

**HOUSING PROBLEMS AND
FEDERAL HOUSING ASSISTANCE EFFORTS**

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Since 1937, the federal government has been providing direct housing subsidies to low-income families intended to upgrade their housing quality and to reduce their housing costs. ^{1/} Each year, a number of new commitments is made--through programs administered by the Department of Housing and Urban Development (HUD) and the Farmers Home Administration (FmHA)--to assist low-income renters and homeowners, augmenting those already receiving aid.

Much of the growth in available housing assistance has occurred over the past decade. During this period, the number of commitments has greatly expanded, but at a declining rate. Between 1977 and 1986, more than 2.7 million new commitments will have been funded--about three-fourth aiding renters and one-quarter providing mortgage assistance to low-income homebuyers. Over this period, the number of additional commitments funded each year declined from a high of 487,000 in 1977 to a low of 132,000 in 1983. Nevertheless, the total number of outstanding commitments will have almost doubled, growing from 2.9 million at the beginning of fiscal year 1977 to 5.6 million by the end of fiscal year 1986.

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1. In addition to providing aid through direct subsidies, the federal government addresses housing needs through various indirect mechanisms, including housing-related provisions of the tax code, mortgage credit and insurance activities, and community development programs. Housing-related tax provisions provide the largest source of aid, but benefit primarily middle- and upper-income households. These approaches are not considered here. For a detailed discussion of the various federal housing assistance programs, see Congressional Budget Office, Federal Housing Assistance: Alternative Approaches, May 1982.

This analysis provides background information that may be useful to the Congress in considering the size of any future assistance increments and the nature of the aid to be provided. The analysis consists of two parts. The first section briefly describes the characteristics of income-eligible households and their housing problems. The second section presents an overview of the types and levels of housing assistance currently provided.

HOUSEHOLD CHARACTERISTICS AND HOUSING CONDITIONS

During the almost 50 years that federal programs have attempted to improve housing quality and to reduce housing costs, the nature of housing problems has changed dramatically. The proportion of households living in physically deficient units dropped sharply, while the proportion of households spending large shares of their income for housing costs rose. ^{2/} As of 1983--the most recent year for which detailed data exist--only about 7 percent of all households remained in units needing rehabilitation, as measured by a Congressional Budget Office index, while one-quarter of all households spent over 30 percent of their incomes for shelter. In that year, three out of every 20 households in the United States either lived in units needing rehabilitation, spent more than 50 percent of their incomes on housing, or experienced both conditions (see Table 1).

2. For a more detailed discussion of long-term trends, see Congressional Budget Office, Federal Housing Assistance: Alternative Approaches, May 1982.

TABLE 1. HOUSING CONDITIONS OF ALL HOUSEHOLDS BY INCOME, 1983 a/

	Income <u>b/</u>		Other	Total
	Very-Low Income	Low- Income		
Thousands of Households				
Living in Housing Requiring Rehabilitation <u>c/</u>	3,190	1,190	1,820	6,190
Housing Costs Exceed: <u>d/</u>				
30 percent of income	9,820	4,020	2,980	16,820
50 percent of income	4,880	650	240	5,770
Living in Housing Requiring Rehabilitation and/or Housing Costs Exceed 50 Percent of Income <u>d/</u>	6,490	1,640	1,740	9,870
As Percent of Households in Income Category				
Living in Housing Requiring Rehabilitation	15	8	4	7
Housing Costs Exceed: <u>d/</u>				
30 percent of income	63	33	8	25
50 percent of income	31	5	1	9
Living in Housing Requiring Rehabilitation and/or Housing Costs Exceed 50 Percent of Income <u>d/</u>	41	13	5	15

SOURCE: Congressional Budget Office tabulations from the 1983 American Housing Survey.

NOTE: Details may not add to totals because of rounding.

