

The Home Is the FOUNDATION



Working to Reduce Poverty in America

Sixty-Six Canal Center Plaza, Suite 600 • Alexandria, Virginia 22314
(703) 549-1390 • www.CatholicCharitiesUSA.org



The Home Is the --- FOUNDATION

A Catholic Charities USA Issue Brief



Acknowledgments

As the president of Catholic Charities USA, I would like to acknowledge the network of committed contributors that made this document a reality. We are grateful to Jeremy Rosen, executive director, National Policy and Advocacy Council on Homelessness, for the draft core document that became the foundation of our work. From this solid base and conceptual framework, our editorial board and staff constructed steps, doors, and windows. Our editorial board included: Dennis Keenan, executive director, Catholic Charities, Inc., Portland, OR; John Tynan, executive director, Progress of People Development, Catholic Charities Brooklyn and Queens; Karen Wallensak, executive director, Housing Resource Center, Catholic Charities, St. Louis, MO; Martin Gutierrez, executive director, Neighborhood & Community Services, Catholic Charities Archdiocese of New Orleans; Rev. Michael Boland, administrator, Catholic Charities, Chicago, IL; Mike Halterman, executive director, Catholic Charities, Kansas City, MO; Sheila Crowley, president and CEO, National Low Income Housing Coalition; Kathleen Overr, Catholic Charities USA; and Thomas Shellabarger, policy advisor, United States Conference of Catholic Bishops.

Catholic Charities USA staff coordinated and directed the workflow through our networks, the annual gathering of Catholic Charities diocesan directors, and our national partners in the work on poverty. The leaders in the national office were: Candy Hill, senior vice president of social policy & government affairs; Desmond Brown, senior director of government affairs; Jim Canavan, director of creative services; and Sheena Crews, senior graphic designer. This list of acknowledgements is not complete without acknowledging the hundreds of others who provided feedback at every level of the church and society over a three year period. We owe a debt of gratitude and a world of thanks.



Rev. Larry Snyder, Publisher
President, Catholic Charities USA

February 2009

© 2009 by Catholic Charities USA
All rights reserved. Printed in the USA.



Sixty-Six Canal Center Plaza • Suite 600 • Alexandria, Virginia 22314
(703) 549-1390 • www.CatholicCharitiesUSA.org

Table of Contents

The Home Is the Foundation	1
The State of Affordable Housing in America.....	3
Housing and Energy.....	9
Housing and Racial Equality.....	10
The Government and Private Sector Role in Housing	12
Catholic Charities and the Catholic Community	15
Toward a Housed America	16
Policy Recommendations	17
Notes	22



The Home Is the FOUNDATION

In the words of Pope John Paul II, “a home is much more than a roof over one’s head.” It is “a place for building and seeking one’s life.” The home is the very foundation for raising children, for seeking comfort, and for preparing oneself to participate in broader society through work, education, and civic engagement. The Catholic Charities commitment to affordable housing rests upon the teaching of the Catholic Church on the dignity of the human person and the value of the family.

In his encyclical *Pacem in Terris*, Pope John XXIII catalogued the rights of every human being, and one of the most prominent among them is the right to appropriate housing. For Catholic Charities then, helping people secure a decent home is more than an ideal – it is an obligation. It is not simply our civic responsibility that prompts us to serve in this area; it is also our moral responsibility.

Every person has a right to safe, decent, affordable housing. To reduce and eventually end the cycle of poverty that traps too many individuals and families, we must address the need for a stable place to call home. The American dream is one of homeownership, and with it the resultant ability to build wealth that can be transferred to children or other family members. But for millions of families, owning a home is unaffordable. For these low- and middle-income families, affordable rental housing is the next best option, offering stability and helping them maintain jobs and build strong families. Too often, however, an affordable rental option is out of reach.

In our 2006 paper, *Poverty in America: A Threat to the Common Good*, Catholic Charities USA described the moral and social wound that poverty inflicts on the soul of our country. In the midst of the current epidemic of foreclosures, Americans are seeing the blow that a crisis in housing can deal to our nation’s economic well-being. The foreclosure crisis comes on the heels of a less visible but equally important challenge – the pre-existing crisis in affordable housing, one that has long threatened the

financial, physical, and emotional security of low- and middle-income households. Furthermore, unequal access to affordable housing as well as predatory and discriminatory practices in home lending have perpetuated poverty among generations of minority households, as described in our 2007 paper, *Poverty and Racism: Overlapping Threats to the Common Good*.

Catholic Charities agencies are working at every point in the housing continuum to help stabilize families and guide them towards self-sufficiency. Our housing services range from homeless outreach and shelter services to affordable housing production, homeownership counseling, and foreclosure prevention. As Catholic Charities seeks to equalize housing and homeownership opportunities, we must also ensure stable, decent, affordable housing; build vibrant communities; and address racism and poverty.

This brief illustrates the landscape of affordable housing in America and describes the current response of government, business, faith communities, and nonprofits such as Catholic Charities. We hope that it will facilitate further dialogue on how to work together toward a housed America.



The State of Affordable Housing in America

The Importance of Affordable Housing

Access to safe, decent, affordable housing allows parents to maintain jobs, children to thrive in school, and communities to remain vibrant. When families cannot find or maintain affordable housing, they face a multitude of problems. Often, they have no choice but move frequently. This type of instability makes it harder for parents to keep steady jobs. In turn, this can make it more difficult to increase earnings and afford better housing. Frequent moves also disrupt children's lives and contribute to poor educational performance and outcomes.¹

Housing is the primary generator of wealth for the two-thirds of Americans who own their homes, even during the current foreclosure crisis. A 1998 study showed that 50 percent of the average homeowner's net worth was made up of home equity. This wealth can be used in many ways – to trade up to a better home in an area with better schools and more employment opportunities, to renovate an existing home, or to pay for school tuition, health care, or other expenses that benefit the family.²

Housing also makes up a significant portion of the nation's economy. America's residential housing represents over a third of the country's "tangible assets," and housing spending accounts for more than 20 percent of the country's gross domestic product. New residential housing construction alone provides 3.5 million jobs per year.³

Conversely, during the current foreclosure crisis, banks are becoming more reluctant to extend loans for housing and other activities or to allow families to tap into home equity. This is contributing to decreased consumer spending, which in turn is hurting other sectors of the U.S. economy.

