



# Housing Sector Overview

# AFFORDABLE HOUSING:

In general, housing for which the occupant(s) is/are paying no more than 30 percent of his or her income for gross housing costs, including utilities. Some jurisdictions may define affordable housing based on other, locally determined criteria, and that this definition is intended solely as an approximate guideline or general rule of thumb. (HUD)

# Key drivers of decreased affordability

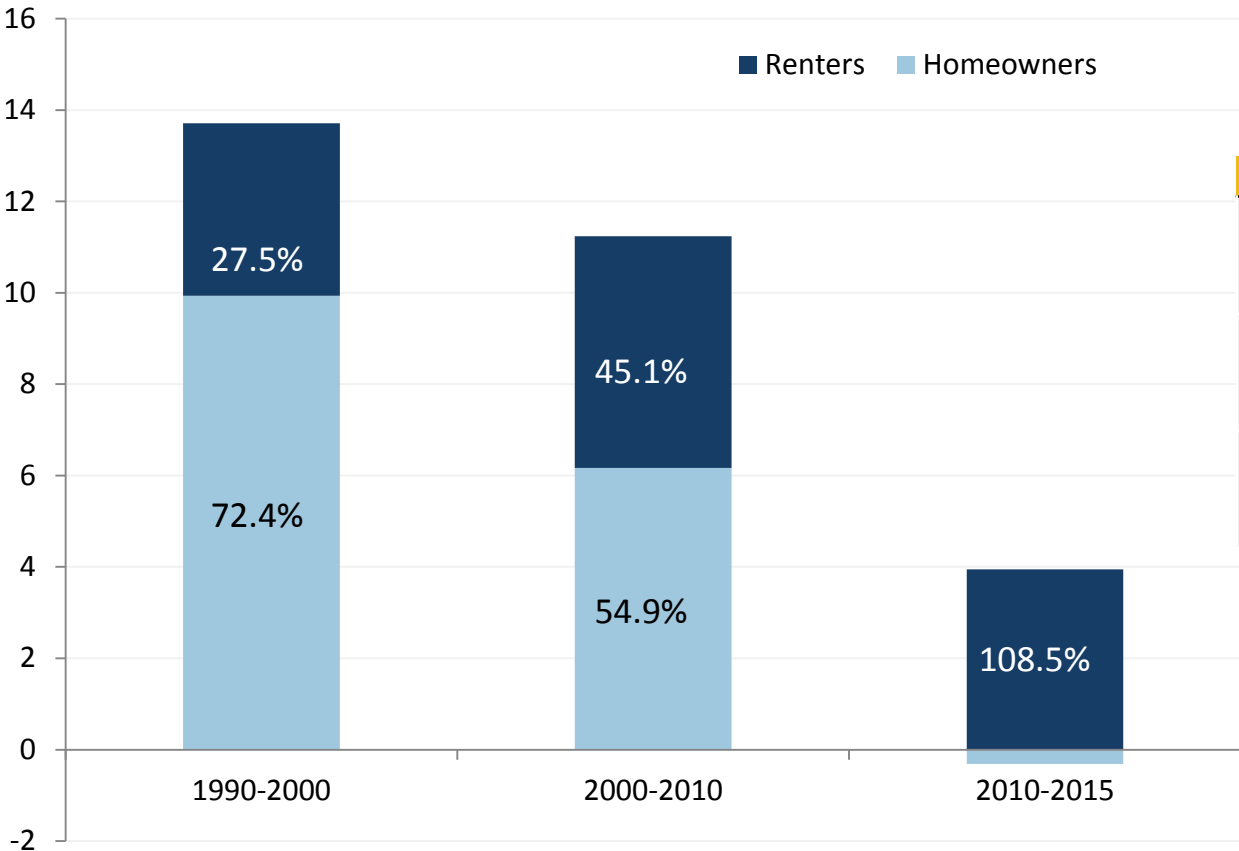
- Housing supply lagging demand
- Home price appreciation
- Rising interest rates
- Low or stagnant wages and supply constraints
- High rents and cost burdened renters
- Incomes not keeping pace with rising housing costs

**As the demand for affordable housing increases, affordability challenges compound**

# Rental share has increased over time

Number of Net New Households

Millions of households

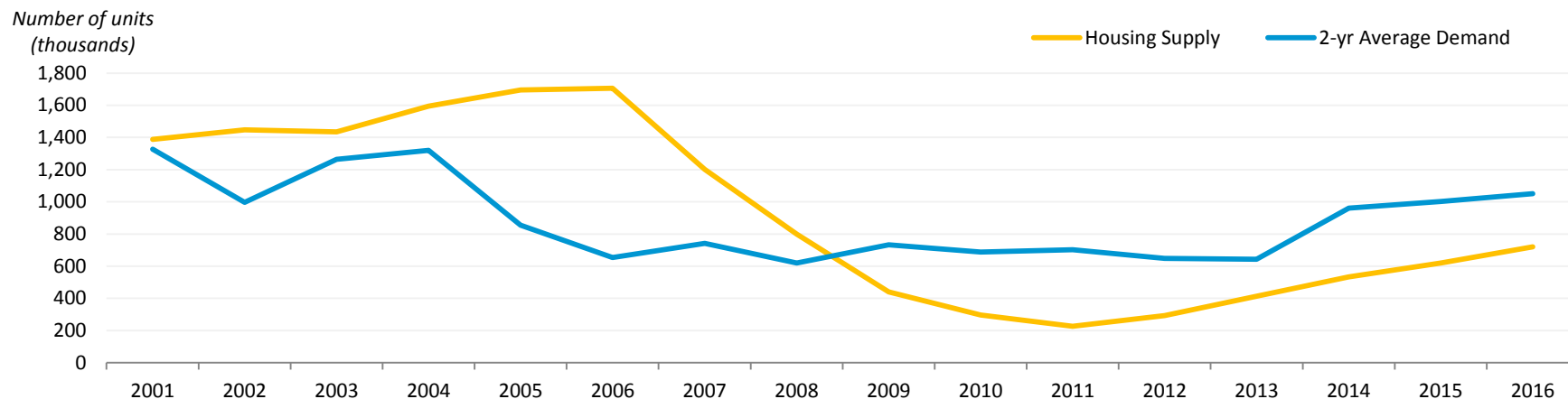


	Households	Owners	Renters
Percent change, 1990-2000	14.94%	16.59%	11.84%
Percent change, 2000-2010	10.65%	8.84%	14.20%
Percent change, 2010-2015	3.18%	-0.41%	9.97%