- a. Excludes households that paid no cash rent.
- b. The income classification corresponds to the definition used in federal housing assistance programs. A four-person household is classified as very-low-income if its family income is less than or equal to 50 per-

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Table 1 footnotes (continued).

cent of the area median, and as low-income if its family-income ranges from 51 percent to 80 percent of the area median. Threshold incomes are adjusted for family size. Thus, for a one-person household, the threshold for very-low-income designation is 35 percent of the area median, and the range for low-income designation is between 36 percent and 56 percent of the area median. For an eight-person household, on the other hand, the very-low-income threshold is 66 percent, and the low-income range is between 67 percent and 100 percent of the area median.

- c. Units in need of rehabilitation are defined here as those lacking complete plumbing or kitchen facilities, or with two or more of 11 different structural defects. These defects are: (1) three or more breakdowns of six or more hours each time in the heating system during the previous winter; (2) three or more times completely without water for six or more hours each time during the preceding 90 days, with the problem inside the unit; (3) three or more times completely without flush toilet for six or more hours each time during the preceding 90 days, with the problem inside the unit; (4) leaking roof; (5) holes in interior floors; (6) open cracks or holes in interior walls or ceilings; (7) broken plaster or peeling paint over more than one square foot of interior walls or ceilings; (8) unconcealed wiring; (9) the absence of any working light in public hallways for multi-unit structures; (10) loose or no handrails in public hallways for multi-unit structures; and (11) loose, broken, or missing steps in public hallways for multi-unit structures.
- d. Housing costs for renters include tenant payments due to the landlord plus utility costs not included in the rent payment. Housing costs for homeowners include mortgage payments, real estate taxes, property insurance, and utilities.

Housing costs for renters are not calculated for one-unit structures on 10 acres or more. Housing costs for owner-occupied properties are not calculated for structures with more than one unit, for homes on 10 acres or more, or for homes with a business on the property. Thus, the proportions of households with high housing costs relative to their incomes are calculated as a percent of households for which housing cost data are available.

Remaining housing problems are concentrated among the 21.6 million households classified as very-low-income--the target group of most federal housing programs. ^{3/} While in 1983 these households constituted just over one-quarter of the total population, they occupied more than half of the units in need of repair, and they made up close to 60 percent of the group of households that paid over 30 percent of their incomes for housing. Almost nine out of ten households that spent more than half of their incomes for housing were classified as very-low-income.

In interpreting these findings, however, it is important to keep in mind that over time these problems are not necessarily experienced by the same households. This is because fluctuations in households' incomes cause substantial turnover each year in the very-low-income population. Moreover, even households that remain classified as very-low-income may at times have higher incomes that reduce the proportion of their incomes spent for housing or enable them to move to units not in need of rehabilitation. Such shifts in the very-low-income households experiencing housing problems would likely be greater among renters than among homeowners, and among nonelderly than among elderly households.

The following sections describe the characteristics and housing conditions of very-low-income households in some detail and compare them with the rest of the population. The analysis focuses on various groups that have received special federal attention, such as the elderly and large

3. See Table 1 notes for definitions of very-low-income and low-income households.

families, as well as on the distribution of households and housing problems across metropolitan and nonmetropolitan locations.

Characteristics of Very-Low-Income Households

Very-low-income households differ significantly from the rest of the population along several dimensions that have traditionally been of importance to housing policymakers (see Table 2). First, relative to higher-income households, very-low-income households are more likely to be renters. In 1983, more than half of all very-low-income households rented their dwelling units, compared with a little more than one-quarter of higher-income households.

Second, very-low-income households--both renters and owner-occupants--are more likely to be headed by a person age 62 or older without children present than are households in higher-income brackets. In 1983, such elderly households constituted one-quarter of all very-low-income renters and more than half of very-low-income homeowners--proportions that were more than twice as high as those among higher-income groups. On the other hand, households without children but headed by a nonelderly person are less common among the very-low-income group than among higher-income groups. One-third of very-low-income renters and one-fifth of very-low-income homeowners were in this category in 1983, while among higher-income households their share was more than 1.5 times as high. 4/

4. See Table 2, footnote d.

TABLE 2. CHARACTERISTICS OF HOUSEHOLDS BY INCOME AND TENURE, 1983
(households in thousands)