The Rising Cost of Rental Housing

The effects of the affordable housing crisis on low-income households have deepened and extended to many middle-class families who do not come under the federal definition of poverty. Nearly a third of American households are renters. Of that number, over 50 percent (approximately 18.5 million) do not earn enough to afford the fair market rent for a housing unit appropriate to their family size. The impact of this challenge is significant – in 2006, more than 9 million renter households paid over 50 percent of their income for rent, leaving a lesser share of remaining income for food, clothing, health care, and other essentials.

There is not a single community in the United States where a family working full time at the 2009 minimum wage (\$7.25 per hour) can afford even a one bedroom apartment, let alone a two bedroom rental unit.⁴ Consequently, too many Americans cannot afford to live and work in the same community. As a result, employers in expensive housing markets may not be able to find the employees they need to run their companies.

Households with worst case housing needs are defined by the U.S. Department of Housing and Urban Development as paying more than half of their income for rent or living in severely substandard housing, with earnings under 50 percent of the area median income. People in this category are truly the poorest of the poor. HUD's most recent worst case housing needs report to Congress made a number of important findings, including the following:

- 5.18 million households, or nearly five percent of American families, have worst case housing needs, even though many of these families have at least one full-time wage earner.
- 77 percent of these families earn less than 30 percent of area median income.
- Race plays a significant role in a household's ability to afford housing; 1.04 million African-American households and 1.4 million Latino households have worst case housing needs.⁵

Vulnerable Populations

Specific populations such as persons with disabilities, seniors, youth aging out of foster care, and veterans have particular difficulty accessing and maintaining affordable housing.

More than 7 million people receive Supplemental Security Income (SSI) payments – federal benefits for people who are over 65, disabled, or blind and unable to work. The maximum SSI payment for 2008 is \$637 per month, or \$7,644 per year. Affordable rent for a SSI recipient living alone would be \$191 per month – well below the cost of a studio apartment in the least expensive county in the country.⁶ Indeed, a recent study found that the national average rent for a studio apartment was 100.1 percent of average monthly SSI income, while the average rent for a one bedroom apartment is 113.1 percent of SSI.⁷

Far too many older Americans face housing affordability challenges. There are approximately 300,000 units of HUD funded affordable housing for low-income seniors, but for every available apartment there are ten more eligible people on waiting lists. The average eligible senior waits over 13 months before a unit becomes available.⁸ Catholic Charities agencies make a substantial commitment to meeting these needs, but our country must do more to ensure that its most vulnerable citizens receive the housing and services they need to remain stable and productive members of their communities.

Inability to find affordable housing is a major contributor to family stresses that lead to children entering foster care. The same inability affects some of the approximately 24,000 youth that leave foster care every year at age 18. They often age out without being provided any ongoing financial support or other assistance in obtaining housing, health care, a job, or an education. As many as one third may eventually become homeless. Stable housing

provides a positive environment from which youth can begin working towards self-sufficiency, but rental housing is unaffordable to young people with low or no income.⁹

HUD's Family Unification Program (FUP) provides Section 8 vouchers to preserve families and keep children and youth out of foster care, an intervention that helps families and is cost-effective. FUP vouchers can also be used to provide youth aging out of foster care with special time-limited Section 8 vouchers to help them learn to live on their own. After not funding the program for close to ten years, Congress recently provided funds for nearly 3,000 new FUP vouchers – a strong positive step towards preventing family homelessness and helping youth make the transition.

Providing affordable housing for our veterans also challenges our nation. Veterans may face housing affordability problems as they are discharged into the civilian world without the job skills necessary to find employment quickly. And often, post traumatic stress disorder (PTSD) and other mental health disorders make it difficult for veterans to retain a job once they do find one. The loss of family support that occurs when veterans with mental health problems become isolated and alienated from the people who care about them the most exacerbates these problems. Finally, as we see more female veterans returning from the current conflicts in Iraq and Afghanistan, more veteran families with children will be at risk for becoming homeless.¹⁰

Catholic Charities agencies are developing housing for veterans, particularly those who return with disabilities. To help make housing units affordable for this population, HUD and the Veterans Administration have provided 10,000 new Section 8 vouchers for disabled homeless veterans. Catholic Charities USA is pleased to support this initiative and we urge additional collaborations to ensure that everyone who serves our country in the Armed Forces has a stable place to live when they return to civilian life.

Homelessness

Perhaps the nation's most unstable population is the group of individuals and families who do not even have a place to call home. On any given night, more than 750,000 Americans are homeless, including individuals who sleep on the streets and families living in shelters, cars, motels, or stressful doubled-up situations.¹¹

Veterans comprise over 26 percent of the nightly homeless population, even though veterans represent only 11 percent of the civilian population over age 18.¹² Minority groups are also heavily represented among people experiencing homelessness. Two-thirds of the sheltered homeless population is made up of members of minority groups, even though minority groups make up only one-third of the U.S. population. While HUD's data does not provide an estimate of the number of people who are homeless over the course of a year, the number is believed to be between 2.5 million and 3.5 million.¹³

One significant cause of homelessness is inadequate discharge planning from jails, prisons, hospitals, and mental health or substance abuse treatment programs. Conversely, effective discharge planning saves money, improves health outcomes, and prevents homelessness. Ensuring that people have a place to live immediately upon discharge is a

first step in effective discharge planning, but it is not the only step. Discharge plans that fail to put in place the supports necessary to maintain housing are often unsuccessful.¹⁴ Recently, government agencies have begun to push back against private entities that release patients without adequate discharge plans.¹⁵

Housing Challenges – An Urban, Suburban, and Rural Issue

Housing affordability is a problem prevalent in all American communities. Not surprisingly, cities have the highest overall number of very low-income renters. However, a higher percentage of suburban residents than urban residents (36 percent to 34 percent) have worst case housing needs.¹⁶

Cities continue to face significant housing affordability challenges. As government support wanes, public housing stock is falling into disrepair. In many areas, old public housing is being torn down and redeveloped into mixed income communities with both homeownership and rental housing opportunities. While mixed income development has its benefits, these neighborhoods typically have fewer affordable housing units than the housing projects that preceded them, squeezing out lower income residents. Similarly, while gentrification has led to the re-development of once decaying downtown areas and increased property values, it has often forced poorer residents out of neighborhoods that they have traditionally called home.

