Overview of Federal Housing Assistance Programs and Policy

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April 15, 2014

Congressional Research Service
7-5700
www.crs.gov
RL34591

CRS REPORT
Prepared for Members and
Committees of Congress

Summary

The federal government has been involved in providing housing assistance to lower-income households since the 1930s. In the beginning, the federal government was involved in supporting the mortgage market (through establishment of the Federal Housing Administration (FHA) and the government-sponsored enterprises) and in promoting construction of low-rent public housing for lower-income families through local public housing authorities (PHAs). Over time, the role of the federal government has shifted away from providing construction-based subsidies to providing rental subsidies; private developers and property owners now play a larger role; and more federal funding has been provided to states and localities.

Today's federal housing assistance programs fall into three main categories: rental housing assistance, assistance to state and local governments, and assistance for homeowners. Most of these programs are administered by the Department of Housing and Urban Development (HUD). Current housing assistance programs include Section 8 vouchers and project-based rental assistance, public housing, housing for the elderly (Section 202), housing for persons with disabilities (Section 811), rural rental assistance (the United States Department of Agriculture's Section 521 program), Community Development Block Grants (CDBG), HOME Investment Partnerships Block Grants, Low-Income Housing Tax Credits (LIHTC), homeless assistance programs, FHA and Veterans' Administration mortgage insurance, and the mortgage interest deduction in the tax code.

Most of the federal housing assistance programs are aimed at making housing affordable for low-income families. Housing affordability—housing that costs no more than 30% of family income—is considered the largest housing problem today. Rental assistance programs, which are the largest source of direct housing assistance for low-income families, all allow families to pay affordable, income-based rents; however, different forms of assistance target different types of households, including the elderly, persons with disabilities, and families with children. Several trends in federal housing policy have emerged in recent decades. As the focus of federal housing assistance has shifted away from construction-based subsidies to rental assistance, block grants, and LIHTC, state and local governments have had greater access to federal resources to fund local housing and community development priorities. This shift in federal funding has also led affordable housing developers to pursue mixed financing: the use of multiple streams of federal funding, state, and local funding, or private financing. In the past, lagging homeownership rates among low-income and minority households have prompted several Presidents to promote homeownership-based housing policies. However, given the severe downturn in U.S. housing markets in recent years and the resulting high foreclosure rate, it is unclear to what degree federal policy will continue to focus on increasing access to homeownership.

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Introduction

The federal government has played a role in subsidizing housing construction and providing homeownership and rental assistance for lower-income households since the 1930s. Today, Congress funds a number of programs to help meet the housing needs of poor and vulnerable populations. The programs are primarily administered by the Department of Housing and Urban Development (HUD), with some assistance provided to rural communities through the Department of Agriculture and some tax benefits administered through the Department of the Treasury. The modern housing assistance programs include both relatively flexible grants to state and local governments to serve homeless people, build affordable housing, provide assistance to first-time homebuyers, and promote community development and more structured, direct assistance programs that provide low-cost apartments and rental vouchers to poor families, administered through local public, quasi-public, and private intermediaries. The federal government also makes tax credits available to states to distribute to developers of low-cost housing and provides insurance to lenders that make mortgages to eligible homebuyers. The federal government's largest housing program, however, is arguably the mortgage interest deduction, which is not targeted to lower-income households, but is available to all homeowners who pay mortgage interest and itemize their deductions.

This report begins with an overview of the history and evolution of federal housing assistance policy, followed by a description of today's major federal housing assistance programs, and concludes with a discussion of issues and trends in federal housing assistance policy. It is an expanded version of the Federal Housing Assistance section originally prepared for the 2008 edition of the Committee on Ways and Means publication, "Background Material and Data on the Programs within the Jurisdiction of the Committee on Ways and Means" (informally known as the Green Book). This report does not track current legislation.