	Very-Low Income		Income a/ Low- Income		Other	
	Number	% of	Number	% of	Number	% of
		Total		Total		Total
Renters b/						
Total	11,570	100	5,850	100	10,730	100
Elderly, no children c/	2,920	25	900	15	990	9
Nonelderly, no children d/	3,870	33	2,630	45	6,380	59
Households with 1-2 children	3,340	29	1,900	32	2,910	27
Households with 3+ children	1,440	12	430	7	450	4
In metropolitan areas	8,760	76	4,540	78	8,600	80
In nonmetropolitan areas	2,800	24	1,310	22	2,130	20
Homeowners						
Total	10,050	100	8,750	100	36,090	100
Elderly, no children c/	5,160	51	3,720	43	6,530	18
Nonelderly, no children d/	1,980	20	1,820	21	13,270	37
Households with 1-2 children	2,050	20	2,370	27	13,200	37
Households with 3+ children	860	9	840	10	3,090	9
In metropolitan areas	5,720	57	5,100	58	24,510	68
In nonmetropolitan areas	4,330	43	3,650	42	11,580	32
All Households b/						
Total	21,620	100	14,600	100	46,810	100
Elderly, no children c/	8,080	37	4,620	32	7,520	16
Nonelderly, no children d/	5,850	27	4,440	30	19,640	42
Households with 1-2 children	5,390	25	4,270	29	16,120	34
Households with 3+ children	2,300	11	1,270	9	3,540	8
In metropolitan areas	14,490	67	9,640	66	33,100	71
In nonmetropolitan areas	7,130	33	4,960	34	13,710	29

SOURCE: Congressional Budget Office tabulations of the 1983 American Housing Survey.

NOTE: Details may not add to totals because of rounding.

(Continued)

Table 2 footnotes (continued)

- a. See Table 1, footnote b, for definition of various income groups. Very-low-income households are the target group of most federal housing assistance programs.
- b. Excludes households that paid no cash rent.
- c. Elderly households are households headed by a person aged 62 or older.
- d. Nonelderly households without children that meet the income criteria of federal housing programs are subject to further restrictions in determining their eligibility for rental assistance. In general, eligibility is restricted to families (that is, to groups of at least two individuals related by blood or marriage), to households with handicapped or disabled persons, to persons displaced by government action or federally recognized disaster, or to the remaining member of a tenant family. Assistance to other single persons may only be provided subject to certain stringent limitations. Of the 3.9 million very-low-income renters without children present, 24 percent are families, 53 percent are single individuals, and the remaining 23 percent are groups of unrelated individuals. Thus, around 2.9 million very-low-income renter households without children present could only receive assistance if they met one of the special conditions outlined above.

Third, very-low-income households as a group are slightly less likely to have children present than are higher-income households, but this pattern varies with tenure. In particular, very-low-income renters are more likely to have children present than are higher-income renters. As of 1983, families with children made up over 40 percent of the very-low-income renter group, but only 34 percent of renters in higher-income brackets. Furthermore, large families--those with three or more children present--were more than twice as common among very-low-income renters as among those with higher incomes. By contrast, very-low-income homeowners are less likely in general to have children present than are higher-income homeowners, with less than 30 percent of all very-low-income owner-occupants versus close to 45 percent of higher-income groups having children present. Large families, however, were about equally common among homeowners in all income groups.

The proportion of very-low-income households living in metropolitan areas is fairly similar to the proportion of higher-income households that live there. ^{5/} This pattern also holds among renters, but very-low-income homeowners are less concentrated in metropolitan areas than are higher-income homeowners. The majority of very-low-income households--three-fourths of very-low-income renters and 57 percent of very-low-income homeowners--resides in metropolitan areas. Among higher-income households, almost four-fifths of renters and two-thirds of owner-occupants are located there.

5. This is not surprising, since under the income classification scheme used in housing programs, income status is defined relative to the area median family income.