Today, only 20 percent of U.S. residents live in the 80 percent of the country that is rural. Nearly 7.5 million rural Americans are poor. This reflects a higher poverty rate than for the rest of the country. Many residents of regions such as Central Appalachia, the Mississippi Delta, the Colonias along the border with Mexico, and tribal lands experience a deep and persistent poverty that goes unseen by the rest of the country.¹⁷

Poverty in rural areas persists despite the fact that 76 percent of rural residents own their homes, a number significantly greater than the 68 percent national homeownership rate. Eighteen percent of rural homes are mobile homes, trailers, or other manufactured housing units, or more than half the country's supply of such homes. This housing is often financed through personal property loans instead of conventional mortgages. Further, these loans are frequently made by subprime or even predatory lenders at an increased cost to consumers who can ill afford to pay them.¹⁸

People of color in rural areas often face severe challenges in housing quality and household crowding. Over 20 percent of rural African-American families live in substandard housing, while Latinos occupy over 25 percent of the overcrowded housing in rural communities, even though they occupy only 5 percent of total housing units.¹⁹

Rebuilding the Gulf Coast

In the late summer of 2005, Hurricanes Katrina and Rita devastated the Gulf Coast, from Florida to Texas, with water and wind from the massive storms destroying housing along the coast and well inland. After Katrina, levees were breached in New Orleans, resulting in widespread flooding and the destruction of entire neighborhoods – communities where generations of families lived, worked, and played. The federal response was late and ineffective, and evacuees were scattered across the country, sometimes boarding planes or buses without even knowing their destinations.

Three years after the hurricanes, rebuilding efforts are proceeding slowly. Significant bureaucratic “red tape” has severely hampered programs designed to aid homeowners in rebuilding their own homes. Similar challenges have slowed the redevelopment of smaller rental housing properties. And for the lowest income residents, public and subsidized housing in New Orleans and around the Gulf has still not been fully rebuilt. Debates over how to structure redevelopment have taken time to resolve, as have zoning and other “not in my backyard” concerns. In some cases, economic recovery and affordable housing needs have clashed – in Mississippi, the state is using funds meant for affordable housing redevelopment to rebuild the Port of Gulfport, despite that community’s continuing need for housing.

Catholic Charities agencies in New Orleans and across the Gulf Coast are working to restore affordable housing. The New Orleans Catholic Charities agency has entered into an innovative public-private partnership to rebuild public housing and other affordable housing units for working families, seniors, and persons with disabilities.

The Rising Foreclosure Crisis

Rising foreclosure rates put even middle class families at risk of imminent homelessness. In 2007, over 2.2 million foreclosures were filed, representing a foreclosure rate of just over 1 percent of homeowner households – a jump of 79 percent from 2006.²⁰ Foreclosures continued to soar in 2008, up an average of 59 percent through June of 2008.²¹ While foreclosures are a serious problem across the country, the states of California, Ohio, Florida, Michigan, and Nevada face the most severe challenges.²²

Foreclosures affect all income groups, including many middle class and lower income families who were able to obtain mortgages with low or no down payments and low “teaser” interest rates. As incomes stagnate and low interest rates reset at higher levels, these families can no longer afford to make their monthly mortgage payments.

Communities experience the impact of foreclosure. Property owners who lose their homes to foreclosure often struggle to find a new place to live. Renters of properties that are foreclosed on are typically provided little notice before being legally required to leave. And communities with high numbers of foreclosures become blighted, as properties drop off tax rolls and property values plummet for remaining homeowners. Crime rates often rise, causing additional turmoil in the community. This impact is particularly strong in cities where foreclosures have been concentrated, such as Detroit, Las Vegas, Sacramento, Cleveland, and Miami.²³

Not surprisingly, young children suffer when families are forced to move. A recent report found that the foreclosure crisis will impact 2 million children, with mobility leading to poor school performance, behavioral problems, and negative health outcomes.²⁴

As the foreclosure crisis deepens, the nation must pay more attention to solutions. Recent federal legislation should help approximately 400,000 homeowners avoid foreclosure. The law will also provide communities with \$4 billion dollars to purchase foreclosed properties and refurbish them for use as affordable housing. Many state and local governments are providing emergency payments to homeowners to help avoid foreclosures, while at the same time requiring banks to work with homeowners before and during the foreclosure process. Additional housing counseling funds are also being provided, allowing Catholic Charities agencies and other nonprofits to help homeowners avoid foreclosure and homebuyers ensure that their new residences are affordable in the long term.



Housing and Energy

Green Building

Much of America's multifamily affordable housing stock is old and typically not energy efficient. When energy costs rise, developers and operators of affordable housing have to absorb those costs or pass them along to tenants who are ill equipped to pay. This strains the household budgets of families who are already living on the margins. It also imposes a substantial cost on the federal government, which pays for utilities in public housing and provides significant heating assistance funds to lower income people.

As gas prices fluctuate and the public devotes increased attention to environmental issues, housing developers must address issues of "green" building when constructing new housing or making repairs to existing units. The experience drawn from recent construction projects suggests that "green" affordable housing communities can be constructed for only 2 to 4 percent more than units built without this focus. And over time, most of these costs are recouped through energy savings. In addition, "green" developments may improve health outcomes for residents with diseases such as asthma. A U.S. House committee recently approved the "GREEN Act" – the first federal "green building" legislation.²⁵ This will emerge as an area of focus in upcoming years.

Transportation

Another challenge and opportunity for affordable housing developers is the intersection between housing and transportation. When housing is built far away from both jobs and important community amenities like shopping centers and medical facilities, people must either drive or use public transportation in order to work and meet the needs of their families. Encouraging mixed income and mixed use housing development – without an overall loss of affordable units – would be environmentally sound, facilitate improved access to job opportunities for lower income workers, and reduce the time that people spend in cars and away from their families.