History and Evolution of Federal Housing Assistance Policy

The Beginning of Federal Housing Assistance: FHA and Public Housing

The federal government's first major housing policy was formulated in response to trouble in the mortgage market resulting from the Great Depression. Until the early 1930s, most mortgages were written for terms of three to five years and required borrowers to make payments only on an annual basis. At the end of the three- or five-year terms, the remaining loan balance had to be repaid or the mortgage had to be renegotiated. Another feature of the mortgage market was that lenders would only lend 40% to 50% of the value of the property, so borrowers had to have the cash to complete the transaction or find someone willing to finance the balance (or part of the balance) in a second mortgage. During the Great Depression, however, lenders were unable or unwilling to refinance many of the loans that became due. When borrowers could not pay the loan balances, lenders foreclosed on the loans and took possession of the properties.

It was against this background that the Housing Act of 1934 (P.L. 73-479) was enacted. The broad objectives of the act were to (1) encourage lenders to invest in housing construction, and (2) to

stimulate employment in the building industry. The act created the Federal Housing Administration (FHA). FHA insured lenders against losses on home modernization and home improvement loans, created the Mutual Mortgage Insurance Fund to fund the operation of the newly-created mortgage insurance programs, and established national mortgage associations to buy and sell mortgages.

The creation of FHA also institutionalized a revolutionary idea: 20-year mortgages on which a loan would be completely repaid at the end of its term. If borrowers defaulted, FHA insured that the lender would be fully repaid. Eventually, lenders began to make long-term mortgages without FHA insurance as long as borrowers made significant down payments. Over time, 25- and 30-year mortgages have become standard mortgage products.

As in the case of the mortgage finance market, the federal government initially became involved in the provision of rental housing assistance in response to the Great Depression. In the early 1930s, a housing division was added to President Franklin D. Roosevelt's Works Progress Administration (WPA) as a part of the effort to create jobs and spur economic growth.[1] The Housing Division acquired land and built multifamily housing projects for occupancy by lower-income families across the country. However, the Housing Division's activities proved controversial with local government officials who thought that they were not consulted in the process.

Against this backdrop, the U.S. Housing Act of 1937 (P.L. 75-412) was enacted. It replaced the WPA's Housing Division and its projects by establishing a new, federal United States Housing Agency (a precursor agency to today's Department of Housing and Urban Development) and a new Low-Rent Public Housing program. The new program required partnerships between the federal government, states, and localities. States that wished to receive assistance in building low-rent public housing were required to pass enabling legislation creating new, quasi-governmental, local public housing authorities (PHAs). These PHAs could then apply to the federal government for funding to aid in the construction and maintenance of low-rent housing developments targeted to low-income families. The act declared that it was the policy of the United States:

> to promote the general welfare of the nation by employing its funds and credit, as provided in this Act, to assist the several states and their political subdivisions to alleviate present and recurring unemployment and to remedy the unsafe and unsanitary housing conditions and the acute shortage of decent, safe, and sanitary dwellings for families of low-income, in rural or urban communities, that are injurious to the health, safety, and morals of the citizens of the nation.

Housing was a major issue in the presidential and congressional races during 1948. President Harry S. Truman's pledge to address the postwar housing shortage and the problem of urban slums played a key role in his margin of victory.[2] In his State of the Union Address in 1949 unveiling the "Fair Deal," President Truman observed that "Five million families are still living in slums and firetraps. Three million families share their homes with others."[3]

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[1] For more information on the history of public housing, see Robert Moore Fisher, *20 Years of Public Housing* (Harper and Brothers, 1959) and Wood, Elizabeth, *The Beautiful Beginnings, the Failure to Learn: Fifty Years of Public Housing in America*, The National Center for Housing Management, October 1982.

[2] Peter Dreir, "Labor's Love Lost? Rebuilding Unions' Involvement in Federal Housing Policy," *Housing Policy Debate*, vol. 2, no. 2, p. 327.

[3] President Harry S. Truman, State of the Union Address, January 5, 1949.

He further stated

> The housing shortage continues to be acute. As an immediate step, the Congress should enact the provisions for low-rent public housing, slum clearance, farm housing, and housing research which I have repeatedly recommended. The number of low-rent public housing units provided for in the legislation should be increased to 1 million units in the next 7 years. Even this number of units will not begin to meet our need for new housing.