The Distribution of Housing Stock Deficiencies

The distribution of deficient housing units varies substantially with tenure. Occupied units that are in need of rehabilitation are disproportionately concentrated in the rental stock. ^{6/} As of 1983, about one-third of all occupied units were rented, but almost two-thirds of the 6.2 million deficient units were in the rental stock (see Tables 2 and 3). Within each tenure group, the incidence of living in a deficient dwelling unit varies further with income, with demographic characteristics, and with location.

Renters. Very-low-income renters are more likely than higher-income renters to live in deficient dwelling units. In 1983, 2.2 million very-low-income renters--almost one-fifth of all such households--lived in deficient units. By contrast, less than 11 percent of all other renters lived in units needing rehabilitation.

Among very-low-income renters, the incidence of deficient housing varies with demographic characteristics, but not much with location. In 1983, very-low-income renters with large families were almost 1.5 times as likely to live in units with some form of deficiency as were very-low-income renters in general, while elderly households were less likely to do so. The difference in incidence between metropolitan and nonmetropolitan areas was very small. ^{7/}

6. For a definition of units in need of rehabilitation or repair, see Table 1, footnote c.

7. In nonmetropolitan areas, however, the frequency of the most serious deficiencies, such as lack of complete plumbing or kitchen facilities, tends to be higher. In 1983, of all deficient units in nonmetropolitan areas occupied by very-low-income renters, 46 percent lacked complete plumbing and 23 percent lacked complete kitchens, compared with 15 percent and 12 percent, respectively, in metropolitan areas.

TABLE 3. HOUSEHOLDS LIVING IN UNITS REQUIRING REHABILITATION, BY INCOME, TENURE, AND HOUSEHOLD TYPE, 1983

	Income a/			Total
	Very-Low Income	Low- Income	Other	
Renters b/				
	Thousands of Households			
Total	2,200	770	980	3,960
Elderly, no children	340	70	90	510
Nonelderly, no children	770	340	580	1,690
Households with 1-2 children	690	280	260	1,230
Households with 3+ children	410	80	50	530
In metropolitan areas	1,630	600	790	3,020
In nonmetropolitan areas	570	180	190	940
	As Percent of Households in Income/Demographic Category			
Total	19	13	9	14
Elderly, no children	12	8	9	11
Nonelderly, no children	20	13	9	13
Households with 1-2 children	21	15	9	15
Households with 3+ children	28	18	10	23
In metropolitan areas	19	13	9	14
In nonmetropolitan areas	20	13	9	15

Homeowners				
	Thousands of Households			
Total	990	410	840	2,240
Elderly, no children	430	110	140	680
Nonelderly, no children	190	90	310	580
Households with 1-2 children	230	140	310	680
Households with 3+ children	140	70	90	290
In metropolitan areas	410	200	450	1,060
In nonmetropolitan areas	580	210	390	1,180
	As Percent of Households in Income/Demographic Category			
Total	10	5	2	4
Elderly, no children	8	3	2	4
Nonelderly, no children	10	5	2	3
Households with 1-2 children	11	6	2	4
Households with 3+ children	16	8	3	6
In metropolitan areas	7	4	2	3
In nonmetropolitan areas	13	6	3	6

SOURCE: Congressional Budget Office tabulations of the 1983 American Housing Survey.

NOTE: Details may not add to totals because of rounding.

- a. See Table 1, footnote b, for definition of various income groups.
 b. Excludes households that paid no cash rent.

Homeowners. While physically deficient units are less common among homeowners than among renters across all income groups, the relative incidence of substandard units among very-low-income homeowners is, again, substantially higher than among better-off owner-occupants. In 1983, 10 percent of all very-low-income homeowners lived in units needing repairs--a rate that was over three times as high as that among higher-income homeowners.

For very-low-income homeowners, the incidence of substandard housing varies among demographic groups and across geographic location. As in the case of renters, very-low-income homeowners with large families were more than 1.5 times as likely to live in substandard units as very-low-income homeowners in general, while the elderly were somewhat less likely to own deficient units. In contrast to renters, however, units occupied by very-low-income homeowners in nonmetropolitan areas were almost twice as likely to need some form of repair as those in metropolitan areas. 8/

The Distribution of High Housing Costs Relative to Income

The problem of paying relatively large shares of incomes for housing is also disproportionately concentrated among households that rent their homes. 9/

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8. Moreover, as is the case with the rental stock, the frequency of serious deficiencies in nonmetropolitan areas is substantially higher than in metropolitan areas. Of all the units in need of repair occupied by very-low-income homeowners in nonmetropolitan areas, 55 percent lacked complete plumbing and 22 percent lacked complete kitchens, compared with 27 percent and 7 percent, respectively, in metropolitan areas.
 9. See Table 1, footnote d for a definition of housing costs for owners and renters.

In 1983, almost 60 percent of the 16.8 million households that paid over 30 percent of their pre-tax incomes for shelter were renters (see Table 4). ^{10/} For both renters and homeowners, the incidence of excessive housing costs also decreases with income and varies, within each income group, with demographic and locational characteristics.

Renters. Relatively high shelter costs are far more prevalent among very-low-income renters than among those with higher incomes. As of 1983, 6.7 million very-low-income renters--71 percent of all such households--paid over 30 percent of their income for housing costs. By contrast, only 20 percent of higher-income renters paid such large shares.

Among very-low-income renters, the elderly were somewhat less likely than other groups to pay more than 30 percent of income for housing. While 61 percent of the elderly paid large shares of their income for housing, between 72 percent and 76 percent of other groups did. In addition, very-low-income renters in metropolitan areas were more likely than those in nonmetropolitan areas to be in this situation. While almost three out of every four very-low-income renters in metropolitan areas spent large shares on housing, only two out of three in nonmetropolitan areas did.

10. To the extent that households may underreport their incomes or overstate their housing costs, the number and thus the proportion of households that pay more than 30 percent of their incomes for housing may be overstated by the American Housing Survey. In particular, some renters whose rents are subsidized by the government might report the market rent for their unit rather than their own out-of-pocket payment.

TABLE 4. HOUSEHOLDS SPENDING OVER 30 PERCENT OF INCOME FOR HOUSING, BY INCOME, TENURE, AND HOUSEHOLD TYPE, 1983

	Income a/		Other	Total
	Very-Low Income	Low- Income		
Renters b/				
	Thousands of Households			
Total	6,670	2,450	900	10,010
Elderly, no children	1,620	390	100	2,110
Nonelderly, no children	2,160	1,250	550	3,960
Households with 1-2 children	2,000	680	220	2,900
Households with 3+ children	890	130	20	1,040
In metropolitan areas	5,160	2,100	800	8,060
In nonmetropolitan areas	1,510	350	100	1,960
As Percent of Households in Income/Demographic Category				
Total	71	42	8	39
Elderly, no children	61	44	10	47
Nonelderly, no children	76	48	9	34
Households with 1-2 children	75	37	8	39
Households with 3+ children	72	31	5	50
In metropolitan areas	73	47	9	40
In nonmetropolitan areas	66	28	5	35

Homeowners				
	Thousands of Households			
Total	3,150	1,570	2,080	6,800
Elderly, no children	1,420	280	110	1,810
Nonelderly, no children	600	430	720	1,750
Households with 1-2 children	790	630	1,000	2,420
Households with 3+ children	340	230	240	810
In metropolitan areas	1,950	1,060	1,650	4,660
In nonmetropolitan areas	1,210	510	430	2,140
As Percent of Households in Income/Demographic Category				
Total	50	24	7	17
Elderly, no children	41	10	2	17
Nonelderly, no children	56	32	7	14
Households with 1-2 children	65	34	9	17
Households with 3+ children	63	33	9	21
In metropolitan areas	54	27	8	17
In nonmetropolitan areas	45	19	5	15

SOURCE: Congressional Budget Office tabulations of the 1983 American Housing Survey.

NOTE: Details may not add to totals because of rounding.

a. See Table 1, footnote b, for definition of various income groups.

b. Excludes households that paid no cash rent.

Homeowners. Although relatively high housing costs are less prevalent among homeowners than among renters across all income groups, very-low-income homeowners are, again, far more likely to face this problem than are better-off owner-occupants. In 1983, 3.2 million very-low-income homeowners--half of all very-low-income homeowners--paid over 30 percent of their pre-tax incomes for housing costs. By contrast, less than 11 percent of higher-income homeowners faced this problem.

The incidence of this housing problem among the various groups of very-low-income homeowners is similar to, but more pronounced than, that among renters. The very-low-income elderly are, again, less likely to pay large shares of income for housing costs than are other groups. 11/ For example, close to two-thirds of all very-low-income homeowners with children paid large shares, a rate that was more than one and a half times as high as that of the elderly. Very-low-income homeowners in metropolitan areas faced high housing cost burdens somewhat more frequently than those in nonmetropolitan areas--54 percent versus 45 percent.

CURRENT FEDERAL HOUSING ASSISTANCE EFFORTS

A variety of federal housing assistance programs subsidize the shelter costs of low-income renters and homeowners. All of the major programs that

11. For homeowners this pattern is largely explained by the relatively high proportion of elderly homeowners who do not have a mortgage on their property. Among very-low-income households, 88 percent of all elderly owner-occupants owned their homes free and clear, compared with 56 percent of nonelderly homeowners without children present, 30 percent of homeowners with one or two children present, and 26 percent of homeowners with three or more children present.

provide direct subsidies are funded through long-term assistance contracts. Each year, the Congress has appropriated funds for some number of additional commitments that run from 5 to 50 years. These additional commitments expand the pool of available aid and increase the total number of eligible households that can be served, but they also contribute to federal outlays for many years to come.

Rental Assistance Efforts

Most federal housing aid is targeted to very-low-income renters through the rental assistance programs administered by HUD and the FmHA. These programs typically reduce tenants' rent payments to a fixed percentage--currently 30 percent--of their incomes, after certain deductions. Rental assistance is provided through two basic approaches: subsidies tied to projects specifically constructed for low-income households, and subsidies that permit renters to choose standard housing units in the existing private housing stock. The principal project-based subsidy programs include the Section 8 new construction and substantial rehabilitation program and the public housing program--both administered by HUD--as well as the Section 515 mortgage-interest-subsidy program, administered by the FmHA. 12/ Rental assistance using the existing housing stock is provided primarily through HUD's Section 8 existing-housing and voucher programs.

12. The currently inactive Section 236 mortgage-interest-subsidy program and the rent supplement program also provide project-based subsidies.

In recent years, the project-based approach through new construction programs has been sharply curtailed in favor of the less costly Section 8 existing-housing and voucher programs. While between 1977 and 1982 commitments made through the new construction/substantial rehabilitation programs ranged annually from 53 percent to 73 percent of the total, since that time less than one-third of all commitments has been made through them.

Even though the emphasis on project-based subsidies has been declining sharply, the great majority of all presently assisted households receives aid through this approach. At the end of fiscal year 1985, slightly more than 4 million households received rental assistance, with nearly 70 percent of this assistance provided through project-based subsidies (see Table 5). In addition, around 280,000 commitments were in the processing pipeline at that time, and the Congress appropriated funds for fiscal year 1986 to assist an additional 118,000 renters. Thus, almost 4.5 million households can be assisted from funds appropriated so far. Total outlays for all rental assistance programs combined during fiscal year 1985 amounted to \$11.6 billion, with over 70 percent accounted for by project-based subsidies. Hence, for all programs combined, average per-household outlays amounted to almost \$2,900.

If all of the rental assistance commitments from past appropriations were exclusively received by very-low-income households, an estimated 36 percent of the 12.3 million renters that would be classified as very-low-

TABLE 5. COMMITMENTS AND OUTLAYS BY MAJOR FEDERAL HOUSING ASSISTANCE PROGRAMS, 1985

	Number of Households Assisted During Fiscal Year 1985 (in thousands)	Number of Commitments Outstanding Through Fiscal Year 1986 <u>a/</u> (in thousands)	Total Outlays During Fiscal Year 1985 (dollars in in millions)
Rental Assistance Programs			
Section 8 New Construction <u>b/</u>	757	843	3,509
Section 8 Existing- Housing/Vouchers <u>c/</u>	1,253	1,489	3,309
Public Housing <u>d/</u>	1,355	1,415	3,408
Other HUD Programs <u>e/</u>	377	368	685
Section 515 Rural Rental Assistance <u>f/</u>	<u>313</u>	<u>338</u>	<u>734</u>
Total	4,055	4,453	11,645
Homeownership Assistance Programs			
Section 235 Assistance <u>g/</u>	200	193	268
Section 502 Rural Housing Loans	<u>975</u>	<u>995</u>	<u>1,765</u>
Total	1,175	1,188	2,033

SOURCE: Data provided by HUD and the FmHA and CBO estimates based on tabulations of the American Housing Survey.

- a. Includes units in the processing pipeline but not yet occupied, as well as units from the 1986 postsequester appropriation.
- b. Includes Section 8 substantial rehabilitation.

(Continued)

Table 5 footnotes (continued).

- c. Includes Section 8 moderate rehabilitation.
- d. Includes outlays for operating subsidies.
- e. Includes currently inactive mortgage-interest-subsidy and rent supplement programs. The number of households receiving assistance has been adjusted to avoid double-counting households receiving more than one subsidy.
- f. Units also receiving Section 8 rent subsidies are excluded from the number of commitments to avoid double-counting. Total outlays include household subsidies provided under the rental assistance program and mortgage-interest subsidies provided to the developers.
- g. Although at the end of 1985 over 5,000 commitments remained in the processing pipeline, over 12,000 households are expected to leave the program in 1986. Thus, the total number of outstanding commitments is declining.

income in 1987 could be served. 13/ The actual proportion of very-low-income renters being served that year will be lower, however, because a small proportion of assisted units is occupied by low-income families. If renters classified as low-income were considered as well, the estimated total number of income-eligible households would amount to 18.5 million in 1987, of which 24 percent could be assisted with existing commitments.

Homeownership Assistance Efforts

The aid provided by the federal government to low- and moderate-income homebuyers by reducing their mortgage interest represents a relatively small proportion of all direct housing assistance. 14/ In 1985, less than one-quarter of all assisted households received this type of help and less than 15 percent of total federal outlays for direct housing subsidies were accounted for by these mortgage assistance programs. Most of this type of aid is provided through the Section 502 program administered by the FmHA which provides direct mortgage loans at low interest rates. In addition, a relatively small number of homeowners receives interest subsidies for

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13. Estimates of the total eligible population are based on the 1983 American Housing Survey, adjusted for growth in the number of households between 1983 and 1987. Since 1981, housing assistance programs have been targeted primarily to very-low-income households--those with incomes at 50 percent of the area median or less, adjusted for family size. A limited proportion of units, however, remains available for, and is occupied by, low-income families--those with incomes between 51 percent and 80 percent of the area median, adjusted for family size.
 14. In order to be eligible for homeownership assistance, a household's adjusted income cannot exceed 95 percent of the area median under the Section 235 program and 80 percent of the area median under the Section 502 program. Thus, the income limits are higher for the homeownership programs than for the rental assistance program.

mortgages provided by private lenders through the currently inactive Section 235 program administered by HUD. Both programs reduce mortgage payments, property taxes, and insurance costs to a fixed percentage of income, ranging from 20 percent for the FmHA program to 28 percent for the HUD program.

At the end of fiscal year 1985, a total of almost 1.2 million homeowners received assistance through these programs, with more than 80 percent of them living in rural areas and being helped through the FmHA. Commitments in the processing pipeline at that time and commitments from the 1986 appropriation--net of the number of households expected to leave the programs in 1986--will aid another 13,000 households. Total outlays for 1985 amounted to \$2 billion, so per household expenditures for mortgage subsidies were about \$1,700.