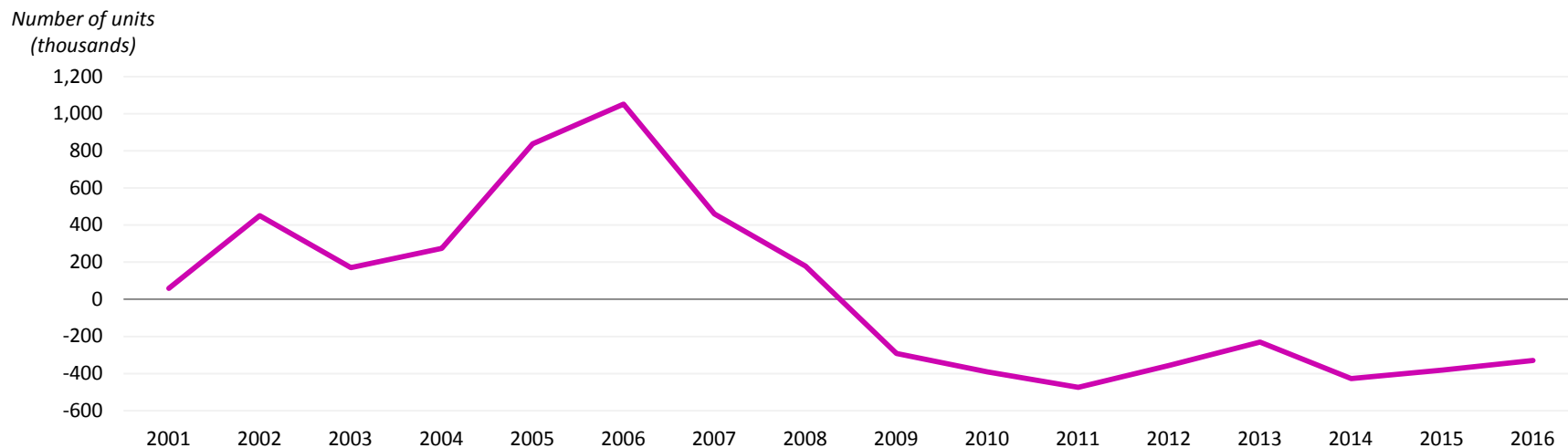
Sources: U.S. Census 1990, 2000, 2010, American Community Survey, 2010, 2015, and Urban Institute calculations

# Housing demand is growing faster than supply

## Supply and Demand for Housing



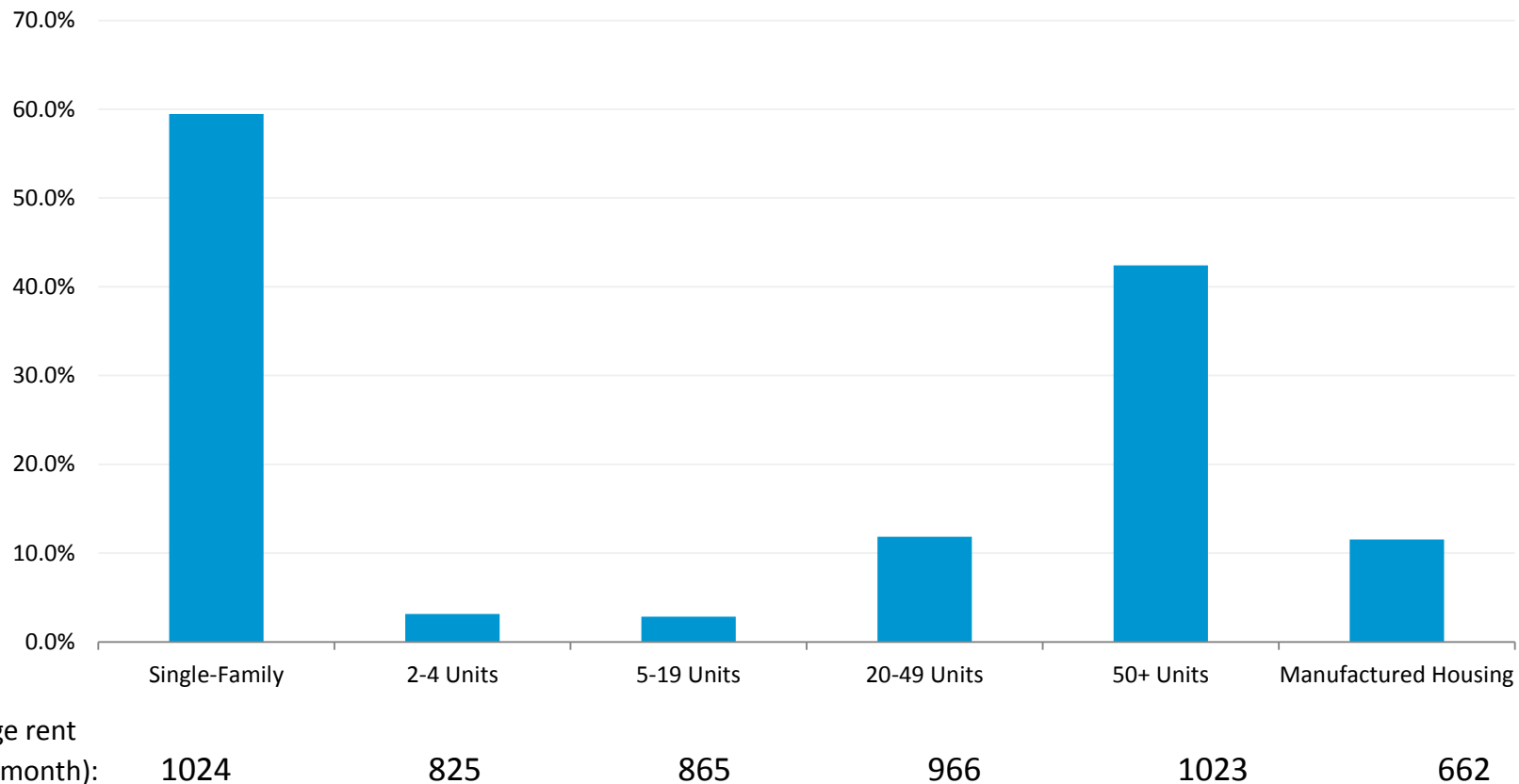
## Difference Between Housing Supply and Housing Demand



Sources: US Census data, Urban Institute Calculations

# Net growth in rental units is concentrated in the highest-rent structures

Percent change in number of units (2007-2015)



Average rent  
(\$ per month):

