



# CRS Issue Statement on Housing for Low-Income Individuals and Families

**Maggie McCarty, Coordinator**  
Specialist in Housing Policy

**Libby Perl**  
Specialist in Housing Policy

**Bruce E. Foote**  
Analyst in Housing Policy

**Katie Jones**  
Analyst in Housing Policy

**David H. Carpenter**  
Legislative Attorney

**Todd Garvey**  
Legislative Attorney

**Bonnie F. Mangan**  
Information Research Specialist

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There is a broad consensus that the nation faces a shortage of affordable housing. The congressionally mandated Millennial Housing Commission, in its 2002 final report, identified an “affordable housing crisis,” noting the high number of lower-income families who are paying such a large share of their incomes towards shelter that they have difficulty meeting other basic needs. In 2007, nearly 18 million households were severely cost-burdened, paying 50% or more of their incomes towards housing. This trend has been increasing; the number of severely cost-burdened households increased by nearly 30% from 2001-2007, while the overall number of households increased by only 5%. Not surprisingly, the poorest families—who generally rent, rather than own their homes—faced the greatest burdens. Among renters with incomes in the bottom quarter of the income distribution, over 50% were severely cost-burdened in 2007; among renters with incomes in the bottom tenth of the income distribution, about 70% were severely cost-burdened in 2007. While the nation’s housing markets have seen an unprecedented downturn recently, there is reason to believe that affordability problems will persist. While home prices have declined in most areas of the country, so have family incomes as unemployment rates have risen. Further, rising foreclosures have led to more families seeking rental housing, placing pressure on the supply of affordable rental units.

For many years, the fundamental policy problem has been that, given the cost of land, labor, material, permitting, and financing, it is difficult, if not impossible, for the private sector to build housing that is affordable to low-income families, if that housing is to meet certain standards. These standards are generally set at the local level and include both safety and quality standards, as well as environmental impact and quality of life standards. Relaxing these standards is often not desirable, or politically feasible. The public policy solutions to this problem typically involve finding ways to subsidize the cost of land and financing, and/or supplementing families’ incomes to allow them to afford the housing produced by the private market.

Although there is a broad consensus about the problem of affordable housing, there is less consensus about the appropriate role for the federal government to play in solving the problem. Housing prices are largely a function of local and regional factors (including land prices and regulatory policies), yet the federal government has played a role in subsidizing housing construction and costs since the 1930s. That role has varied over time, but has almost always centered on providing federal funding to state and local entities—in many cases to supplement their efforts—with varying degrees of requirements attached to those funds. Today, Congress funds a number of programs to help meet the housing needs of poor and vulnerable populations, primarily administered by the Department of Housing and Urban Development (HUD), with some assistance provided to rural communities through the Department of Agriculture. They include both relatively flexible grant programs to state and local governments to serve the homeless, build affordable housing, provide assistance to first-time homebuyers, and promote community development, and more prescriptive direct assistance programs that provide low-cost apartments and rental vouchers to poor families through local public, quasi-public, and private intermediaries. The federal government also makes tax credits available to states to distribute to developers of low-cost housing.

The extent to which these federal programs are effectively and efficiently meeting their stated purposes and working together to address the affordability problems of low-income individuals and families has been the subject of much debate in recent years. Industry groups and local communities have called for the deregulation of many programs they perceive to be administratively cumbersome and overly prescriptive. However, many of these programs have had histories of waste, fraud, and abuse, so when Congress considers providing new flexibility, the benefits of that flexibility are weighed against the need for accountability over federal funds.

Low-income housing advocates have called on Congress to expand current programs and make efforts to preserve the existing stock of assisted properties. They cite the high demand for assistance and note that the current housing assistance programs serve only about one in four eligible families. However, these requests have come at a time when federal budget deficits are growing and it is unclear how much additional funding will be available for increases in domestic discretionary programs. Critics of the existing programs have argued that radical reforms are necessary. One set of proposals involve converting all or most of the subsidized housing stock to rental vouchers. Some contend that the “housing affordability” problem is largely an income problem that should be addressed through initiatives such as the Earned Income Tax Credit, minimum wage increases, or other income supplements.

New challenges may emerge if the downturn in the economy persists. Many homeowners still face foreclosure and default. If efforts to prevent foreclosures fail, more families may be in need of rental housing. Further, renters living in units facing foreclosure are left in an uncertain status and may be required to move. These new pressures on the rental market may exacerbate the shortage of affordable rental units. Further, as job losses mount, more families may need assistance to maintain their housing. Given that existing housing assistance programs serve only one in four eligible households currently—and that there are many competing priorities for federal funds—it is unclear how the programs would respond to an increase in demand.

## **Issue Team Members**

Maggie McCarty, Coordinator  
Specialist in Housing Policy  
mmccarty@crs.loc.gov, 7-2163

Libby Perl  
Specialist in Housing Policy  
eperl@crs.loc.gov, 7-7806

Bruce E. Foote  
Analyst in Housing Policy  
bfoote@crs.loc.gov, 7-7805

Katie Jones  
Analyst in Housing Policy  
kmjones@crs.loc.gov, 7-4162

David H. Carpenter  
Legislative Attorney  
dcarpenter@crs.loc.gov, 7-9118

Todd Garvey  
Legislative Attorney  
tgarvey@crs.loc.gov, 7-0174

Bonnie F. Mangan  
Information Research Specialist  
bmangan@crs.loc.gov, 7-8706