

Growing crisis of affordable housing for the poor in the US

Kate Randall
5 April 2000

While housing production in 1998 in the US stood at its highest level in more than a decade, fueled by the boom on Wall Street, poor Americans are finding it increasingly difficult to secure affordable housing. A report issued March 27 by the Department of Housing and Urban Development (HUD), "Rental Housing Assistance—the Worsening Crisis", found that 5.4 million low-income families are paying more than half of their income for housing, or live in "severely distressed" accommodations. The government considers housing for low-income people affordable if it costs less than a third of a family's income.

While new housing starts have increased by nearly 1.8 million units a year since 1997, the majority of these homes are being built and purchased by middle class and wealthy individuals and families in medium- and lower-density counties at the edge and outside of metropolitan areas. Since the onset of the stock market boom in the early 1990s, low-income families have seen their housing costs rise 12 percent, and decent, affordable housing is becoming harder to find. According to the HUD study, between 1991 and 1997 the number of affordable rental units for the lowest income families decreased by 5 percent, or more than 370,000 units.

Increased income for the upper middle class and the rich has led to a decrease of affordable housing for the poor in urban areas. According to HUD Secretary Andrew Cuomo, low-income housing in the cities "is getting old, it is coming out of service, it is being knocked down." Higher-income tenants have bid up the prices of apartments formerly rented out to the poor, leading to the gentrification of urban areas that have traditionally been home to working class families. The more affluent tenants are able to pay higher rents than their poorer counterparts, many of whom rely on

subsidies from a government voucher program known as Section 8 to supplement their income.

The Clinton administration has requested \$6 billion in funding for an additional 120,000 Section 8 housing vouchers for next year. Republicans have introduced a measure for 100,000 units, but the Republican Congressional leadership has indicated that it will not approve the money for them.

Neither proposal comes any where near meeting the need for these housing supplements. In Detroit in 1995 about 90,200 low-income families lacked affordable housing. Fifty percent of these families were working, but 85 percent made less than 30 percent of the average income of \$17,200 for a household of four. While many of these families were eligible for Section 8 vouchers, there were not enough available to meet the need.

In October 1998 Clinton signed into law the Quality Housing and Work Responsibility Act of 1998 (QHWRA), which has had a severe impact on the ability of the poor and elderly to obtain housing assistance. This legislation removed requirements that housing authorities grant first choice of public housing to those in urgent need. The result has been that low-income families receive only about a half of available housing assistance.

The act also transferred authority over many areas of housing policy to state and local public housing agencies that administer public housing. In cities where downtown areas have seen real estate booms in recent years—such as Boston, Atlanta and Chicago—housing project locations are being eyed as prime redevelopment areas, posing a new threat to the availability of affordable housing for poor families.

Working families are among the hardest hit by the housing crisis. One in three families with children who cannot find housing or live in "severely distressed"

accommodations work full- or part-time at or above the minimum wage. Despite working two or more jobs, many families still must pay out more than half their income for housing, or live in substandard conditions.

The hardest hit by the housing crisis have been extremely low-income families, those households with incomes below 30 percent of the area median income. By 1997, more than three-quarters of these households—or 4.2 million—with severe housing needs came from these poorest families.

Worst case housing needs increased dramatically throughout the 1990s among minority households. Between 1991 and 1997, Hispanic households with urgent housing needs increased by 45 percent, to 1 million. Among Hispanic working families with children, worst case needs grew by 74 percent. In this same period, the number of African American households paying more than half their income for rent rose by 13 percent, to 1.1 million families; for African-American working families with children the rate increased by 31 percent.

Conditions for very low-income families was the worst in suburban areas. More than 1.8 million households, over one-third of those with worst-case problems, live in the suburbs, as population in these areas continues to grow and new, more costly housing continues to be built.

Of the 12.3 million Americans with urgent housing needs, over 1.5 million are elderly, 4.3 million are children and up to 1.4 million are disabled adults.

Working families who purchase their homes are also facing foreclosures at a record rate. A study released last fall by the National Training and Information Center, a consumer organization in Chicago, revealed that foreclosures in the Chicago area nearly doubled between 1993 and 1998, from 2,074 to 3,964. While unemployment has fallen among area households, more and more families are losing their homes.

Financial companies have been seeking out homeowners with bad credit and signing them up for high-cost home equity loans. While prime mortgage rates are around 8 percent, these sub-prime loans are offered at rates of up to 16 percent. In addition, borrowers are often only required to pay interest charges until the end of the term, at which point they face a huge "balloon" payment on the principal, forcing many homeowners to refinance at even high rates. If

they can't meet the payment their homes are seized by the lenders, who sell off the property, profiting from the recent appreciation in home values.

According to the National Consumer Law Center, up to 600,000 people nationwide may lose their homes each year due to these predatory lending practices.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact