Income as percent of area median income	Renters		Owners	
	Any problems (percent)	Priority problems (percent)	Any problems (percent)	Priority problems (percent)
Less than 30	67	48	66	37
30–50	67	27	31	9
50–60	61	11	20	5
60–80	44	6	17	5
80–100	26	3	12	3

Comparisons by income reveal that low-income owners and renters (those with incomes 60–80 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.[14] In 1991, 5.3 million unassisted renter households with incomes below 50 percent of area median income had ''worst case'' housing needs. 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.

b. Needs for Housing Affordable to Very Low-income Families

It is important to note that the existing housing stock satisfies the physical needs of most very low-income 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 extremely low-income families with three or more children, 44 percent of whom live in crowded housing. A certain amount of variation in need exists, by region and degree of urbanization. Although 18 percent of worst case renters need other housing (because of crowding or severe inadequacy), this figure varies from 11 percent in the Northeastern suburbs to 30 percent in the South's nonmetro areas. Shortages of housing units are 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.[15] This shortage appears to be 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.[16] 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.[17] 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.

4. Ability To Lead the Industry

This factor is the same as the fifth factor considered under the goal for mortgage purchases on housing for low- and moderate-income families. Accordingly, see Section C.5 of Appendix A for a discussion of this factor.

5. Need To Maintain the Sound Financial Condition of the Enterprises

This factor is the same as the sixth factor considered under the goal for mortgage purchases on housing for low- and moderate-income families. Accordingly, see Section C.6 of Appendix A for discussion of this factor.

6. Size of the Conventional Mortgage Market for Special Affordable Mortgages Relative to the Overall Conventional Conforming Market

This section presents estimates of the special affordable portion of the conventional conforming mortgage market for 1995.

The special affordable goal consists of: (1) single-family owner-occupied dwelling units which are occupied by very low-income families or low-income families in low-income census tracts;[18] and (2) rental units which are occupied by very low-income families. The analysis suggests that the special affordable market is at least 17–20 percent of the conventional conforming market. Section D below provides HUD's rationale for the specific goals selected for 1995 and 1996.

Section C.4 of Appendix A describes HUD's two methodologies for estimating the size of the low- and moderate-income market. Essentially the same methodology is employed here except that the focus is on the very low-income and low-income markets. The basic approach involves estimating for each of the various property types (single-family owner, single-family rental 2–4's and 1–4's, and multifamily) the share of dwelling units financed by mortgages in a particular year that are occupied by very low-income (VLI) families or by low-income families in low-income areas. As explained in Appendix A, HUD has combined mortgage information from several data sources in order to estimate the market shares. Two approaches were taken—one based on American Housing Survey (AHS) and Residential Finance Survey (RFS) data, and one based on 1993 HMDA data and projections of the mortgage market for 1995 and 1996.

a. American Housing Survey/Residential Finance Survey Approach

Data from the American Housing Surveys for 1985, 1987, 1989, and 1991 indicate that 11 percent of those families who recently purchased or refinanced their homes, and who obtained conventional conforming mortgages, had incomes below 60 percent of the area median. It is estimated that 1.8 percent of single-family mortgages will be for families who have incomes between 60 and 80 percent of area median and who also live in low-income census tracts.[19] This suggests that 12.8 percent of single-family owner-occupied mortgages and dwelling units are for very low-income families or low-income families living in low-income areas.

As Appendix A explains, information is not available from the American Housing Survey on mortgages for rental properties; for this reason, the analysis focuses on the income and rent characteristics of the existing and recently completed rental stock. Analysis of the same four American Housing Surveys shows that for 1–4 unit unsubsidized rental properties, 54 percent of all units, and 20 percent of units constructed in the preceding three years had rent affordable to very low-income families.[20] For multifamily unsubsidized rental properties, the corresponding figures are 41 percent of all

[14] For 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.

[15] Tabulations 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.

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

[17] Id., Table 6.

[18] This definition includes all very low-income families plus families who have incomes between 60 and 80 percent of area median income and who also live in census tracts with a median income less than 80 percent of area median income.

[19] Low-income census tracts are defined as tracts with a median income less than or equal to 80 percent of the area median. 1993 HMDA data show that 1.9 (1.3) percent of single-family owner-occupied purchase (refinance) mortgages were for families with incomes in the 60–80 percent range and also living in low-income tracts. Applying 85/15 percent purchase/refinance shares gives the 1.8 percent value cited in the text.

[20] Affordable to VLI families is defined as less than or equal to 30 percent of 60 percent of area median family income—that is, less than 18 percent of area median family income, with adjustments for unit size as measured by the number of bedrooms.