The Housing Act of 1949 (P.L. 81-171) declared the goal of "a decent home and a suitable living environment for every American family." The act: (1) established a federal urban redevelopment and slum clearance program, authorizing federal loans of $1 billion over a five-year period to help local redevelopment agencies acquire slum properties and assemble sites for redevelopment; (2) reactivated the public housing program for low-income families (which had been on hold during World War II), authorizing subsidies to local housing authorities sufficient to build 810,000 units over six years; (3) expanded the FHA's mortgage insurance program to promote home building and homeownership; (4) created within the U.S. Department of Agriculture a program of financial assistance and subsidies to improve housing conditions on farms and in rural areas; and (5) authorized federal grants for research, primarily to improve the productivity of the housing industry.

Government Subsidization of Private Development

Through the 1950s, the federal government's role in housing assistance focused largely on public housing, which served a mostly poor population. Congress recognized that a gap existed in the market—few options existed for moderate income families whose incomes were too high to qualify for public housing, but too low to afford adequate market rate housing.[4] Proposals in Congress had been made to address the shortage of housing for moderate income households during the 1950s; however, no legislation had been enacted, in part due to the cost to the government of creating and funding a new program.[5] In order to avoid creating another large housing program with high expenditures, while at the same time finding a way to serve this segment of the population, Congress approved legislation at the end of the 1950s and throughout the 1960s that engaged the private sector in the development of affordable housing.

The Housing Act of 1959 (P.L. 86-372) was the first significant instance where government incentives were used to persuade private developers to build housing that would be affordable to low- and moderate-income households. As part of P.L. 86-372, Congress created the Section 202 Housing for the Elderly program. Through the Section 202 program, the federal government extended low-interest loans to private non-profit organizations for the development of affordable housing for moderate-income residents age 62 and older. The low interest rates were meant to ensure that units would be affordable, with non-profit developers able to charge lower rents and still have adequate revenue to pay back the government loans.

[4] See, for example, Committee on Banking and Currency, report to accompany S. 1922, the Housing Act of 1961, 87th Cong., 1st sess., S.Rept. 281, May 19, 1961 ("The largest unfilled demand in the housing market is that of moderate-income families.").

[5] S.Rept. 281. "Perhaps the most significant reason that previous proposals to establish a moderate-income housing program have not been favorably received by the Congress is that the majority of those proposals would have placed sole responsibility for such a program on the Federal Government."

The Housing Act of 1961 (P.L. 87-70) further expanded the role of the private sector in providing housing to low- and moderate-income households. The act created the Section 221(d)(3) Below Market Interest Rate (BMIR) housing program, which both insured mortgages to private developers of multifamily housing and provided loans at low interest rates. The BMIR program expanded the pool of eligible borrowers to private for-profit developers and government entities, as well as non-profit developers. Eligible developers included cooperatives, limited dividend corporations, and state or local government agencies. Like the Section 202 program, the low interest rates in the BMIR program were meant to ensure that building owners could offer affordable rents to tenants.

In 1965, the Housing and Urban Development Act (P.L. 89-117) added rental assistance to the list of incentives for private multifamily housing developers that participated in the Section 221(d)(3) BMIR program. P.L. 89-117 created the Rent Supplement program, which capped the rents charged to participating tenants at 20% of their incomes and paid building owners the difference between 20% of a tenant's income and fair market rent.

The Housing and Urban Development Act of 1965 also created the Section 23 leased housing program, the first program to provide rent subsidies for use in existing private rental market units. The same PHAs that administered the public housing program were authorized to enter into contracts with landlords in the private market. These contracts authorized payments to landlords who rented units to low-income tenants. Tenants paid one quarter of their income toward rent in these private units, and the federal subsidies made up the difference between the tenant payments and rent for the units.

In 1968, the Housing and Urban Development Act (P.L. 90-448) created the Section 236 and Section 235 programs. In the Section 236 program, the government subsidized private developers' mortgage interest payments so that they would not pay more than 1% toward interest. Like the low interest rate loans provided through the Section 221(d)(3) BMIR program, the Section 236 interest subsidies were meant to ensure that units would be affordable to low- and moderate-income tenants, although some units also received rent subsidies (referred to as Rental Assistance Payments (RAP)) to make them affordable to the lowest-income tenants. The Section 235 program instituted similar mortgage interest reduction payments for individual homeowners rather than multifamily housing developers.

