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Why the National Housing Trust Fund Primarily Targets the Lowest Income Renters

1 - There is an Absolute Deficit of Units Affordable to Extremely Low Income Renters

A range of recent studies have all reached the same conclusion:

- Nationwide there are 9 million extremely low income (ELI)¹ renter households in the U.S. and just 6.2 million rental units affordable to them.²
- As a result, nationwide it is only extremely low income households who face an absolute deficit of affordable rental units of at least 2.8 million units. Even if every existing affordable rental unit housed an ELI household, we would still need 2.8 million units to meet the remaining demand (Figure 1 and Table 1).
- Moreover, only four in ten ELI renters nationwide have access to affordable and available rental housing (Table 1).³
- Nationwide, the rental housing market facing renter households at 80% of AMI is fairly well balanced with a healthy surplus of affordable units available.
- The gap between the demand and the supply of ELI housing is growing.⁴

A Comparison of Households and Units by Income Threshold* (2005)

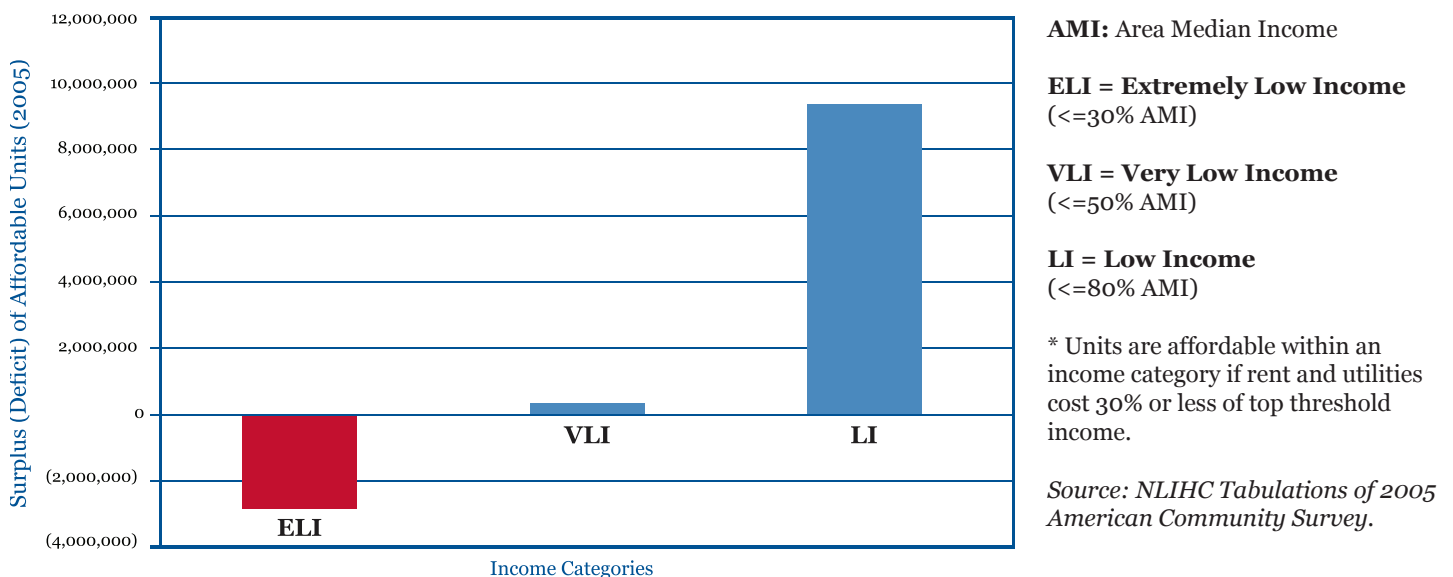


Figure 1 Only ELI Renters Face an Absolute Deficit of Affordable Housing Nationwide

¹Earning 30% or less of area median income (AMI). ²Pelletiere, D. (2007). *American Community Survey Estimate Shows Larger National, State Affordable Rental Housing Shortages* Research Note #07-01. Washington, D.C.: National Low Income Housing Coalition. ³"Affordable and available" refers to affordable units that either are currently occupied by household with incomes at or below the income threshold or are vacant and therefore potentially available to such households. ⁴U.S. Department of Housing and Urban Development (HUD) (2007). *Affordable housing needs 2005: A report to Congress*. Washington, D.C.: Author.

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	Recent Gap Analyses ⁵		
	HUD 2007	HUD 2005	NLIHC 2007
Data Source	2005 AHS	2003 AHS	2005 ACS
Absolute ELI Deficit (million)	4.0	2.0	2.8
Aff and Avail Units per 100 ELI renter households	40	44	38
Aff and Avail Units per 100 Low Income renter households	109	109	101

Table 1 Recent Studies Show ELI Renters Increasingly Lack of Housing

2 - Lowest Income Households have the Greatest Need

The lowest income households have the greatest incidence of housing problems and the greatest need for affordable housing, as indicated by all available data.