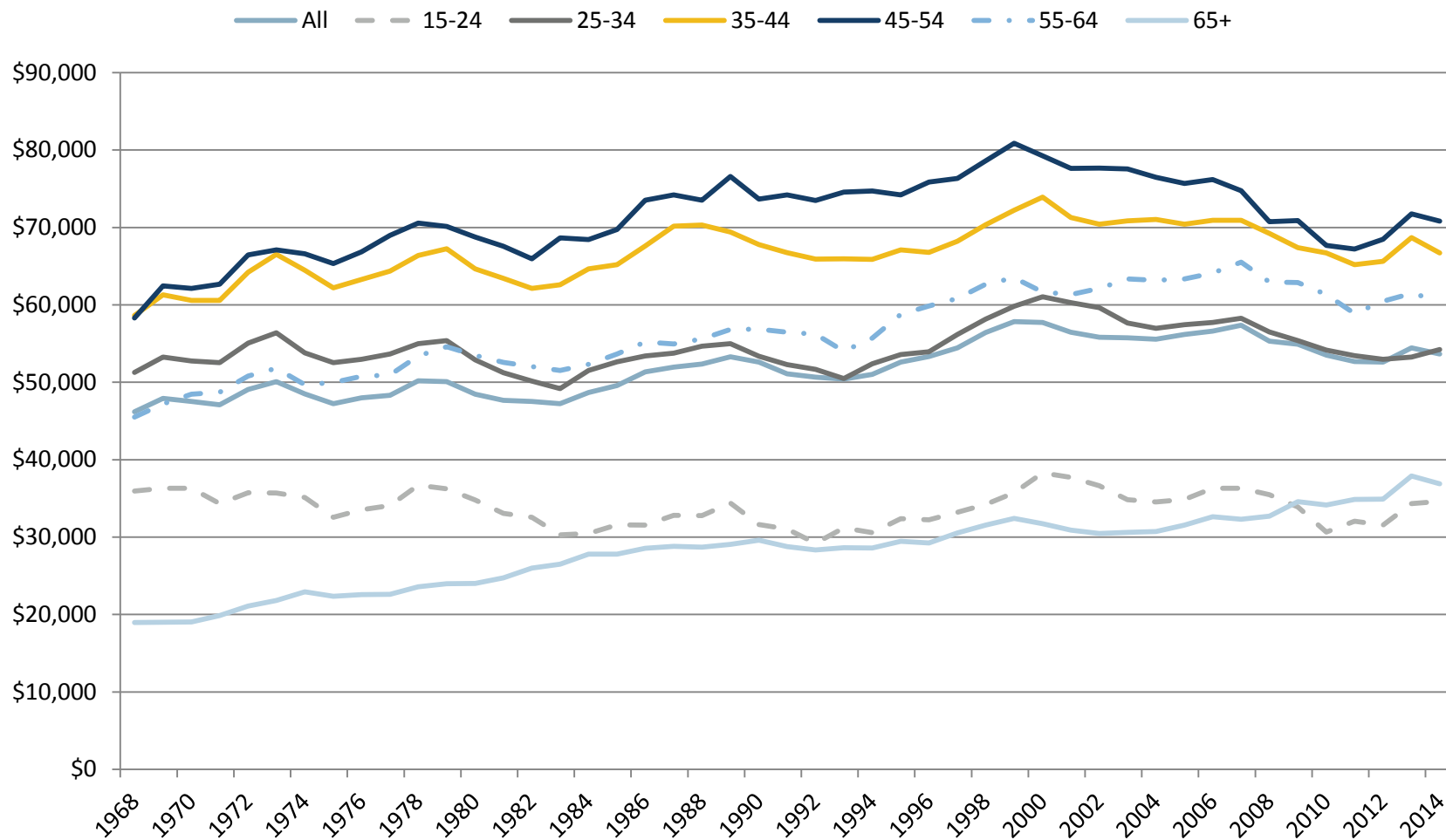
Source: American Housing Survey, Urban Institute calculations

**Cost burdens are high**



# Real incomes are flat

## Median Household Income, Real 2014 \$ in Thousands, by Age of Householder

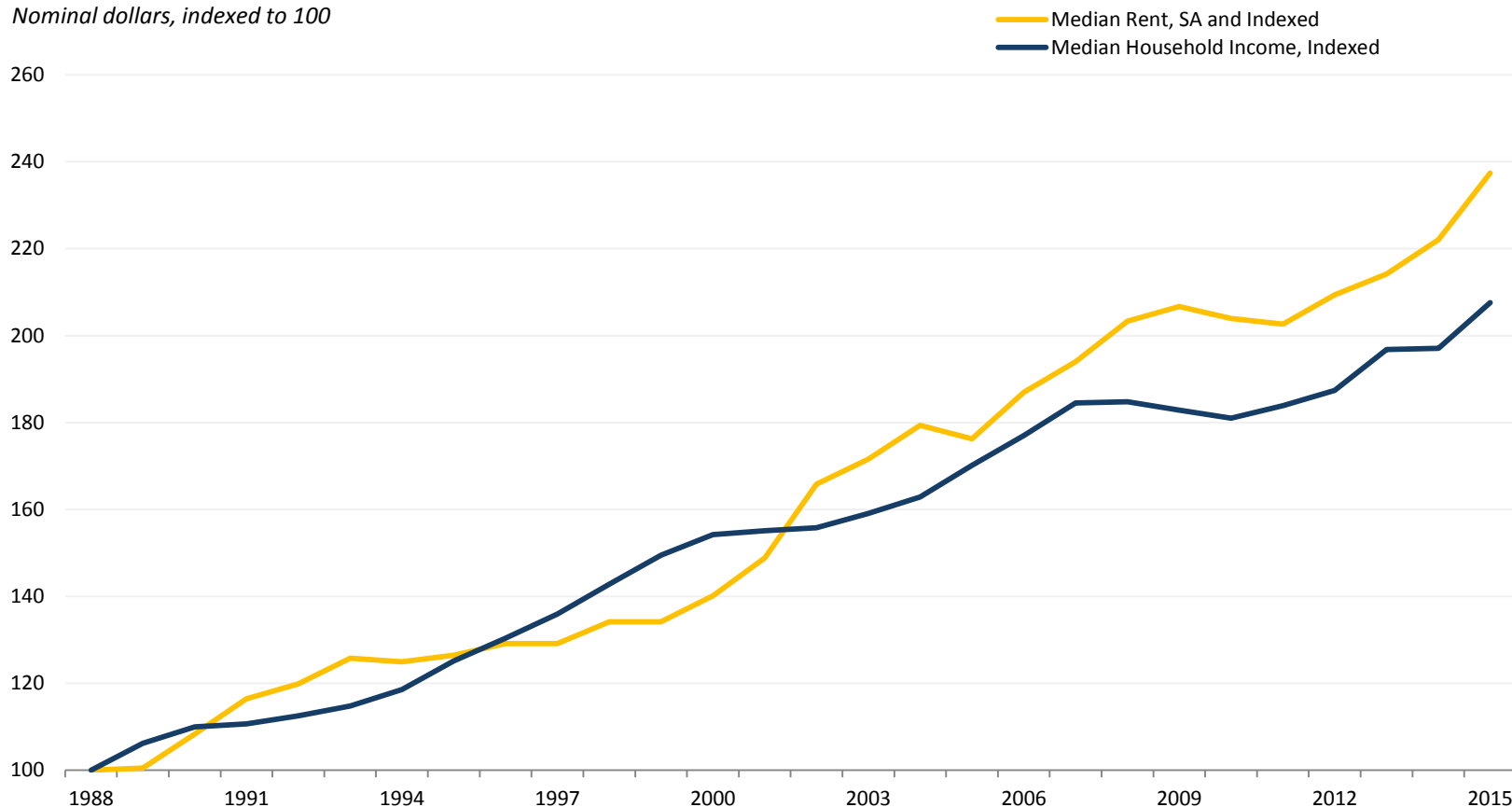


Sources: U.S. Census Bureau Current Population Survey and Urban Institute.