Under the public housing program, tenants generally paid rent in an amount equal to the costs of operating the assisted housing in which they lived. Over time, as operating costs rose, there was a concern that the below-market rents being charged to families were too high to be affordable to the poorest families. The Brooke Amendment, which was included as part of the Housing and Urban Development Act of 1969 (P.L. 91-152), limited tenant contributions toward rent in all rent assisted units (including public housing and all project-based rental assistance units) to an amount equal to 25% of tenant income (this was later raised to 30%). The Brooke Amendment is considered responsible for codifying an income-based rent structure in federal housing programs.

By the end of the 1960s, subsidies to private developers had resulted in the creation of hundreds of thousands of housing units. Approximately 700,000 units of housing had been built through the Section 236 and Section 221(d)(3) programs alone.[6] The Section 202 program had created more

[6] U.S. Department of Housing and Urban Development, *Multifamily Properties: Opting In, Opting Out and Remaining Affordable*, January 2006, p. 1, available at http://www.huduser.org/Publications/pdf/opting_in.pdf.

than 45,000 units for elderly households.[7] The Section 235 and Section 23 leased-housing programs provided ownership and rental subsidies for thousands more. Through 1972, the Section 235 program subsidized nearly 400,000 homeowners,[8] while the Section 23 leased-housing program provided rent subsidies for more than 38,000 private market rental units.[9] Despite the growth in the role of private developers, public housing was still the largest housing subsidy program, with roughly a million units built and subsidized by the early 1970s.[10]

Rethinking the Strategy: From Construction Subsidies to Rent Subsidies

By the early 1970s, concern was growing about the cost, efficacy, and equity of the construction-based housing subsidy programs, such as the Section 236 and public housing programs. Then-President Richard M. Nixon criticized the existing programs as not equitably serving families in the same circumstances, providing poor quality housing, being too costly, and placing some families in homes they could not afford.[11] Out of these concerns, President Nixon declared a moratorium on all new activity under the major housing subsidy programs—except for the Section 23 leased-housing program—beginning in January 1973. Assisted housing activity slowly restarted in response to lawsuits and new legislation.

The Housing Act of 1974 (P.L. 93-383) was the first omnibus housing legislation since 1968 and the first such legislation following the Nixon moratorium. The act created a new low-income rental assistance program, referred to as Section 8. Although the 1960s had seen rental assistance programs like Rent Supplement and Section 23, the scale of the Section 8 program made it the first comprehensive rental assistance program. The Section 8 program combined features of the Section 236 program, which was popular with advocates of construction-based subsidies, and the Section 23 leased housing program, which used the existing housing stock and was popular with the Nixon Administration. Through Section 8, the federal government provided private property owners monthly assistance payments for new or substantially rehabilitated rental units. In exchange for monthly rental payments, property owners would agree to rent to eligible low-income families (defined as families with incomes at or below 80% of local area median income) who would pay an income-based rent. It also provided PHAs with the authority to enter into rental assistance contracts for existing, private market units.

Over time, the use of Section 8 in new construction and substantial rehabilitation projects was found to be more expensive than its use in existing housing. The Housing and Urban-Rural Recovery Act of 1983 (P.L. 98-181) repealed HUD's authority to enter into new Section 8 contracts tied to new construction and substantial rehabilitation, but retained HUD's authority to issue new contracts for existing properties. The act also created a new demonstration program to

[7] U.S. Department of Housing and Urban Development, *Housing for the Elderly and Handicapped: The Experience of the Section 202 Program from 1959 to 1977*, January 1979, p. 17.

[8] U.S. Congress, Senate Committee on Banking, Housing and Urban Affairs, Subcommittee on Housing and Urban Affairs, *An Analysis of the Section 235 and 236 Programs*, committee print, 93rd Cong., 1st sess., May 24, 1973, p. 9, available at http://www.congress.gov/crsx/products-nd/73.1142.doc.pdf.

[9] U.S. Department of Housing and Urban Development, "FY1974 Budget Summary, Housing Production and Mortgage Credit," p. 7.

[10] HUD, "Annotated Tables for 2001 Budget," p. 86.

[11] President Richard Nixon, Presidential Message to Congress on Housing Policy, September 19, 1973.

test a modified use of Section 8, referred to as vouchers. Vouchers were similar to the use of Section 8 rent subsidies in existing housing, but provided more flexibility to PHAs, particularly by permitting families to pay more than 30% of their incomes in rent. The demonstration was made permanent in 1985.