Housing and Racial Equality

Discrimination in Homeownership and Wealth Accumulation

For many American families in the post-World War II period, homeownership has been a primary source of wealth building. As home prices appreciate, families can use equity to improve family well-being by financing an education, covering retirement costs so that parents do not impose a burden on children, helping children with their own down payment costs, or leaving property to children as an inheritance.

Unfortunately, Americans of all races do not share in these benefits. While the overall homeownership rate is 68 percent, rates tracked by race and ethnicity show that 75 percent of white households own their own homes, while only 46 percent of African-American households and 48 percent of Latino households are homeowners.²⁶

These disparities reflect our nation's history of racial prejudice and discrimination. After World War II, homeownership rates soared as easy access to private credit and government loans through programs such as the GI Bill and the Federal Housing Administration (FHA) made buying a home in the suburbs affordable to many white families. These families responded in droves, settling America's new suburban communities, such as the planned Levittowns of New York, Pennsylvania, and New Jersey. But due to practices such as redlining, where banks simply refused to provide loans in urban neighborhoods rather than evaluating applications based on the creditworthiness of each applicant, many qualified African-American families were left unable to purchase homes. These families remained trapped in decaying urban communities and were denied access to both better housing and additional social benefits, such as higher paying suburban jobs and higher performing suburban schools for their children.²⁷

The effects of this discrimination continue today. In the Washington, DC area, for example, African Americans are twice as likely than whites to live in high poverty neighborhoods, and more than eight times more likely than whites to get a sub-prime home purchase loan. And due to ongoing residential segregation, people of color are typically isolated from areas where there is healthy job growth. Even suburban neighborhoods with a high population of people of color tend not to be near the best job opportunities. These suburban neighborhoods also tend to have lower property values than comparable white neighborhoods. Thus, residents have a lower property tax base to pay for high quality schools and a limited ability to gain wealth as their home equity grows.²⁸

The foreclosure crisis is also having a disproportionate effect on people of color. Minority consumers, regardless of income level, have been more likely to receive high cost loans than their white peers. Indeed, middle-income members of minority groups

were more likely to receive a sub-prime or risky adjustable rate loan than whites with similar income levels. Because high cost loans require significantly higher monthly payments, African Americans and Latinos built home equity more slowly during the recent housing bubble. And because loans with deceptive adjustable interest rates often lead to foreclosure when rates reset and payments become unaffordable, a disproportionate share of minority homeowners are losing their residences – and all the money that went into them.²⁹

Immigrants and Housing

Barriers such as immigration status and limited English skills, combined with limited incomes, make it difficult for many immigrants to obtain and maintain affordable housing. Both cities and rural communities feel these impacts.

Substandard housing conditions threaten the health and safety of many immigrants. Both immigrants and native born Americans face these conditions, but undocumented immigrants cannot qualify for public or subsidized housing, often leaving them no choice but to accept substandard housing. In addition, undocumented immigrants often choose not to complain about substandard housing out of a fear that government agencies or landlords will report them to immigration authorities. Too often, unscrupulous landlords take advantage of this fear.

Immigrant tenants are often unrepresented by an attorney and frequently have difficulty communicating with the court due to language barriers when they attempt to seek remedies from the legal system for unsafe living conditions. Even a strong case faces difficulty under these conditions.³⁰

The foreign born population in non-metro areas grows more quickly than in cities. As a result, more immigrants arrive in states with rural communities that traditionally have not seen high rates of immigration, such as North Carolina, where the state's foreign born population grew from 1.7 percent in 1990 to 5.3 percent in 2000. Much of this trend can be attributed to new employment opportunities, particularly in both manufacturing and agriculture.³¹

Immigrants in rural communities are more likely to have incomes below the poverty line than both their native born rural counterparts and their fellow immigrants who live in cities. Immigrant households are also larger on average than native born family groups. The typical immigrant household has 3.2 members, while a native born household has 2.4 members. This leads to two key issues for rural immigrants – they are ten times more likely than their native born neighbors to live in overcrowded housing, and they are 1.5 times more likely to pay more than 30 percent of their income for rent. In fact, 42 percent of rural immigrant families face this challenge, compared to 28 percent of native born rural households.³²

The Government and Private Sector Role in Housing

Federal Government

The federal government plays a critical role in meeting the housing needs of millions of Americans. Federal tax policy promotes homeownership and encourages development of rental housing. And federal spending, through HUD and USDA programs, supports public housing, provides housing subsidies, assists special needs populations, and helps build and revitalize communities.

The largest federal housing subsidy is the homeowner mortgage interest deduction, designed to promote homeownership. A recent estimate suggests that in the current fiscal year, the mortgage interest deduction will cost the federal government \$89 billion in revenue,³³ or more than twice the amount of the annual HUD budget. More than half of these tax benefits go to the top 12 percent of Americans.³⁴ Homeownership is a worthy goal, but it is important to note the priorities set in the tax code – priorities that favor subsidies for higher income homeowners over the provision of housing assistance to lower income families.

HUD spending represents just over 1 percent of all the money spent by the federal government, and only 4 percent of domestic spending, even after large entitlement programs such as Social Security, Medicare, Medicaid, and food stamps are taken out.³⁵ HUD housing expenditures can be roughly broken down as follows:

- 56 percent for tenant and project-based Section 8 rent subsidies
- 18 percent for public and Native American housing
- 14 percent for HOME and CDBG payments to states and local communities
- 4 percent for homeless assistance
- 3 percent (combined) for senior, disability, and AIDS housing
- 3 percent for administrative expenses
- 2 percent for smaller programs, including housing counseling, lead paint removal, rural housing, and fair housing enforcement³⁶

While HUD now spends more in absolute dollars than it did in 1976, a comparison using constant dollars found that during the mid 1970s, HUD spending was effectively more than twice what it is today. Consequently, during that time HUD was able to produce a significant number of new affordable housing units each year. In 1976, more than 200,000 new units were built. On the other hand, HUD budgets over the

past several years have focused their limited dollars on rental subsidies, and have only supported the production of roughly 10,000 new units per year.³⁷ Given this dramatic decline in affordable housing production, it is no surprise that our communities face a shortage of units available to meet the needs of low-income renters.