# Rents are growing faster than incomes

## Median Rent vs. Household Income, 1988-2015

*Nominal dollars, indexed to 100*

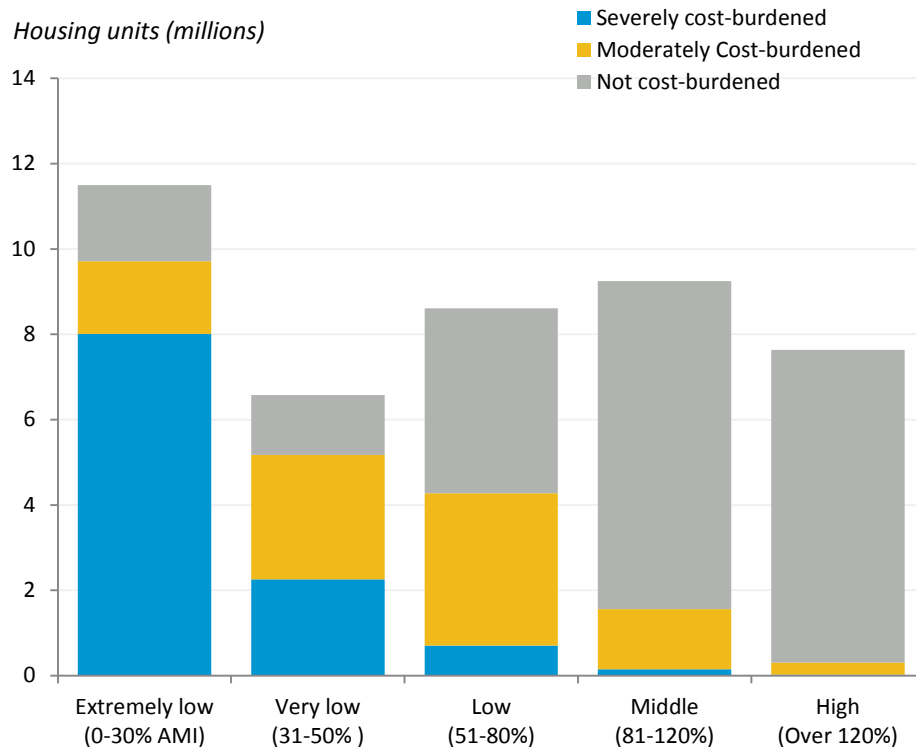


**Sources:** U.S. Census Bureau Housing Vacancy Survey, U.S. Census Bureau Current Population Survey (CPS), and Urban Institute calculations .

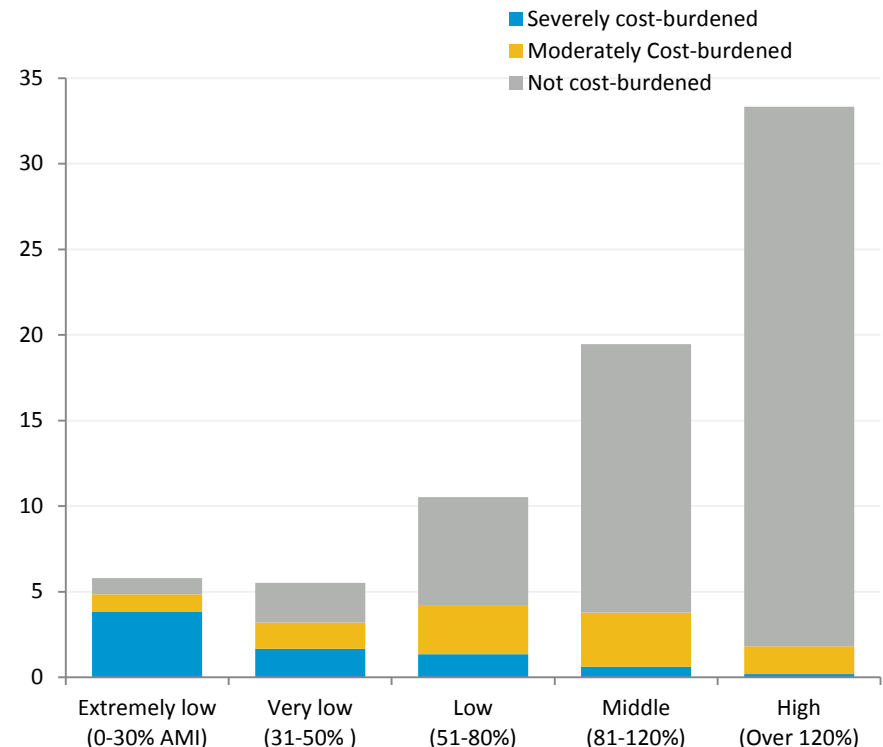
# A quarter of renters and 10% of owners spend over half their incomes on housing

*Most of the burden falls on those earning less than 30% of area median income (“extremely low income”)*

