

Fully 94 percent of the 5.3 million households with worst case needs reported severe rent burden as a problem, and for almost three-fourths, severe rent burden was their only problem.

The number of households with worst case needs increased by nearly 400,000 between 1989 and 1991, rising most rapidly among families with children. Large families were more likely than smaller ones to have priority problems and the need to move to another housing unit because of crowding or excessive rent burden. Between 1989 and 1991, worst case needs among very low-income families with three or more children increased from 34.7 percent to 40.2 percent. Elderly households were the least likely to have worst case needs.

c. Increasing Numbers of Homeless Individuals and Families

The homeless clearly have the most acute housing needs. Precise counts of homeless individuals are difficult to determine, but a study by the Urban Institute estimated that there were between 496,000 and 600,000 homeless persons in the United States during a seven-day period in March 1987, and more than one million persons were homeless at some time during that year.¹¹ The Congressional Budget Office estimated a one-day homeless population of approximately 700,000 for 1991.¹² The Census Bureau supplemented its regular 1990 census operations with a special one-night "Street and Shelter Night" count of the homeless, and found more than 228,000 homeless individuals at emergency homeless shelters and at pre-identified street locations on the night of March 20, 1990.¹³ Recent studies of turnover in shelters suggest, moreover, that the number "who experience at least one episode of homelessness * * * (over a one to five-year period) may exceed the best estimates of single-shot street and shelter counts by a factor of ten or more."¹⁴

d. Unmet Demands for Homeownership

Homeownership is a key aspiration of most Americans and a basic concern of government. Homeownership fosters family responsibility and self-sufficiency, expands housing choice and economic opportunity, and promotes community stability. Ownership also improves access to the larger homes and better neighborhoods particularly needed by those families with children. Children of homeowners are more likely to graduate from high school, less likely to commit crime, and less likely to have children as teenagers than children of renters.¹⁵ Recent surveys indicate that lower-

income and minority families who do not own their homes will make considerable sacrifices to attain this goal.

During the 1980s, the goal of homeownership became more elusive for low- and moderate-income families. Ownership rates rose dramatically in the late 1940s and 1950s, increasing from 43.6 percent to 61.9 percent between 1940 and 1960. During the 1960s, homeownership rates rose more slowly, reaching 62.9 percent by 1970, and—after several years of high house price appreciation—an all-time high of 65.6 percent in 1980. In the early 1980s, historically high interest rates, low price appreciation, and a series of deep regional recessions caused the homeownership rate to decline to 63.9 percent by 1985. The rate increased only slightly between 1985 and 1993.

Declines in ownership rates during the 1980s were most pronounced for younger, lower-income households, particularly families with children. Although homeownership rates held steady or increased among families where the head of the household was born before or shortly after World War II, homeownership rates declined among younger households with lower incomes:

Between 1980 and 1992, homeownership among younger households dropped roughly 10 percentage points from 1980 levels, from 43.3 percent to 33.1 percent for households with the head aged 25 to 29, and from 61.1 percent 50.0 percent for households with the head aged 30 to 34. These declines were concentrated among single-parent households and married couples with children.¹⁶

Homeownership rates fell by 4 percentage points each for moderate-income households and low-income households during the 1980s, and by 3 percentage points for households below 50 percent of area median, adjusted for family size. At each income level, declines were greatest for families with children. Among very low-income families with children, homeownership rates dropped by nearly a fourth.¹⁷

The stability in ownership after 1985 resulted from increases among elderly households and single individuals, offset by further declines among families with children. Declines among families with children were greatest at incomes 80–100 percent and 30–50 percent of unadjusted area median income.

In sum, the families with children who could most benefit from ownership were most adversely affected by declines in ownership. Between 1980 and 1991, the dip in total ownership rate from 65.6 to 64.2 percent translated into a fall of seven

homeowners are 15 percent more likely to stay in school than children of non-homeowners. Michelle White and Richard Green, "Measuring the Benefits of Homeowning: Effects on Children," University of Chicago, unpublished paper, February 1994.

¹⁶Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing*, 1993, Table A-4.

¹⁷Kathryn Nelson and Jill Khadduri, "To Whom Should Limited Housing Resources Be Directed?" *Housing Policy Debate* Vol. 3, 1992, pp. 1–55, Table 3.

percentage points among families with children, from an ownership rate of 70.4 percent down to 63.4 percent.

e. Obstacles to Increased Homeownership

Insufficient income, high debt burdens, and limited savings pose obstacles for younger families in purchasing a home. As home prices skyrocketed during the late 1970s and early 1980s, real incomes stagnated, with earnings growth particularly slow for blue collar jobs and less educated workers. The combination of relatively high interest rates and slow income growth through most of the 1980s made homeowner mortgage payments claim larger fractions of family income, and increasing rents made saving for home purchase more difficult. Thus, fewer households had the financial resources to meet down payment requirements, closing costs, and monthly mortgage payments. A 1991 survey by the National Association of Home Builders found that one-fifth of first-time homeowners had to rely on their relatives for most of their down payment.¹⁸ A survey by the National Association of Realtors found that approximately one-third of recent first-time homeowners relied on gifts and loans from parents.¹⁹

In addition to low income, high debts are a primary reason households cannot afford homes. Nearly 53 percent of renter families have both insufficient income and excessive debt problems that may cause difficulty in financing a home purchase. High debt-to-income ratios frequently make potential borrowers ineligible for mortgages based on the underwriting criteria established in the conventional mortgage market.

In a recent study, the Census Bureau estimated that in 1991 nearly 90 percent of renters could not afford a modest home (priced at the bottom twenty-fifth percentile) in their Census division.²⁰ Seventy-eight percent could not afford a home priced at the tenth percentile. Such affordability problems are especially pronounced among single-parent households. While almost 76 percent of married-couple renter families could not afford a modestly priced home in their area using fixed-rate FHA financing, the figure rises to 90.3 percent for single male householders and 96 percent for households headed by single women.

2. Economic, Housing, and Demographic Conditions

A number of economic, housing, and demographic considerations have influenced the Secretary's determination of housing goals for low- and moderate-income families. Increasing income inequality and changes in household composition suggest that needs for housing affordable to very low-income families will continue to be most acute, placing additional pressure on the widespread shortages of rental housing

¹⁸National Association of Home Builders, *Profile of the New Home Buyer Survey*, 1991.

¹⁹National Association of Realtors, *Survey of Homeowners and Renters*, 1991.

²⁰Howard Savage and Peter Fronczek, *Who Can Afford to Buy a House in 1991?* U.S. Bureau of the Census, Current Housing Reports H121/93-3, July 1993.

¹¹Interagency Council on the Homeless, *Executive Summary: The 1990 Annual Report of the Interagency Council on the Homeless*, 1991.

¹²*Ibid.* at 21. This figure was based on a memorandum written by the Congressional Budget Office which used the 1987 Urban Institute study as its starting point and was updated using a 5 percent annual growth rate.

¹³Interagency Council on the Homeless, Fact Sheet, "How Many Homeless People Are There?," April 1991, No. 1-1.

¹⁴Interagency Council on the Homeless, *Priority: Home! The Federal Plan to Break the Cycle of Homelessness*, 1994, p. 19.

¹⁵These tendencies are especially strong for lower income households. Children of low-income