A second federal agency, the U.S. Department of Agriculture (USDA), also operates significant housing programs. USDA spends approximately \$6.2 billion on housing each year. However, 85 percent of those funds flow to single family homeownership assistance, with only 3 percent going to new loans to produce affordable rental housing and 8.5 percent going to rental subsidies in rural properties.³⁸ Over the past 30 years, USDA has joined HUD in moving away from direct support for housing production. In 1979, USDA subsidized the production of nearly 40,000 new housing units. That number is now down to approximately 1,000. Without new production, rural communities face growing affordable housing shortages.³⁹

Low Income Housing Tax Credits (LIHTCs)

Since 1986, as direct government funding for new affordable housing has dwindled, most development and preservation activities have been supported through the federal Low Income Housing Tax Credit (LIHTC) program. Under the LIHTC program, the federal government provides states with tax credits. Each state then awards the credits to agencies seeking to preserve or develop affordable housing. In turn, those agencies sell the credits to private investors in order to finance their housing development efforts.

The LIHTC program has created 1.4 million units of housing and represents a strong partnership between government, nonprofit and for-profit housing developers, and private sector investors in tax credits. However, the program does face challenges. In strong economic times, when investors need tax credits, the credits may sell for more than one dollar per dollar in tax credits – bringing in “extra” funds to produce more housing units. But in tougher economic times, it is more difficult to find investors in need of credits, and the sale price for credits drops below one dollar per dollar in credits – in 2007 the median price was 92 cents.⁴⁰ Under these conditions, developers need additional credits or other financial support to make financing deals work and produce new affordable housing units.

LIHTC properties can serve residents at up to 60 percent of area median income. In order to make their financials work, properties often focus on residents near the top of that income group – omitting the lowest income residents. To avoid this problem, many state housing finance agencies require developers to designate units for people at or below 30 percent of area median income. In some cases, this permits the development of supportive housing to help end homelessness or housing for very low-income families who might otherwise be homeless through LIHTCs.⁴¹

Housing Trust Funds

Government entities provide dedicated revenue for preservation and production of affordable housing through separate funds known as housing trust funds. Trust funds are distinct from other housing programs in that they are funded with dedicated public revenues such as taxes or user fees, rather than through annual budget appropriations. Currently, 38 states and over 550 cities and counties have housing trust funds. These trust funds provide over \$1.6 billion dollars per year.⁴² And recently, after many years of effort on the part of Catholic Charities and organizations around the country, Congress created a National Affordable Housing Trust Fund, to be financed with a percentage of Fannie Mae and Freddie Mac's annual new business. The new fund demonstrates a recognition by the federal government of the importance of increasing the nation's supply of affordable housing.

Housing Preservation

Every year, the nation loses over 100,000 units of affordable housing from the supply. Many of these units, built in the 1960s and 1970s by private developers using government grants and loans, were required to remain affordable for 20-, 30-, or 40-year periods. As these affordability restrictions expire, and the properties age, owners determine that they can make more money by rehabilitating their properties and charging market rents or by converting the units to condominiums. This creates a permanent loss of affordable housing units and puts low-income tenants at risk of displacement and potential homelessness.

Recognizing this challenge, many government programs and nonprofits focus considerable resources on the preservation of existing affordable housing. Preservation keeps people in existing homes, costs less than new construction, and is a viable option in communities where land for the development of new affordable housing simply is not available. Without more efforts to preserve affordable housing, the United States will continue to experience the current annual trend of losing more affordable housing units than we produce.

Catholic Charities agencies and other nonprofit housing developers will continue to focus considerable energy on housing preservation activities. To help preserve more units, federal, state, and local government should continue to provide tax credits and other financial incentives.

Catholic Charities and the Catholic Community

Catholic Charities agencies nationwide work at every point in the housing continuum, from homeless street outreach to foreclosure prevention to production of affordable housing properties. Numerous other Catholic institutions also provide housing and housing services.

In 2008, the Center for Applied Research in the Apostolate at Georgetown University conducted a census study of all Catholic housing programs to examine their role in housing America. The 2008 Catholic Housing Survey summarizes the housing assistance provided by Catholic Charities agencies, dioceses, institutes of religious, and independent programs and properties not sponsored by a diocese or Catholic Charities.⁴³

The survey asked respondents about any housing units, beds, or housing-related services that their organization owns, manages, or sponsors. Programs (Catholic or non-Catholic) were only included if they provide assistance to the public.

Preliminary results from the Catholic Housing Survey show that the broader Catholic community served nearly 800,000 people through housing in 2007. Of those served, 32 percent were families and 19 percent were seniors.

These Catholic housing programs have the capacity to provide more than 143,000 residences, including 103,623 housing units and 39,930 housing beds.⁴⁴ Most of the housing units were rental units (31 percent) or independent housing units for seniors (30 percent). Multi-family units comprised 10 percent of the housing units. Most of the housing beds were nursing home beds (50 percent) and homeless shelter beds (19 percent).

Catholic Charities agencies specifically provided housing to more than 650,000 people and are the sponsors or affiliates of 45 percent of all Catholic housing units and 25 percent of all Catholic housing beds. Catholic Charities agencies also provide housing-related services. Eighty percent of responding Catholic Charities agencies had at least one affiliate program that provides rental assistance, and 70 percent had at least one program that provides case management. Other housing-related services provided by many responding Catholic Charities agencies include housing counseling, home mortgage assistance, and housing development.

While the Catholic community makes a substantial contribution to easing the affordable housing crisis, the needs are far too great for us to handle alone. The Catholic Charities network, the Catholic community, and the nation at large must work together to achieve a housed America.

Toward a Housed America

America's affordable housing crisis is solvable. We know what to do. What we need now is the political and social will to take action. Ensuring access to safe, decent, and affordable housing is one of our country's most pressing challenges. We must reaffirm the goal articulated in the Housing Act of 1949 – “a decent home and a suitable living environment for every American family.”

To achieve this goal, the federal government must adopt a comprehensive national housing plan. Such a plan should establish the scope of the country's housing problems and identify a broad set of solutions and timelines to move the nation in a realistic manner toward a day when every person in the United States has adequate housing.

This does not suggest that the federal government bears the sole responsibility for solving America's affordable housing crisis. Any plan requires the development of partnerships at all levels of government, along with alliances among government agencies, nonprofit and for profit housing developers, small and large businesses, and philanthropic institutions.

Creating a plan requires the vision to address all of the housing issues reviewed in this paper. It requires efforts to reduce income and tax inequality and end poverty so that people can afford housing. It requires work to eliminate the pervasive legacy of racial discrimination. It requires that we examine the balance between homeownership and rental housing and increase our focus on community development – understanding the connections between housing and transportation, education, health, energy, our environment, and other key social issues. And while this national housing plan must be unwavering in its goal of providing safe, decent, affordable housing for all Americans, it must permit flexibility in how the local community will achieve the goal. A meaningful housing strategy must permit each community to address its most pressing local needs.

Catholic Charities agencies nationwide provide a full range of housing services as well as affordable homeownership and rental housing opportunities. Given our diverse experience, we are well positioned to contribute to ongoing housing policy debates and to play an important role in implementing housing solutions in communities across the country. In partnership with federal, state, and local governments, as well as nonprofit agencies and businesses concerned with ensuring that their employees have affordable housing available to them, we can lead the way toward a future where every American can access quality, affordable housing.

Policy Recommendations

For many Americans, the greatest housing problem is affordability. The cost of housing puts a strain on family budgets, making it difficult for them to dedicate resources to health care, education and job training, transportation, economic stability and other important social needs that help keep families strong.

While the minimum wage has recently been increased, full-time minimum wage work still does not pay enough to allow many working families to live in affordable housing. Many workers perform multiple jobs in order to bridge the gap their part time or underpaid positions offer them. Therefore, we should continue to promote efforts to implement a “living wage” – an income that is tied to the true cost of living in communities around the country.

Even as we do that, all levels of government – federal, state, and local – must work in concert to address our country’s affordable housing needs. Catholic Charities member agencies and the broader nonprofit community can supplement, but not supplant, these necessary efforts.

With the goal of ensuring that every American can access quality, affordable housing, we make the following housing policy recommendations.

Ensure Local Community and Government Support for Affordable Housing

While all American communities need affordable housing, too many cities, towns, and neighborhoods fear it. Misconceptions abound – people believe that affordable housing is poorly designed and won’t “fit in” to communities or that affordable housing results in increased crime and decreased property values. If not addressed, these “not in my backyard” concerns can doom efforts to provide affordable housing. By working closely with local government agencies and residents, affordable housing developers can help alleviate these concerns and gain backing for their efforts.

Local government land use policies play a significant role in the ability to develop affordable housing. Particularly in suburban areas, local zoning policies favor development of single family homes, not multi-family rental properties. For this to change, nonprofits and government agencies must work together to promote sensible housing development policies. One effective policy can be inclusionary zoning, where developers of new market rate housing are required to either make a percentage of their units affordable or pay into a local housing trust fund for affordable housing development.

Reduce Foreclosures and Revitalize Distressed Communities

Government and nonprofit agencies must work together to mitigate the effects of the ongoing foreclosure crisis. To help individual homeowners, legislators should provide incentives for lenders to modify current loans so that families can stay in their homes. In addition, Congress should amend federal law and permit judges to modify home mortgage terms in bankruptcy proceedings. Further, significant new housing counseling funding should be allocated to help current homeowners avoid foreclosure and to ensure that new homebuyers secure fair, affordable loan terms.

Finally, funds must be targeted to revitalize communities that have been devastated by the foreclosure crisis. Where foreclosures have clustered, our agencies see neighborhood property values plummeting, housing falling into disrepair, and crime increasing. Local governments are also losing critical property tax revenue, inhibiting their ability to respond. The federal government must step in and provide communities with the resources to respond to these new and unanticipated challenges. With these challenges comes a significant opportunity – the opportunity to use newly revitalized housing to provide affordable homeownership and rental opportunities for a range of low-income families, including individuals and families who are currently homeless.

Expand the Low Income Housing Tax Credit

The Low Income Housing Tax Credit (LIHTC) is currently the country's best program for producing new affordable housing units. The federal government should provide states with additional credits to allocate, which would directly result in the development of more affordable housing units. Housing developments built with LIHTC funds can serve residents with incomes of up to 60 percent of the area median income. Many developers of LIHTC housing target their projects at the higher end of that income scale, so that project rents can cover project operating costs. To ensure that LIHTC projects can also serve more very low-income and extremely low-income residents, developers should be able to allocate more credits to particular projects, which would result in decreased operating costs and permit lower rents. In recent years, state and local governments have also adopted a range of tax and bond incentives for affordable housing development. Communities should be encouraged to continue implementing these policies. With developers' ability to allocate more Low Income Housing Tax Credits per project, communities will make their affordable housing obtainable by those who are in the lowest income brackets.

Implement the National Housing Trust Fund

Catholic Charities USA has long supported the National Housing Trust Fund Campaign – a campaign to build 1.5 million units of housing affordable for the lowest income Americans over the next ten years. In 2008, Congress passed legislation that established the National Housing Trust Fund. The nation must ensure that the trust fund has the needed dollars to meet its goals. If this is to occur, additional dedicated revenue streams must be identified and allocated to the trust fund.

Support State and Local Housing Trust Funds

Across the country, there are close to 600 housing trust funds at the state, city, and county levels. Every year, these funds spend \$1.6 billion on affordable housing development and preservation, leveraging \$5 to \$10 in other public and private money for every \$1 committed. These state and local trust funds are a critical complement to federal resources. Catholic Charities USA encourages the creation and funding of such funds.

Provide New Resources for Housing Subsidies

One of the simplest ways to make rental housing more affordable is to provide direct housing subsidies. The Section 8 program is an effective and efficient means for providing these supports. Unfortunately, even as waiting lists have grown longer and longer, federal Section 8 funding for tenant subsidies has been so low that the total number of assisted units in local communities has either stayed level or, in some areas, dropped. And HUD has been unable to make monthly payments reliably to owners of multi-family subsidized properties. These trends cannot continue. The nation must support significant increases in funding for Section 8 tenant-based vouchers, including those targeted to individuals and families leaving homelessness, seniors, and persons with disabilities. We must also ensure reliable funding for the project-based Section 8 program so that property owners can maintain their communities and resist converting these vital units of affordable housing into market rate developments.

Preserve a Role for Public Housing

Public housing has long been a critical part of the federal response to affordable housing. Though local, high crime neighborhoods host many distressed public housing units, housing authorities across the country are successfully mixing government and private housing development funds to revitalize urban communities. Unfortunately, redevelopment of public housing often results in fewer subsidized housing units and displacing former residents. Funding for public housing revitalization must be sufficient to ensure that there is no net loss of affordable housing units. As our communities create safer, revitalized areas for their residents, it is imperative that subsidized housing is also a priority.

Increase the Federal Role in Producing Special Needs Housing

The HUD Section 202 senior housing program currently produces a fraction of the new units it developed 30 years ago. Already, for every unit available there are ten low-income seniors in need of housing assistance. As the nation ages, this ratio will increase. To meet our nation's commitment to seniors, it must increase the available supply of supportive senior housing units. This can be done in two ways – by providing increased funding and by reforming federal policy so that senior housing funds can be more easily blended with other sources of affordable housing funding, which in turn will greatly ease new development. The newer Section 811 disability housing program only produces a small number of new housing units each year, despite the demand caused

by deinstitutionalization and the understanding that people with disabilities are best served when they can be provided with community-based housing and social supports. Whether through rental subsidies or financing of new housing units, the nation must maintain our commitment to provide all persons with disabilities the opportunity to live with dignity.

End Homelessness

To end homelessness, the nation must first prevent people from becoming homeless. By providing new housing resources and keeping people who are housed in that housing, many of the policy proposals referenced above will help achieve this goal. But to ensure that homelessness does not continue, the nation must strengthen discharge planning from public and private systems of care. Nobody should leave a prison, jail, hospital, or treatment program without a place to live. For people who are already homeless, the nation must commit to provide new housing resources accompanied by social supports. The long-term single adult homeless population may need more intensive services, as may some portion of families who are homeless. Further, unaccompanied homeless youth will need to be reconnected with family or provided with other living arrangements.

Maintain and Redevelop Existing Housing Stock

National commitment to affordable housing and preservation is critical to creating a housed America. Federal and state incentives to support nonprofits and other local developers to buy and rehabilitate existing housing stock will preserve communities and create more affordable housing for families. Investments in energy efficient housing rehabilitation will create jobs for low-income communities and provide more safe affordable housing for low- to moderate-income families.

Promote Green Housing

Smart investment in greener housing will provide a number of benefits to distressed communities and the overall economy. Improvements in green housing will result in fewer health care issues for millions of families currently living in distressed housing. New investments that focus on energy efficiency and sustainability will also result in new employment opportunities that will benefit communities.

Make Investments in Workforce Housing

Building and rehabilitating housing near jobs and transportation should be a major focus of any effort to create more affordable housing. Reducing travel time for workers helps the environment and keeps families in communities where they work.

Improve Housing Protections for Immigrants

Removing anti-immigrant biases in housing is critical to promoting a comprehensive housing strategy. Immigrant families frequently suffer from predatory practices and other discrimination that result in their living in unsafe housing conditions. Federal and state policies should focus on reducing abusive actions against immigrant families and creating accessible housing for immigrant families.

Improve Programs that Address Financial Components of Homebuying

The current housing crisis is proof that many families need housing counseling to prepare for the purchase of a first home. Catholic Charities agencies have provided such programs with great success. The federal government should expand support to local community organizations to strengthen such programs. Additional resources should be allocated to help families save for their first home, similar to HUD's Family Self-sufficiency Program. There should also be a focused effort to regulate mortgage brokers and reduce predatory lending practices that victimize first-time home buyers.

Make Additional Investments in Supportive Housing

Meeting the housing needs of vulnerable populations such as people with disabilities, seniors, and children will be a critical component of our goal to reach a fully housed America. Additional investment by the federal government is necessary to create additional units of supportive housing for vulnerable populations. These units should have integrated social services to help residents fully participate in their communities.

Develop More Affordable Rental Units

The federal government should lead the effort to develop more affordable rental units in all areas of the country. In most metro areas, individuals earning minimum wage simply do not earn enough to pay fair market rent. More affordable rental housing must include subsidized rental assistance to allow low- to moderate-income families find a safe and affordable place to live.

Promote Equitable Entry to Homeownership

Too many Americans are not able to buy their own homes because of racial biases in the market. Homeownership is a critical component of long-term wealth transfer; therefore, policies must promote equitable homeownership throughout all segments of our population. These strategies must prepare families to purchase the appropriate housing so that they are at less risk for predatory lending practices and foreclosure. With African-American and Latino children forming the majority of future households, it is critical that investment in equitable homeownership policies be implemented. Without such investments, the middle class will become more fragile, with weakened education standards, decreasing wages, and slumping homeownership. These factors will have a negative consequence on the economic security of our nation.

Without the home as a foundation, our communities and our country as a whole suffer. A housed America, one where individuals and families have a place to ground their lives, seek comfort, and prepare themselves to participate as full members of our society through work, education, and civic engagement, can be a reality. With policies and practices that hold the home as the foundation to a better community, we can ensure that all our nation's residents have roofs over their heads.

Notes

- 1 *Meeting Our Nation's Housing Challenges* (Washington, DC: Bipartisan Millennial Housing Commission, 2002).
- 2 Ibid.
- 3 Ibid.
- 4 *Out of Reach* (Washington, DC: National Low Income Housing Coalition, 2008); available at <http://www.nlihc.org/oor/oor2008/>.
- 5 U.S. Department of Housing and Urban Development Office of Policy Development and Research, *Affordable Housing Needs: A Report to Congress on the Significant Need for Housing* (Washington, DC, 2005).
- 6 *Out of Reach* (Washington, DC: National Low Income Housing Coalition, 2008).
- 7 Ann O'Hara, Emily Cooper, Andrew Zovistoski, and Jonathan Buttrick, *Priced Out in 2006* (Washington, DC: Technical Assistance Collaborative and Consortium for Citizens with Disabilities Housing Task Force, 2007).
- 8 "Aging Services: The Facts," American Association of Homes and Services for the Aging, http://www.aahsa.org/aging_services/default.asp.
- 9 Deborah S. Harburger with Ruth Anne White, "Reunifying Families, Cutting Costs: Housing – Child Welfare Partnerships for Permanent Supportive Housing," *Child Welfare* 63, no. 5 (Sept.-Oct. 2004).
- 10 "Ending Homelessness Among Veterans Through Permanent Supportive Housing, A Leadership Dialogue," Policy Leadership Dialogue event convened by the Corporation for Supportive Housing, the National Coalition for Homeless Veterans, and Volunteers of America, 3-4 October, 2006.
- 11 U.S. Department of Housing and Urban Development, *The Third Annual Homeless Assessment Report to Congress*, (Washington, DC, 2008).
- 12 *Vital Mission, Ending Homelessness Among Veterans* (Washington, DC: National Alliance to End Homelessness, 2007); available at <http://www.endhomelessness.org/content/article/detail/1837>.
- 13 *Homelessness Programs and the People They Serve: Findings of the National Survey of Homeless Assistance Providers and Clients* (Washington, DC: Interagency Council on the Homeless, 1999).
- 14 Thomas E. Backer, Elizabeth A. Howard, and Garrett E. Moran, "The Role of Effective Discharge Planning in Preventing Homelessness," *Journal of Primary Prevention*, 28, no. 3-4 (July 2007).
- 15 Richard Winton, "Skid row dumping suit settled," *Los Angeles Times*, 31 May 2008; available at: <http://articles.latimes.com/2008/may/31/local/me-dumping31>.
- 16 U.S. Department of Housing and Urban Development Office of Policy Development and Research, *Affordable Housing Needs: A Report to Congress on the Significant Need for Housing* (Washington, DC, 2005).
- 17 *Housing in Rural America* (Washington, DC: Housing Assistance Council, 2008).
- 18 Ibid.
- 19 Ibid.
- 20 "Detroit, Stockton, Las Vegas Post Highest 2007 Metro Foreclosure Rates," RealtyTrac, <http://www.realtytrac.com/ContentManagement/pressrelease.aspx?ChannelID=9&ItemID=4119&acct=64847>, 13 February 2008.
- 21 Michael R. Crittenden, "Foreclosure Rates Higher around U.S. Military Bases," *The Wall Street Journal* Digital Network, <http://blogs.wsj.com/developments/2008/06/12/foreclosure-rates-higher-around-us-military-bases/>, 12 June 2008.
- 22 "Detroit, Stockton, Las Vegas," RealtyTrac.
- 23 Ibid.
- 24 Philip Lovell and Julia Isaacs, *The Impact of the Mortgage Crisis On Children* (Washington, DC: First Focus, 2008).

- 25 Testimony of Doris W. Koo, president and CEO, Enterprise Community Partners, for the Committee on Financial Services, United States House of Representatives, "H.R. 6078: the Green Resources for Energy Efficient Neighborhoods (GREEN) Act of 2008, on June 11, 2008.
- 26 U.S. Census Bureau, *American Community Survey* (Washington, DC, 2005).
- 27 "Census Report: Broad racial disparities persist," Associated Press, 14 November 2006.
- 28 *Decision Points '08, Racial Disparities* (Washington, DC: Urban Institute, 2008).
- 29 *Income is No Shield Against Racial Differences in Lending II: A Comparison of High-Cost Lending in America's Metropolitan and Rural Areas* (Washington, DC: National Community Reinvestment Coalition, 2008).
- 30 "The Housing Problems of Immigrants," *Gotham Gazette* (New York City), November 2004.
- 31 *Immigration and Housing in Rural America* (Washington, DC: Housing Assistance Council, 2007).
- 32 Ibid.
- 33 Curtis S. Dubay and William Ahern, "President's 2008 Budget Reveals Massive Holes in Tax Code," Tax Foundation Tax Policy Blog, <http://www.taxfoundation.org/blog/show/2197.html>, 6 February 2007.
- 34 *Poverty In America: A Threat to the Common Good* (Alexandria, VA: Catholic Charities USA, 2006).
- 35 U.S. Office of Management and Budget. *Budget of the United States Government, FY 2008* (Washington, DC, 2007).
- 36 "FY 2009 Budget Chart for Selected Programs," National Low Income Housing Coalition, <http://www.nlihc.org/doc/FY09%20Budget-Chart-THUD-senate-comm..pdf>.
- 37 *Without Housing: Decades of Federal Housing Cutbacks, Massive Homelessness, and Policy Failures* (San Francisco: Western Regional Advocacy Project, 2006).
- 38 "Appropriations for Fiscal Year 2008," Housing Assistance Council, http://www.ruralhome.org/info/Announcements_2008budget_House.php#USDA.
- 39 *Without Housing: Decades of Federal Housing Cutbacks, Massive Homelessness, and Policy Failures* (San Francisco: Western Regional Advocacy Project, 2006).
- 40 Donna Kimura, "2008 QAPs Push Green Policies," *Affordable Housing Finance*, December 2007.
- 41 Ibid.
- 42 "Housing Trust Fund Project," Center for Community Change, <http://www.communitychange.org/our-projects/hhf>.
- 43 The survey reflects a response rate from 54 percent of Catholic Charities agencies, 51 percent of diocesan chancellors, 22 percent of programs and properties, 26 percent of women's religious institutes, and 12 percent of men's religious institutes.
- 44 As of August 27, 2008. Totals will increase as data for non-responding independent programs (not sponsored by a diocese or Catholic Charities) is filled in from public sources.