Cost burdened renters, 2015



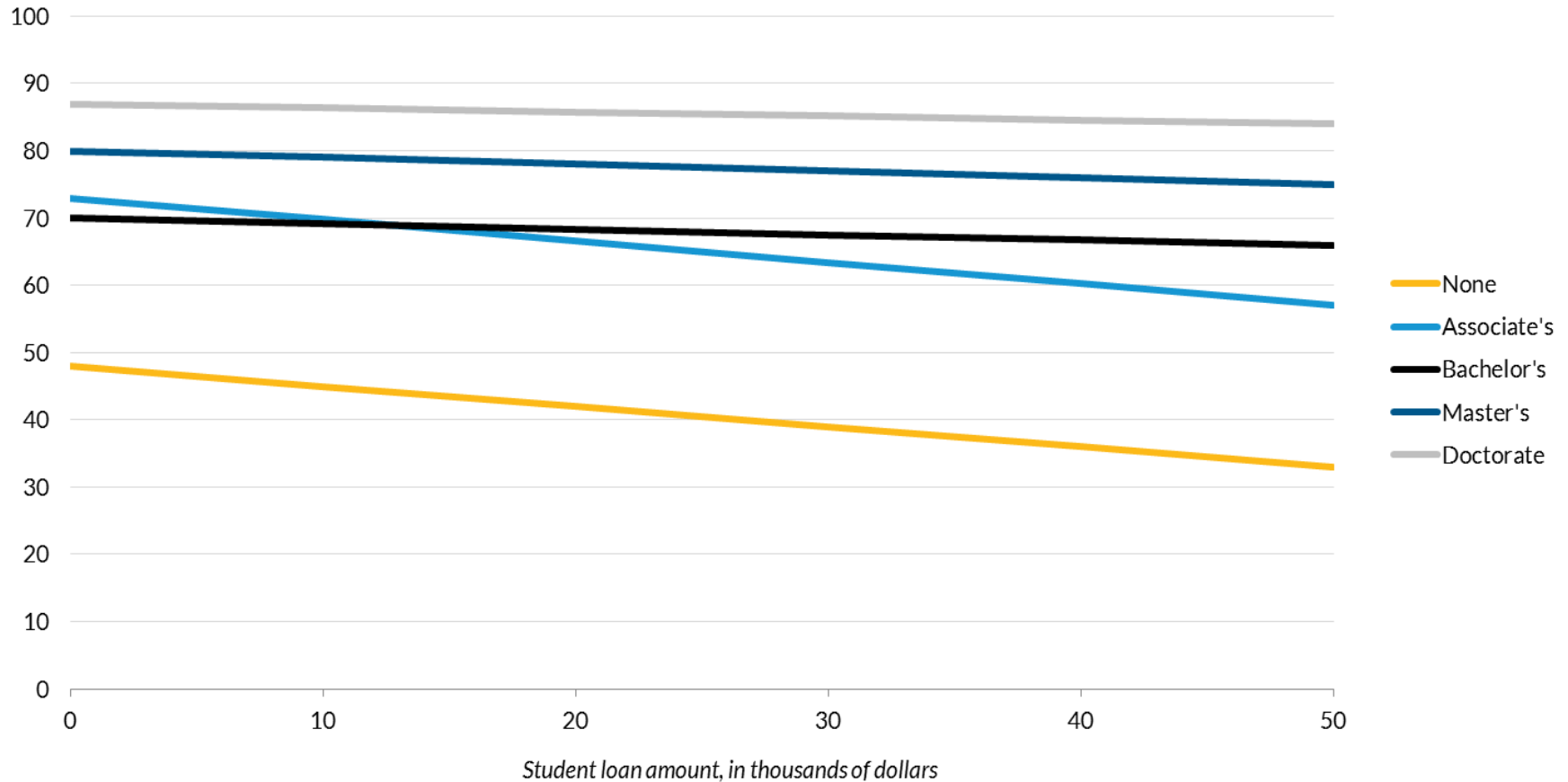
Cost burdened owners, 2015



Source: Urban Institute tabulations of American Community Survey data.

# Homeownership sensitivity to student debt

Probability of homeownership



Source: "Yes, First-Time Buyer Demand is Weak. But Stop Blaming Student Debt," Zillow Real Estate Research, September 16, 2015. <http://www.zillow.com/research/student-debt-homeownership-10563/>

**Housing finance system has  
been evolving since 2008**

# Housing Finance Options

## Government

- Federal Housing Administration (FHA)
- Veterans Administration (VA)
  - Veteran Affairs Supportive Housing Vouchers
- Rural Housing (USDA)
  - USDA Rural Rental Housing Programs
- Ginnie Mae – securitization of above government loans

## Conventional

- Government Sponsored Enterprises
  - Fannie Mae and Freddie Mac
    - National Housing Trust Fund and Duty to Serve programs
  - Federal Home Loan Banks

## Bank/Private Investor

- Portfolio Lending
- Private

**Public Housing and Rental  
Assistance options can't  
meet growing need**

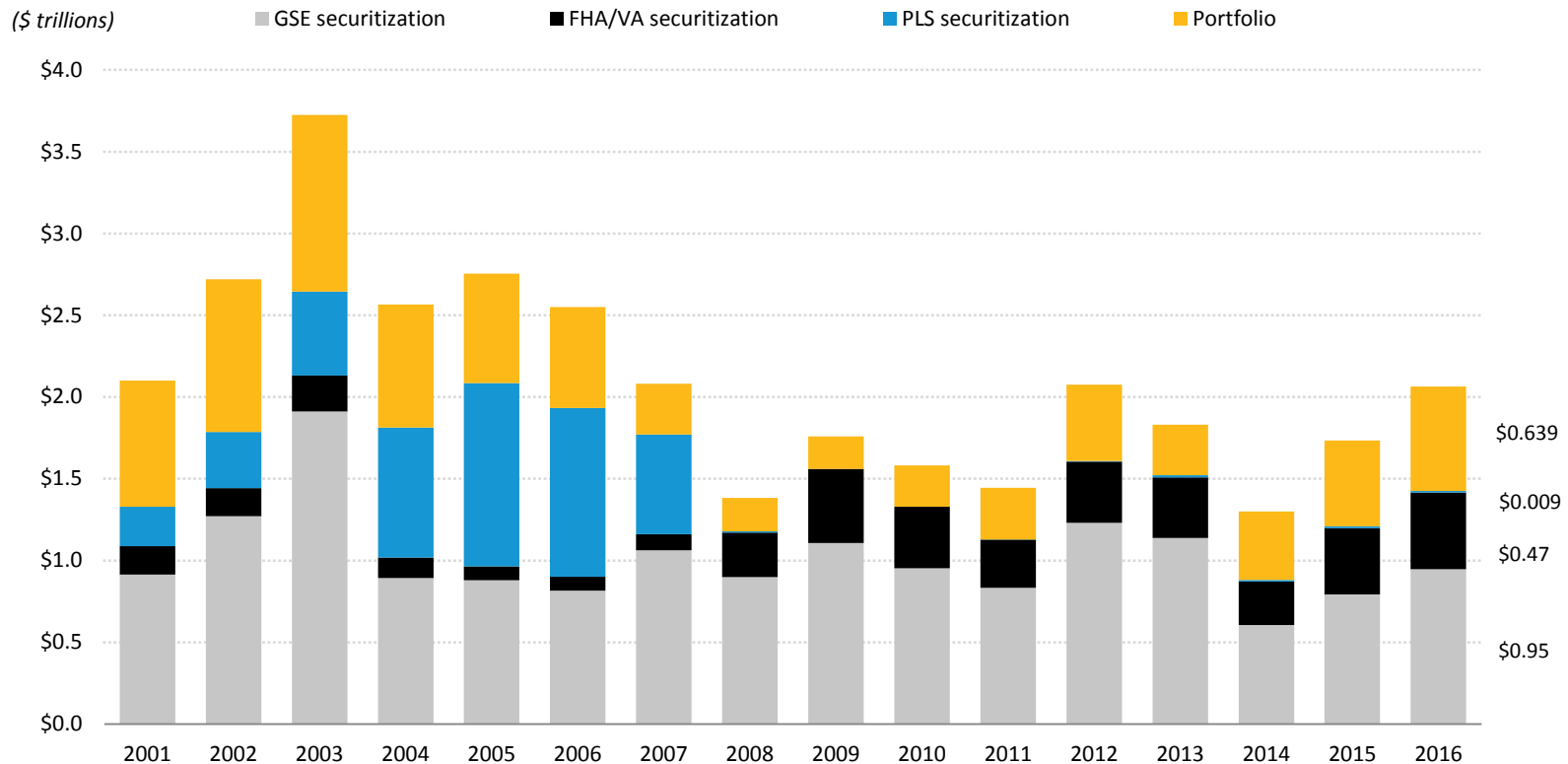
# Public Housing and Rental Assistance

- Low Income Housing Tax Credit (LIHTC): Administered locally by the IRS
  - Finances the construction, rehabilitation, and preservation of housing affordable to lower income households.
- Housing Choice Vouchers: assists 2.2 million households
  - HUD's largest rental assistance program, which pays landlords the difference between what a household can afford to pay and the rent itself.
  - Other vouchers: Family Unification Program, Project- Based Vouchers, and Tenant Protection Vouchers
- Public Housing: HUD serves 1.1 million households, and 2.6 million residents
  - Housing units serve residents who have income less than 80% of AMI, with at least 40% of new admissions having extremely low income (less than 30% AMI)
- Project-Based Rental Assistance: Serves 1.5 million households
  - HUD has provided private owners of multifamily housing either a long-term project-based rental assistance contract, a subsidized mortgage, or in some cases both, to make units affordable.
- Programs to address disabilities, aging, and homelessness
  - Supportive Housing for the Elderly, Supportive Housing for Persons with Disabilities, McKinney-Vento Homeless Assistance Programs



