3. National Housing Needs of Low-Income Families in Low-Income Areas and Very-Low-Income Families

The following discussion closely follows HUD's analysis of national housing needs in Appendix C of the proposed rule, which has been updated in various respects. As in the proposed rule, this discussion concentrates on very-low-income families with the greatest needs, because Section C of Appendix A presents detailed analyses of housing problems and demographic trends for lower-income families.

a. Housing Problems Among Very-lowincome Families

Data from the 1990 Census and from the 1989, 1991, and 1993 American Housing Surveys demonstrate that housing problems and needs for affordable housing are more pressing in the lowest-income categories than among moderate-income families. Analyses of special tabulations of the 1990 Census prepared for use in developing Comprehensive Housing Affordability Strategies (the CHAS database), which have been updated to 1993 using American Housing Survey Data, show clearly that sharp differentials by income characterized all regions of the nation as well as their city, suburban, and nonmetropolitan portions. Nationally, approximately one-fourth of moderate-income renters and owners experienced one or more housing problems, compared to nearly three-fourths of very-low-income renters and nearly half of very-low-income owners.3 Severe cost burdens—paying more than half of income for housing and utilities—varied even more markedly by income, involving less than 2 percent of moderate-income households, but nearly two-fifths of the 10.5 million owners with incomes below 30 percent of area median

The CHAS tabulations are based on HUD-adjusted median income for both owners and renters, rather than on unadjusted median income for owners, as FHEFSSA specifies for mortgages counted toward the housing goals.⁴ But

tabulations of the 1993 AHS using the GSE income definitions reveal the same pattern of problems for lower-income families. As the following table details, for both owners and renters, housing problems are much more frequent for the lowest-income groups.⁵ Priority problems of severe cost burden or severely inadequate housing are noticeably concentrated among renters and owners with incomes below 35 percent of area median income.

Income as % of area median income (per- cent)	Renters		Owners	
	Any prob- lems (per- cent)	Priority prob- lems (per- cent)	Any prob- lems (per- cent)	Priority prob- lems (per- cent)
Less than 35 36–50 51–80	89 78 48	44 17 5	62 40 29	36 13 7
81– 100 .	24	1	21	4

Comparisons by income reveal that owners and renters (with incomes between 50 and 80 percent of area median) resemble moderate-income households in seldom having priority problems. Priority problems are heavily concentrated among households with incomes below 50 percent of median.6 In 1991, 5.3 million unassisted renter households with incomes below 50 percent of area median income had worst case" housing needs.7 This total does not include homeless persons and families, although they also qualify for preference. For three-fourths of the renter families with worst case problems, the only problem was affordability—they do not have problems with housing adequacy or crowding.

person household, 80 percent for a 2-person household, 90 percent for a 3-person household, 108 percent for a 5-person household, 116 percent for a 6-person household, etc. b. Needs for Housing Affordable to Very-Low-Income Families

The existing housing stock satisfies the physical needs of most very-lowincome renters. In most cases families are able to find adequate housing. The problem is that much of this housing is not affordable to very-low-income families—i.e., these families must pay more than 30 percent of their income for housing. The main exception to this generalization occurs among extremelylow-income families (defined as families below 30 percent of area median income) with three or more children. The 1993 American Housing Survey shows that 47 percent of these families live in crowded housing. A certain amount of variation in need exists, by region and degree of urbanization. Although 22 percent of worst case renters experience crowding or severe inadequacy, this figure varies from 11 percent in the Northeastern suburbs to 35 percent in the South's nonmetropolitan areas. Shortages of affordable housing units continued to be greatest and vacancy rates lowest in California.

The relative decline in inexpensive dwelling units has been concentrated among the least expensive rental units-those with rents affordable to families with incomes below 30 percent of area median income. In 1979, the number of units in this rent range was 28 percent less than the number of renters with incomes below 30 percent of area median income; by 1989, the gap had widened to 39 percent, a shortage of 2.7 million units.8 This shortage is a problem particularly at the extremely low end of the rent distribution. Both nationally and in most states, there are surpluses of rental housing affordable to families with incomes between 30 and 50 percent of area median income and to those in the 50-80 percent range.9 Furthermore, in most states, vacancy rates were high in 1990 among units with rents affordable to families with incomes at or below 50 percent of median. 10 Thus, like housing problems, unmet needs for affordable housing are heavily concentrated in rent ranges affordable to renters with incomes below 30 percent of area median income.

³ The problems covered by the Census include paying over 30 percent of income for housing, lacking complete kitchen or plumbing, and overcrowding. See Appendix Tables 18A and 19A of Amy Bogdon, Joshua Silver, and Margery A. Turner, National Analysis of Housing Affordability, Adequacy, and Availability: A Framework for Local Housing Strategies, HUD–1448–PDR, 1994.

⁴ To determine eligibility for Section 8 and other HUD programs, HUD adjusts income limits derived from the median family income for household size. The "very low" and "low" income limits at 50 percent and 80 percent of median apply to 4-person households. Relative to the income limits for a 4-person household, the limit is 70 percent for a 1-

⁵ Tabulations of the 1993 American Housing Survey by HUD's Office of Policy Development and Research. The results in the table categorize renters reporting housing assistance as having no housing problems. Almost one-third of renters with incomes 0–30 percent of median and one-fifth of those with incomes 30–50 percent of median are assisted.

⁶For all housing programs of HUD (other than the GSE goals) and the Department of Agriculture, "very-low-income" is defined as not exceeding 50 percent of area median income.

^{7 &}quot;Worst case housing needs" for housing assistance are defined as unassisted renters with income below 50 percent of area median income who meet a Federal preference for admission to rental assistance because they pay more than half of income for rent and utilities, have been displaced, or live in severely substandard housing (which includes being homeless).

⁸Tabulations by HUD's Office of Policy Development and Research, based on U.S. Departments of Housing and Urban Development and Commerce, *American Housing Survey for the United States in 1989*, July 1991.

⁹HUD's Office of Policy Development and Research, *Worst Case Needs for Housing Assistance* in the United States in 1990 and 1991, 1994, Table 8.

¹⁰ Id., Table 6.