on most of the risk involved in the lending for this program. The total in subsidies as of September 2009 was \$96 billion.²³ As of early 2012, HARP's eligibility criteria has been revised, lowering credit approval scores and income limits and raising LTV ratios in order to reach more distressed homeowners.²⁴ Included in these loan guarantee programs are the *Indian Housing Block Grant*, *Federal Guarantees for Financing Tribal Housing Activities*, *Public and Indian Housing/Indian Loan Guarantee Program*, and *Loan Guarantees for Native Hawaiian Housing Block Grants*. These provide guaranteed loans to Native Americans, Indians, and Hawaiians for the purchase, rehabilitation, and refinancing of homes.²⁵
- **The Homelessness Prevention Fund:** As part of the 2009 American Recovery and Reinvestment Act, \$1.5 billion was provided by Congress to fund the Homelessness Prevention and Rapid Rehousing Program (HPRP) for a duration of three years. The program targets at-risk families and individuals, providing financial assistance for rent, utilities and moving costs. The program also focuses on shifting homeless people into more permanent housing situations.²⁶
- **The Housing Choice Voucher Program** (Section 8 Rental Assistance) is HUD's largest program. The Section 8 program is based on a voucher system that allows low-income tenants (50 percent or less of the area median income) to occupy existing and privately owned housing stock. The voucher covers the difference between a fixed percentage of a tenant's income (30 percent) and the fair market rent of a housing unit. The HUD subsidy goes to the local PHA, which then pays the landlord, provided that the unit meets quality standards. Contract terms for subsidies last for from five to fifteen years. About half of Section 8 is project-based, meaning that tenants have to live in specific apartments. The other half is tenant-based, allowing tenants to take their subsidies and move. Section 8 also provides funds for new construction and for substantial and moderate rehabilitation of existing units. Only a minority of eligible applicants are served, and most are on a waiting list when they apply. In 2009, Congress provided \$16 billion for rent subsidies.²⁷

TABLE 16.1 *(Continued)*

- **The Office of Rural Housing and Economic Development** (FmHA Section 502) was established to ensure that HUD has a comprehensive approach to rural housing and rural economic development issues. The office funds technical assistance and capacity-building in rural, under-served areas, and provides grants for Indian tribes, state housing finance agencies, and state economic development agencies to pursue strategies designed to meet rural housing and economic development needs. Section 502 makes low interest loans available for home purchases in rural areas.

- Section 8 Housing Choice Voucher Program served over 2 million people; however, 200,000 vouchers authorized by Congress were not used, partly due to insufficient funding.
 - More than 324,000 seniors relied on Housing Choice Vouchers for affordable housing, representing 16 percent of all Section 8 households. Twenty-three percent of Section 8 seniors were 80 years or older. The median annual income for an elderly household in Section 8 was \$8,550 and 90 percent relied on Social Security or Supplemental Security payments as their primary source of income.
 - Section 8 recipients included almost 400,000 households in which one or more members had a disability, representing 22 percent of all voucher households. Almost 40,000 Section 8 households had a child with a disability.
 - Sixty-one percent of all Section 8 households were families with children. More than 2.4 million children lived in Section 8, representing over 50 percent of all residents. Almost 50 percent of households with children obtained their primary income from wages, with the average income being \$11,390.
- Public housing was home to 2.3 million seniors, people with disabilities, and low-income families with children.
 - Thirty-one percent of public housing residents were seniors; more than 400,000 seniors relied on public housing and supportive services; 27 percent of public housing's seniors were 80 years of age or older. The median annual income for an elderly household in public housing was \$8,250 and 72 percent of seniors relied on Social Security payments as their primary source of income.
 - Thirty-two percent of all public housing residents (400,000 households) were disabled. Almost 18,000 public housing households had a child with a disability.
 - About 1.2 million children lived in public housing, representing 43 percent of all public housing residents.
 - Only 19 percent of families with children rely primarily on welfare; half of families with children obtain their primary source of income from wages.

FIGURE 16.2 Characteristics of Section 8 Recipients and Residents in Public Housing, 2008

Issues in Housing Policy

- The equity in home ownership is the cornerstone of wealth for most US families
- Trends in U.S. Housing
- Problems in Home Ownership
 - More homeowners are struggling with the ongoing cost of owning a home

Issues in Housing Policy

- Homeownership and the Subprime Mortgage Crisis
 - Benefits of owning a home
- The Downside of Homeownership
 - Property taxes and insurance
 - Limited financial opportunities

Issues in Housing Policy

- Tricky Mortgages
 - Adjustable rate mortgages
 - The Good Faith Estimate
- Problems in Finding Affordable Rental Housing
 - Dwindling supply of affordable unsubsidized housing units for very low-income households

Issues in Housing Policy

- Gentrification
- Overcrowded and Deficient Housing
 - Lead paint is one of the principal problems in units needing rehabilitation
- Other Factors Affecting Housing
 - High utility rates

TABLE 16.2 Average U.S. Housing Prices, Mortgage Rates, and Median Family Income in Non-Inflation Adjusted Dollars: Selected Years

Period	New SF Homes*	Existing SF Homes	Mortgage Rates	Median Family Income	Cost of Existing SF Home as Proportion of Income
1970	\$26,600	\$25,700	8.35%	\$9,867	2.5.
1975	42,600	39,000	9.21	13,719	2.9.
1980	76,400	72,800	12.95	21,023	3.5.
1985	100,800	86,000	11.74	27,735	3.1
1990	149,800	118,600	10.04	35,353	3.4
1995	158,700	139,000	7.85	40,612	3.5
2000	201,100	179,400	8.02	50,733	4.4
2004	263,100	186,500	5.83	54,061	4.3
2007	299,700	255,300	6.50	61,173	5.3
2010	228,801	178,564	4.89	61,313	3.45
2011	227,200	166,200	4.67	60,831	3.20

*SF=Single Family.

Homelessness

- Characteristics of the Homeless Population
 - Race
 - Geographic spread
 - Rural homelessness
 - Frequency
 - Families

Homelessness

- Unaccompanied youth
 - Individual adults
 - Veterans
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- Trends in Homelessness
 - Lack of affordable health care
 - Domestic violence
 - Homeless youth

Homelessness

- Attempts to Address Homelessness
 - Emergency Shelter Grants Program
 - Supportive Housing Demonstration Program
 - Section 8 Moderate Rehabilitation for Single Room Occupancy Dwellings
 - Shelter Plus Care

Homelessness

- Supplemental Assistance for Facilities to Assist the Homeless
- Single Family Property Disposition Initiative
- Housing First

Housing Reform

- The 1995 National Low-Income Housing Coalition
- Much of the housing innovation in recent years has come from the nonprofit sector

Housing in an International Context

- Germany
- Ireland
- UK
- Spain
- U.S. and European Cities
 - Gas prices
 - Streets

Housing in an International Context

- Public transportation
- Dense housing
- Appliances
- Rental only apartments
- Comparison of U.S. and European Housing
- Public Housing

TABLE 16.3 Post 2003 New Construction
Housing Sizes (in square feet)

United States	2,300
Australia	2,217
Denmark	1,475
France	1,216
Spain	1,044
Ireland	947
United Kingdom	818

Conclusion

- The housing crisis is a structural problem
 - Based on the failure of incomes to keep pace with housing costs
- Adequate low- & moderate-income housing is an important challenge
- Past and current government programs