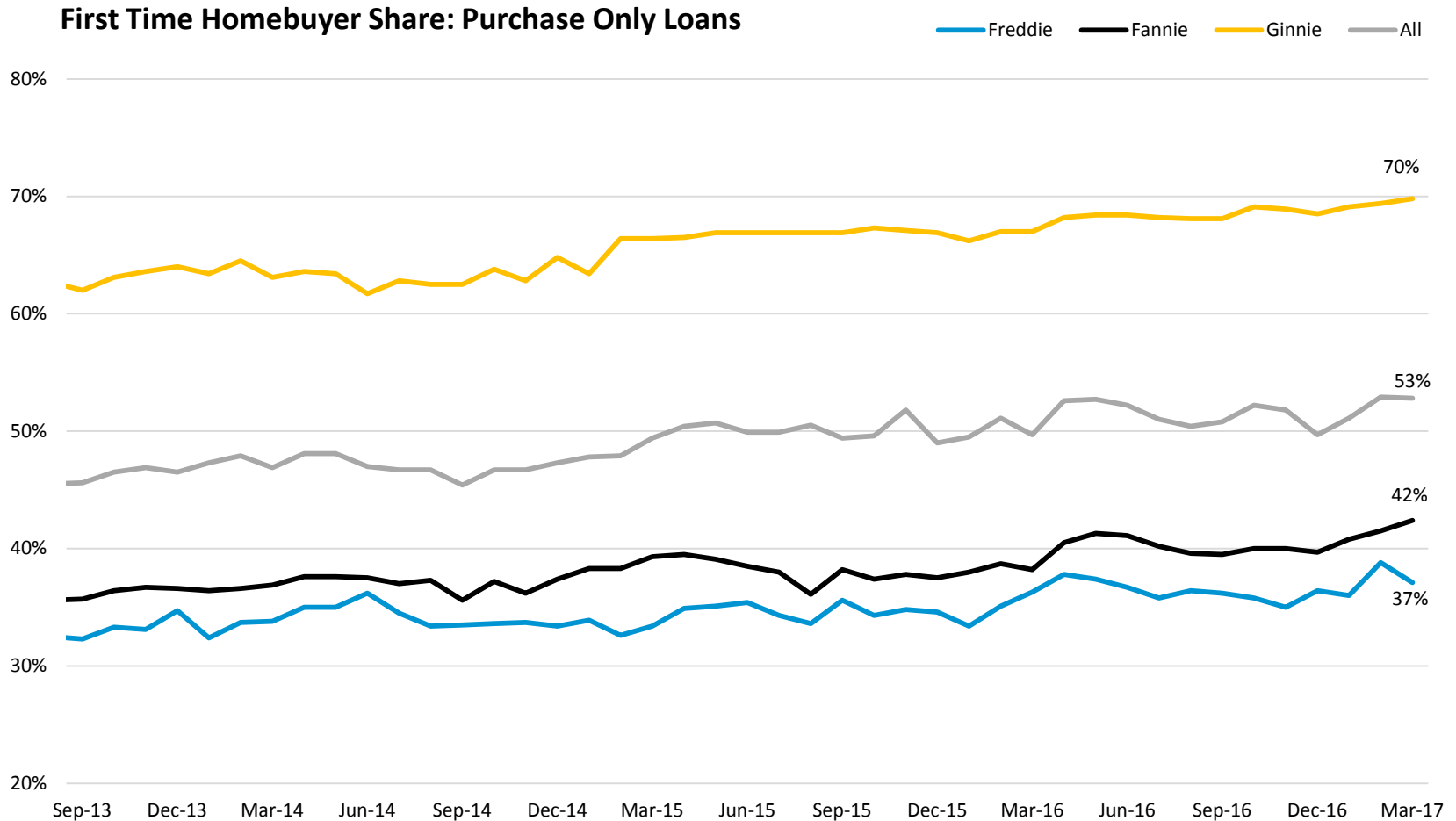
# Sources of financing for all borrowers

## First Lien Origination Volume



Sources: Inside Mortgage Finance and Urban Institute.

# Financing for first-time homebuyers

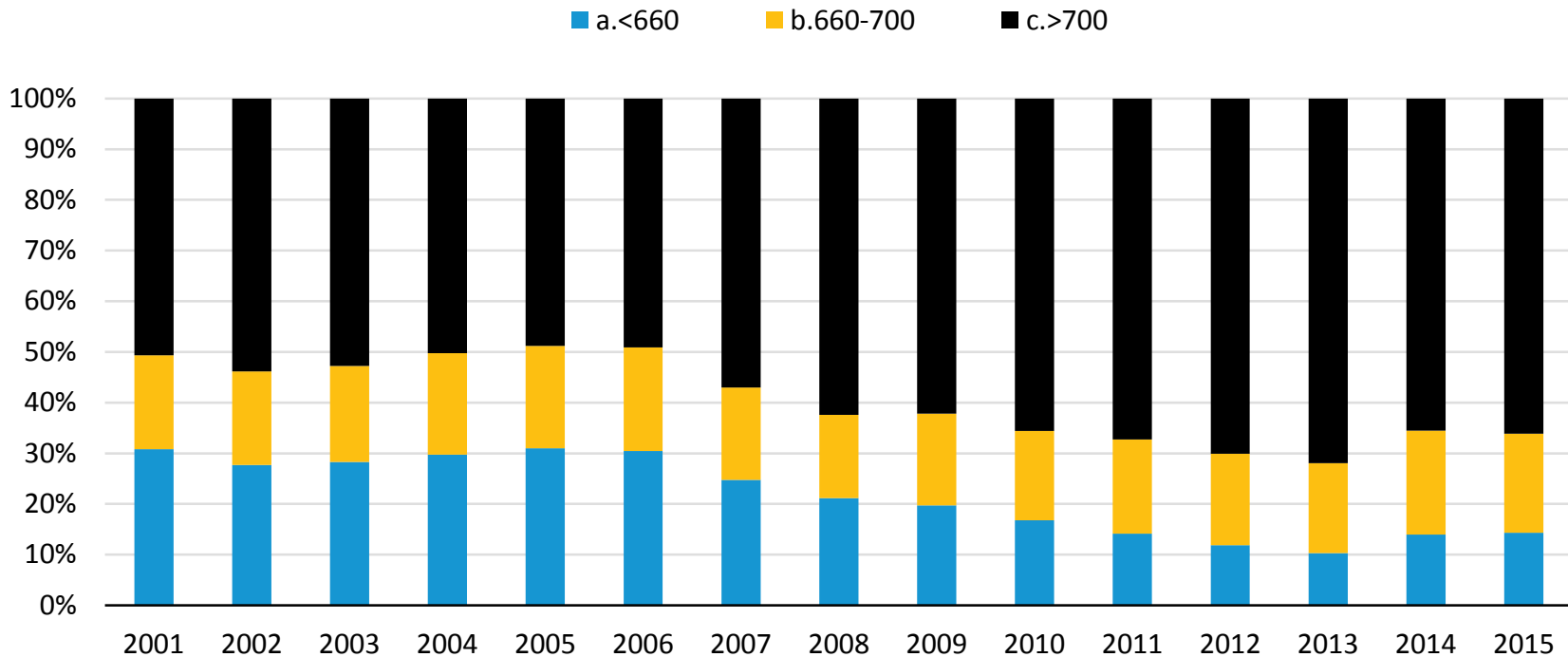


Sources: eMBS and Urban Institute.