- NLIHC (2005 American Community Survey)⁶
 - 74% of renters and 60% of owners with severe housing cost burdens⁷ are ELI households, though combined they are just 13% of the U.S. household population.
 - 60% of all ELI households rent and ELI households make up 25% of all renters in the U.S.
 - In recent years the problem has become worse. The median housing cost to income ratio for an ELI renter increased from 71% in 2001 to 79% in 2005.
- HUD (2005 American Housing Survey):⁸
 - 77% of the renter households with Worst Case Needs⁹ were ELI households, and ELI households make up 60% of all households with severe housing problems.¹⁰
- The Joint Center for Housing Studies at Harvard University (2005 American Community Survey):¹¹
 - The poorest 25% of Americans made up 62% of all the households spending over 50% of their income on housing.

⁵Sources HUD (2007); Hardiman, D., Martin, M, Schroder, M.D, Steffan, B., Susin, S., Vandenbroucke, D & Yao, D. (2005). *Affordable housing needs: A report to Congress on the significant need for housing*. Washington, DC: U.S. Department of Housing and Urban Development; Pelletiere (2007). ⁶Wardrip, K., & Pelletiere, D. (2006). *Recent data shows continuation, acceleration of housing affordability crisis*. NLIHC Research Note #06-05. Washington, D.C.: National Low Income Housing Coalition. ⁷Spending over half of household income on housing. ⁸HUD (2007). ⁹Households with incomes at or below 50% of AMI receiving no housing assistance and either spending over half their income for housing or facing another severe housing problem, or both. ¹⁰Severe housing cost burden and severe housing quality problems See HUD (2007) for list. ¹¹Joint Center for Housing Studies at Harvard University (2007). *The state of the nations housing: 2007*. Cambridge, MA: Author.

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3 - No current federal program produces housing affordable to these poorest families (See Table 2).

Table 2 Income Targeting and Expenditures for Major Housing Programs

Housing Program	Income Targeting Requirements	National Annual Funding
Section 202 and Section 811	All units are for households under 50% of AMI.	\$972 million (FY07 HUD appropriation)
HOME	At least 90% of rental units assisted throughout the jurisdiction must be for households under 60% AMI, with the remainder for households up to 80% AMI. If there are more than 5 HOME-assisted units in a building, then 20% of the HOME-assisted units must be for households under 50% AMI. All assisted homeowners must be below 80% AMI.	\$1.7 billion (FY07 HUD appropriation)
Community Development Block Grant	Seventy percent of the funds must serve households below 80% AMI. Remaining funds can serve any income level.	\$3.7 billion (FY07 HUD appropriation)
McKinney-Vento Homeless Assistance Grants	Participants must meet HUD's definition of homeless (those who lack a fixed, regular and adequate nighttime residence). Only 30% of funds are required to be spent on permanent housing.	\$1.4 billion (FY07 HUD appropriation)
Housing Opportunities for People with AIDS (HOPWA)	All housing is for households with incomes under 80% of AMI.	\$286 million (FY07 HUD appropriation)
Low Income Housing Tax Credit	Either 40% of units must serve households below 60% AMI, or 20% of units must serve households below 50%, owner decides.	\$3.5 billion (FY07 tax expenditure)
Federal Home Loan Banks' Affordable Housing Program	AHP subsidized units must serve households with incomes less than 80% of AMI. Rental projects are required to insure that 20% of the total units are for households with incomes less than 50% of AMI.	\$295 million (2006 amount)
Section 515, Rural Rental Housing	Up to \$5,500 above 80% AMI, with priority to households in substandard housing. If Section 521 Rural Rental Assistance is used, 95% of tenants in new projects and 75% of new tenants in existing projects must be below 50% AMI	\$99 million (FY07 USDA appropriation)
Section 538, Guaranteed Rural Rental Housing Program	All housing is for households with incomes less than 115% of AMI.	\$100 million (FY07 USDA appropriation)
Passed the House in October 2007.		
H.R. 2895, National Affordable Housing Trust Fund	All housing assistance is for households with incomes less than 80% of greater of state or local median income; at least 75% is for households under 30% AMI or poverty line; at least 30% of the housing must be affordable to families with incomes less than the amount equivalent to federal Supplemental Security Income level; at least 10% must be spent on households with incomes above 50% of area median income.	Approximately \$1 billion.

Table 2 Income Targeting and Expenditures for Major Housing Programs

Housing Program	Income Targeting Requirements	National Annual Funding
Proposed		
S. 2523, National Affordable Housing Trust Fund	All housing assistance is for households with incomes less than 80% of greater of state or local median income; at least 75% is for households under 30% AMI or poverty line; at least 30% of the housing must be affordable to families with incomes less than the amount equivalent to federal Supplemental Security Income level	Approximately \$500-\$900 million.