**Access to credit is dwindling  
for more vulnerable  
populations**

# The share of borrowers with strong credit has increased dramatically

FICO Score Distribution of New-Purchase Borrowers



Sources: HMDA, CoreLogic, eMBS, and the Urban Institute.

# 1.1 million missing loans in 2015

## How Many Purchase Loans are Missing because of Credit Availability

Loan category	2001, scaled to HMDA	2015, scaled to HMDA	Actual Percent decline	2015, assuming no constraint >700	Difference between >700 unconstrained and actual
FICO below 660	1,433,986	503,013	65%	1,414,087	911,074
FICO 660-700	861,047	686,073	20%	849,099	163,026
FICO above 700	2,356,516	2,323,816	1%		
Total	4,651,549	3,512,903	32.41%		1,074,099

Source: Urban Institute calculations based on Home Mortgage Disclosure Act, CoreLogic and eMBS data.

Note: FICO = Fair Isaac Corporation.

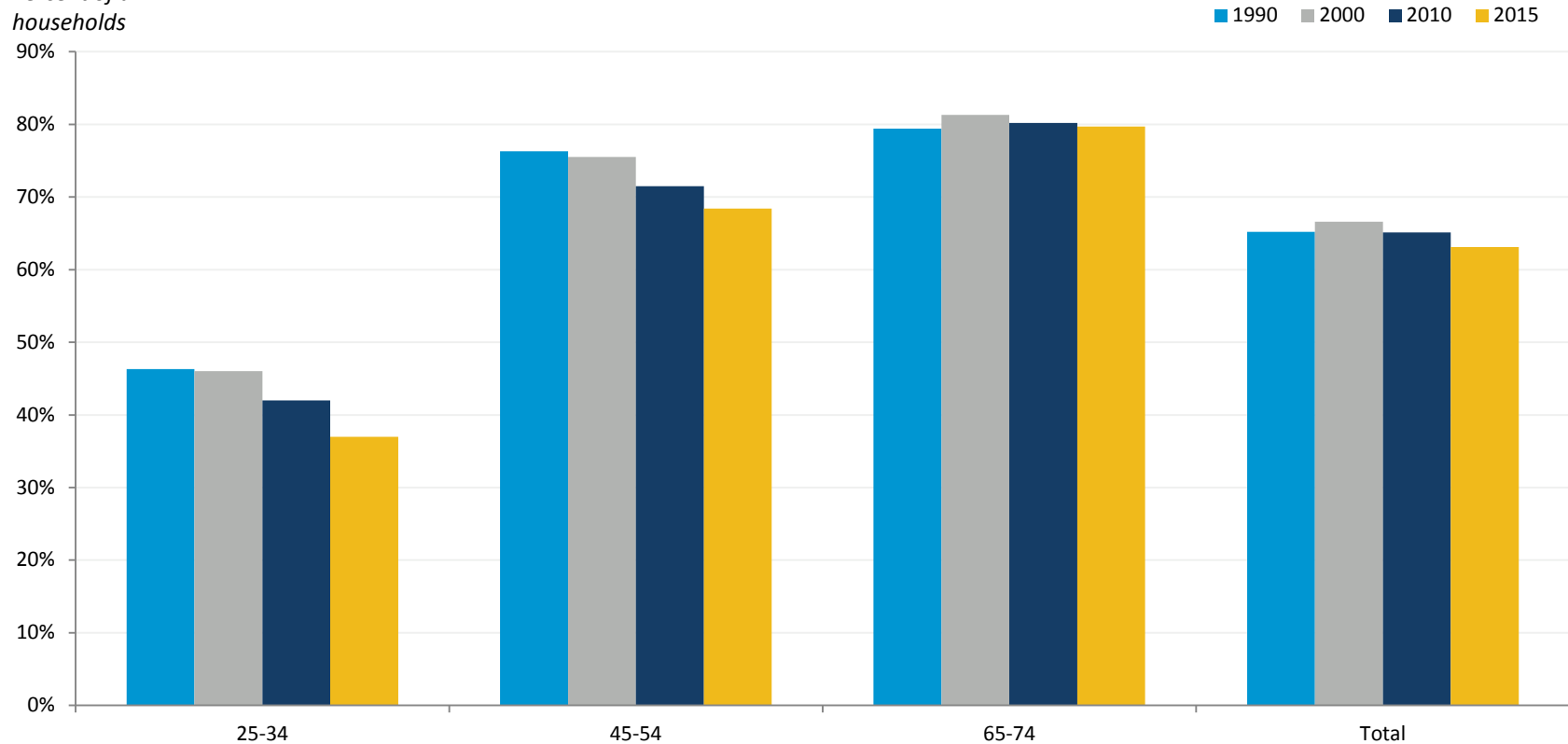
Cumulative missing loans, 2009-2015: **6.3**  
million

**And wealth building  
opportunity through  
homeownership is shrinking  
across age and racial  
groups**

# Homeownership rates declined for most age groups

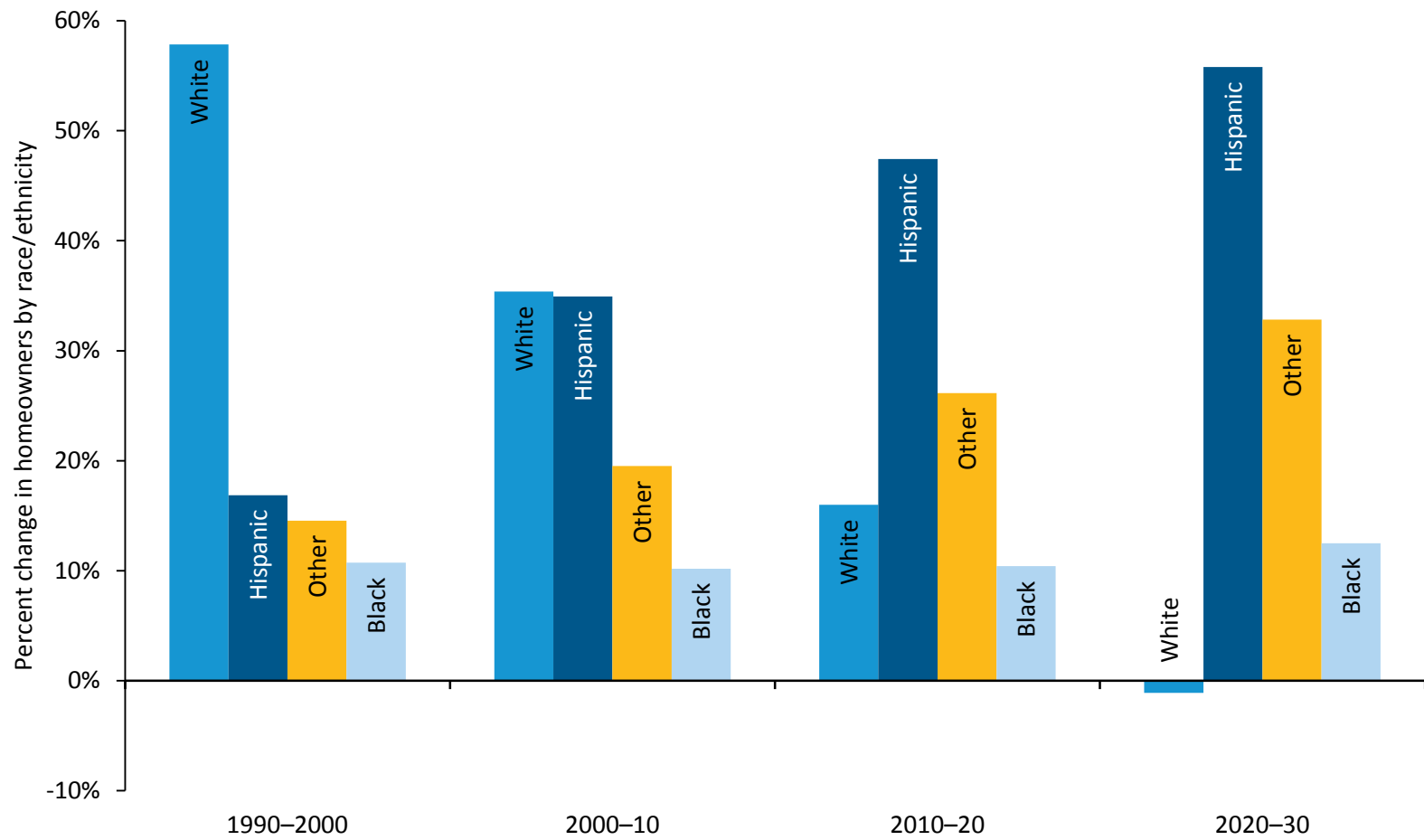
## Homeownership Rates by Householder Age

*Percent of all households*



Sources: US Census 1990, 2000, 2010; American Community Survey 2015.

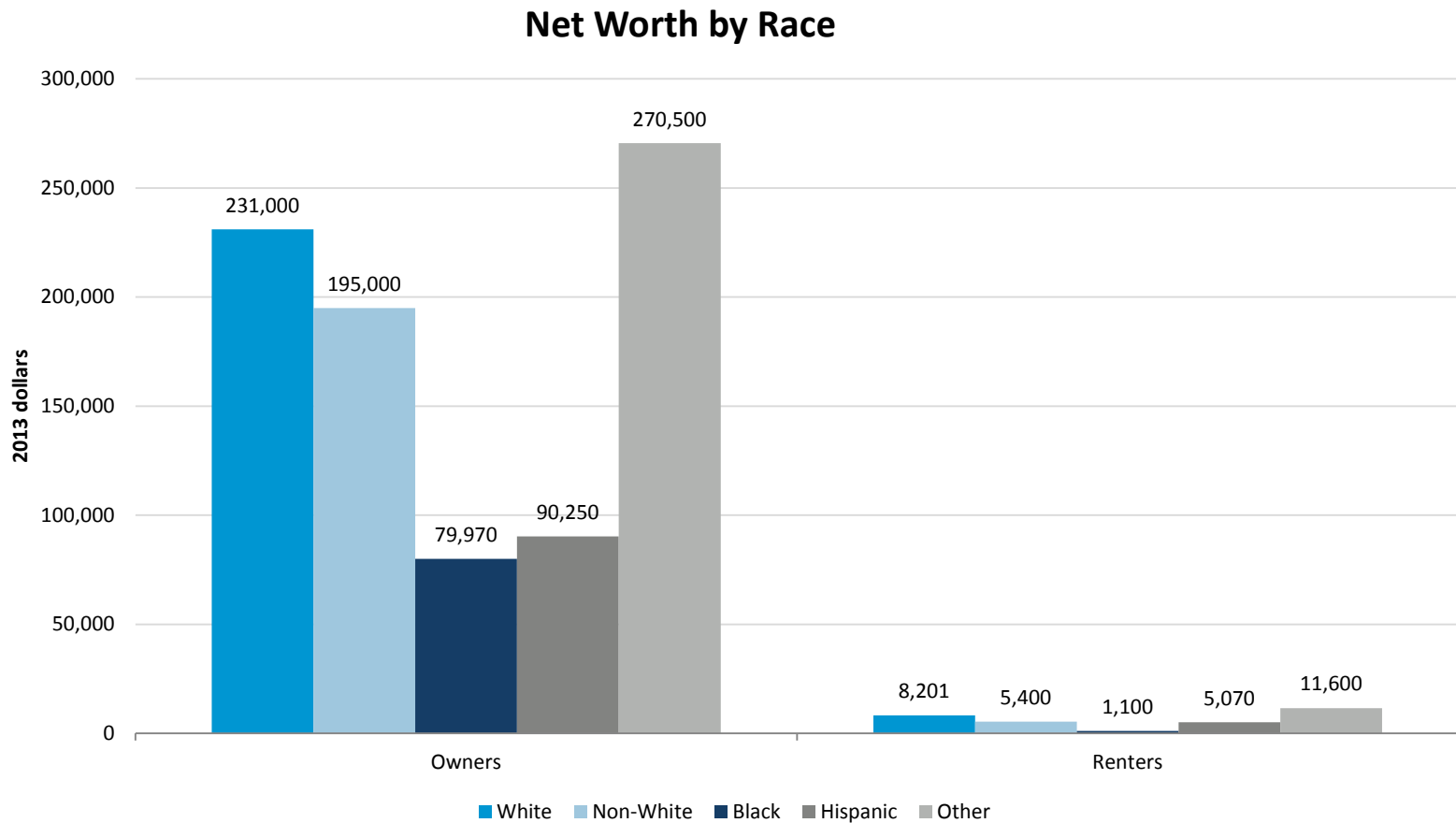
# By the 2020s, minorities will account for all growth in homeownership



Source: U.S. Census 1990–2010, Urban Institute projections.



# And people are missing out on wealth-building opportunity



Source: Joint Center for Housing Studies tabulations of Federal Reserve Board, Survey of Consumer Finance, 2014