Increasing Role of State and Local Governments

By the mid-1980s, federal housing programs had gone through a number of iterations. Some programs had been scrapped as inefficient, subject to fraud and abuse, or too expensive. Shifting federal priorities—towards reducing taxes and increasing military spending in response to the Cold War—reduced funding available for social programs, including housing assistance. Creation of assisted housing with federal funds was on the decline, with production between 1982 and 1988 slowing significantly.[12] In addition, existing affordable rental units were being lost as use restrictions between private owners and HUD expired or owners chose to prepay their low-interest mortgages and begin charging market-rate rent.[13]

As a result of reduced federal support for housing, state and local governments and private for- or non-profit organizations began to take the initiative in developing innovative ways of providing housing in their communities.[14] Policy makers acknowledged that, in some cases, local communities had better knowledge about how to provide housing than the federal government, and might be able to provide housing more efficiently than HUD.[15] From the late 1980s through the 1990s, Congress acknowledged the value of local control and gave more decision-making authority over housing policy to state and local governments through the creation of block grants and tax credits.

In 1986, the Low Income Housing Tax Credit (LIHTC) program was created as part of the Tax Reform Act of 1986 (P.L. 99-514). The LIHTC was not initially part of the bill that became the Tax Reform Act (H.R. 3838). However, because portions of H.R. 3838 eliminated the favorable treatment of real estate investment income, Members added the LIHTC program to the bill in order to ensure that developers would have an incentive to continue to construct low- and moderate-income housing.[16]

The LIHTC program, intentionally or not, was one of the first major programs to give a good deal of control over housing policy to states and localities. Tax credits are allocated to states based on population. States then have discretion in setting priorities as to how the credits will be used. While states must prioritize projects that serve the lowest income tenants for the longest period of

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[12] The National Housing Task Force, *A Decent Place to Live*, March 1988, available from S.Hrg. 100-689. See p. 142.

[13] See *A Decent Place to Live*, available at S.Hrg. 100-689, p. 142.

[14] Ibid., pp. 154-155. See also Michael A. Stegman and J. David Holden, *Non-federal Housing Programs: How States and Localities Are Responding to Federal Cutbacks in Low-Income Housing* (Washington, DC: The Urban Land Institute, 1987).

[15] Ibid. See also Charles J. Orlebeke, "The Evolution of Low-Income Housing Policy, 1949 to 1999," *Housing Policy Debate*, vol. 11, no. 2 (2000), pp. 509-510, available at http://www.mi.vt.edu/data/files/hpd%2011(2)/hpd%2011(2)_orlebeke.pdf.

[16] Karl E. Case, "Investors, Developers, and Supply-Side Subsidies: How Much is Enough?" *Housing Policy Debate*, vol. 2, no. 2 (April 1990), pp. 349-351, available at http://www.mi.vt.edu/data/files/hpd%202(2)/hpd%202(2)%20case.pdf.

time, they may choose to allocate credits based on criteria such as the tenant populations served—those with special needs, families with children, or those on public housing waiting lists.

In 1990, Congress created another large, flexible block grant to states and localities. The National Affordable Housing Act of 1990 (NAHA, P.L. 101-625) authorized the HOME Investment Partnerships program. HOME was modeled after an earlier block grant, the Community Development Block Grant (CDBG), which was created as part of the Housing Act of 1974 to consolidate several special purpose grants funding many activities other than housing, such as neighborhood revitalization, open space, and water and sewer grants. NAHA directed that HOME funds be allocated to states and localities based on a formula and that funds be targeted to assist families with incomes at or below 60% of area median income. Recipient jurisdictions were permitted to use funds to assist homeowners, construct rental housing, or provide rental assistance, and they were required to establish plans for spending their funds, meet match requirements, and partner with local non-profits.

The Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA, P.L. 104-330), reorganized the system of federal housing assistance to Native Americans by eliminating several separate programs of assistance and replacing them with a single block grant program. In addition to simplifying the process of providing housing assistance, the purpose of NAHASDA was to provide federal assistance for Indian tribes in a manner that recognizes the right of Indian self-determination and tribal self-governance.

Reforming Rental Assistance

Throughout the 1990s, concern about the state of public housing grew. The public perceived public housing as mismanaged, of poor quality, and dangerous.[17] At the same time, interest was growing in reforming social programs by devolving control to the states and increasing their focus on promoting work and self-sufficiency. Concern over the state of public housing—and the influence of the 1996 welfare reform debate and legislation—led to proposals for major public and assisted housing reforms. Several years of debate in Congress culminated with the enactment of the Quality Housing and Work Opportunity Reconciliation Act of 1998 (P.L. 105-276).

The purposes of QHWRA, as defined in the act, were to deregulate PHAs; provide more flexible use of federal assistance to PHAs; facilitate mixed income communities; decrease concentrations of poverty in public housing; increase accountability and reward effective management of PHAs; create incentives and economic opportunities for residents assisted by PHAs to work and become self-sufficient; consolidate the Section 8 voucher and certificate programs into a single market-driven program; remedy the problems of troubled PHAs; and replace or revitalize severely distressed public housing projects.

Specific reforms in QHWRA included increased income targeting in the voucher program, removal of federal preference categories for housing assistance, enactment of a limited community service requirement in public housing, creation of the Section 8 Housing Choice Voucher program (a hybrid of the Section 8 voucher and certificate programs), authorization of the HOPE VI program (which had been in place, but unauthorized since the early 1990s),

[17] For more information, see the final report of the National Commission on Severely Distressed Public Housing, 1992.

consolidation and reform of funding for public housing, and modifications to the assessment systems for PHAs.

Today's Housing Assistance Programs

Today's system for providing housing assistance to low-income families is made up of programs that fall into three main categories: rental housing assistance, federal assistance to state and local governments, and homeownership assistance. Rental assistance is provided primarily through rent vouchers that families can use in the private market, below-market rental units owned by PHAs or private landlords under contract with the federal government, and, to a limited extent, construction of new below-market rental units. Assistance to state and local governments comes in a number of forms, including broad flexible block grants that can be used for rental, homeownership, or community development purposes, special purpose block grants, and programs based in the tax system. Homeownership assistance includes direct assistance to defray homebuying costs, as well as mortgage insurance programs to help provide incentives for the private market to meet the needs of underserved segments of the population.

The following section provides a description of the major housing assistance programs that fall into these three categories.

Rental Housing Assistance

Section 8 Vouchers

Section 8 vouchers are a form of tenant-based rental assistance funded by the federal government, administered locally by quasi-governmental public housing authorities (PHAs) and provided to private landlords on behalf of low-income families. (The program is codified at 42 U.S.C. §1437f(o)). Generally, eligible families with vouchers live in the housing of their choice in the private market and the voucher pays the difference between the family's contribution toward rent and the actual rent for the unit. Specifically, a family pays 30% of its adjusted income toward rent (although they can choose to pay more) and the PHA, which receives funding from HUD, makes payments to the landlord based on a maximum subsidy set by the PHA (based on the local fair market rent established by HUD), less the tenant's contribution. Families are eligible to receive a voucher if they are very low-income (earning 50% or less of the local area median income) or low-income (earning 80% or less of the local area median income) but meet other special criteria (for example, are elderly or have disabilities). However, PHAs must provide 75% of all vouchers available in a year to extremely low-income families (earning 30% or less of the area median income). Vouchers are nationally portable; once a family receives a voucher, it can take that voucher and move to any part of the country where a voucher program is being administered.

There are several special forms of Section 8 vouchers. Tenant protection vouchers are provided to families who would otherwise be displaced from other HUD programs. Some tenant protection vouchers, called enhanced vouchers, can have higher values than regular vouchers. PHAs also have the discretion to "project-base" some of their vouchers. Project-based vouchers are attached to specific housing units rather than given to families to use in the homes of their choosing. Another special form of voucher is the homeownership voucher; PHAs have the discretion to allow eligible first-time homebuyers to use their vouchers to make monthly mortgage payments.

For more information, see CRS Report RL32284, *An Overview of the Section 8 Housing Programs: Housing Choice Vouchers and Project-Based Rental Assistance*, by Maggie McCarty.

The voucher program is not an entitlement program. Families that wish to receive a voucher must generally apply to their local PHA and are placed on a waiting list, the length of which varies by community and can range from several months to many years. Congress has authorized and funded roughly 2 million vouchers. The funding for those vouchers is provided annually by Congress in the appropriations for HUD. The Section 8 voucher program is the largest of HUD's rental assistance programs, serving the largest number of households and accounting, in recent years, for more than one-third of the Department's budget. Congress has generally renewed all existing vouchers each year; in some years, Congress also creates new vouchers to serve additional families, referred to as incremental vouchers. The current distribution of vouchers across PHAs results from a variety of allocation methods used in the past: formula-based, competitive, and other. While the distribution of funding to PHAs is generally based on the number of vouchers that they have and the cost of those vouchers, the exact distribution formula has often been modified by Congress in the appropriations process. (For more information, see CRS Report RL33929, *The Section 8 Voucher Renewal Funding Formula: Changes in Appropriations Acts*, by Maggie McCarty.)

Project-Based Section 8 Rental Assistance

Under the Section 8 project-based rental assistance program, HUD entered into contracts with private property owners under which owners agreed to rent their housing units to eligible low-income tenants for an income-based rent, and HUD agreed to pay the difference between tenants' contributions and a rent set by HUD. Families are eligible to live in project-based Section 8 units if they are low-income (having income at or below 80% of the area median income), but 40% of units made available each year must be reserved for extremely low-income families (those with income at or below 30% of the area median income).

No new project-based Section 8 contracts have been awarded since the mid-1980s, although existing contracts can be renewed upon their expiration. Roughly 1 million project-based units are still under contract and receive assistance. The original contracts were for 10-40 year periods and were provided with multi-year funding from Congress for the length of the contracts. Therefore, each year Congress only has to provide new funding for those contracts that have expired and require annual renewal (although, eventually, all of those long-term contracts will expire so all contracts will require annual funding). (See **Table 1** for appropriations information.) Not all contracts are renewed, so there has been a loss of project-based Section 8 units over time. When owners do not renew, tenants are provided with Section 8 tenant protection vouchers. For more information, see CRS Report RL32284, *An Overview of the Section 8 Housing Programs: Housing Choice Vouchers and Project-Based Rental Assistance*, by Maggie McCarty.

Public Housing

Low-rent public housing developments are owned and operated by local public housing authorities (PHAs) and subsidized and regulated by the federal government. (The program is codified at 42 U.S.C. §1437.) Generally, families are eligible to live in public housing if they are low-income (those with income at or below 80% of area median income), but 40% of public housing units that become available in a year must be given to extremely low-income families

(those with income at or below 30% of area median income). As in the Section 8 voucher program, families living in public housing pay 30% of their adjusted income toward rent.

PHAs receive several streams of funding from HUD to help make up the difference between what tenants pay in rent and what it costs to maintain public housing. PHAs receive operating funds and capital funds through a formula allocation process; operating funds are used for management, administration, and the day-to-day costs of running a housing development and capital funds are used for modernization needs (such as replacing a roof or heating and cooling system, or reconfiguring units). PHAs can also apply for competitive HOPE VI—now Choice Neighborhoods—revitalization grants, which are used to demolish and rebuild, or substantially rehabilitate, severely distressed public housing, replacing it with mixed-income housing.

There are roughly 1.2 million public housing units under contract with the federal government, making public housing the second largest direct housing assistance program. The 1998 Public Housing Reform Act (P.L. 105-276) prohibited public housing authorities from increasing the total number of public housing units in their inventory; however, the number of public housing units had begun to steadily decline before then for a number of reasons. PHAs are authorized to demolish or sell their public housing developments with HUD's permission, and since the mid-1990s, they have not been required to replace those units with new units (although they must provide displaced families with Section 8 vouchers). The 1998 Act also provided authority to allow, and in some cases require, PHAs to convert their public housing units to vouchers. Also, the HOPE VI program has contributed to the demolition of more units than it has replaced. For more information about Public Housing, see CRS Report R41654, *Introduction to Public Housing*, by Maggie McCarty.

Table 1. Appropriations for Section 8, FY2003-FY2013

($ in millions)

Fiscal Year	Tenant-Based Section 8 Vouchers	Project-Based Section 8 Rental Assistance	Total Section 8
2003	—[a]	—[a]	17,116
2004	—[a]	—[a]	19,257
2005	14,766	5,298	20,064
2006	15,418[b]	5,037	20,455
2007	15,920	5,976	21,896
2008	15,703[c]	6,382	22,085
2009	16,225[d]	9,100[e]	25,325[e]
2010	18,184	8,558	26,741
2011	18,371	9,257	27,628
2012	18,264[f]	9,340	27,604
2013	17,964	8,851	26,815

Source: HUD Congressional Budget Justifications from FY2005 through FY2015. Enacted funding figures are taken from subsequent years' justifications. FY2013 funding levels reflect sequestration.

Note: Figures are not adjusted for rescissions of unobligated budget authority. Figures shown represent budget authority available in the fiscal year, not budget authority provided (which accounts for differences in advance appropriations from year to year).

a. Prior to FY2005, Congress funded the Section 8 voucher and project-based rental assistance programs jointly.

b. FY2006 figures for tenant-based rental assistance do not include $390 million in emergency appropriations for hurricane relief.

c. Figure for tenant-based rental assistance is adjusted for $723 million rescission of current year budget authority enacted in FY2008.

d. Figure for tenant-based rental assistance is adjusted for $750 million rescission of current year budget authority enacted in FY2009.

e. Includes a $2 billion supplemental appropriation provided under the American Recovery and Reinvestment Act (P.L. 111-5). Does not include a $250 million supplemental appropriation for green energy retrofits appropriated under this account by P.L. 111-5.

f. Figure for tenant-based rental assistance is adjusted for $650 million rescission of current year budget authority enacted in FY2012.

Table 2. Appropriations for Public Housing, FY2003-FY2013

($ in millions)

Fiscal Year	Operating Fund	Capital Fund	HOPE VI/Choice Neighborhoods	Total Public Housing
2003	3,577	2,712	570	**6,859**
2004	3,579	2,696	149	**6,424**
2005	2,438	2,579	143	**5,160**
2006	3,564	2,439	99	**6,102**
2007	3,864	2,439	99	**6,402**
2008	4,200	2,439	100	**6,739**
2009	4,455	6,450[a]	120	**11,025**[a]
2010	4,775	2,500	200	**7,475**
2011	4,617	2,040	100	**6,757**
2012	3,962	1,875	120	**5,957**
2013	4,054	1,777	114	**5,945**

Source: HUD Congressional Budget Justifications from FY2005 through FY2015. Enacted funding figures are taken from subsequent years' justifications. FY2013 funding levels reflect sequestration.

Note: An accounting change enacted by Congress led to a one-time savings in the public housing operating fund in FY2005.

a. Includes a $4 billion supplemental appropriation provided under the American Recovery and Reinvestment Act (P.L. 111-5).

Section 202 Supportive Housing for the Elderly Program and the Section 811 Housing for Persons with Disabilities Program

Through the Section 202 Supportive Housing for the Elderly program, HUD provides funds to nonprofit organizations which in turn build rental properties for low-income elderly households (those where one or more persons are age 62 or older). The program was created as part of the Housing Act of 1959 (P.L. 86-372). (The program is codified at 12 U.S.C. §1701q.)

Section 202 is the only federal housing program that funds housing exclusively for elderly persons, although from approximately 1964 to 1990, non-elderly disabled households were eligible for residency in Section 202 properties.[18] Although the Section 202 program initially provided low-interest loans to nonprofit developers, since the early 1990s, the program has provided nonprofit developers with capital grants, together with project rental assistance contracts (rental assistance that is similar to project-based Section 8). Since FY2011, Congress has not appropriated funds for new capital grants. The current version of the Section 202 program serves very low-income elderly households (those with incomes at or below 50% of area median income). For more information about the Section 202 program, see CRS Report RL33508, *Section 202 and Other HUD Rental Housing Programs for Low-Income Elderly Residents*, by Libby Perl.

The Section 811 Supportive Housing for Persons with Disabilities Program was created in 1990 as part of the Cranston-Gonzalez Affordable Housing Act (P.L. 101-625). (The program is codified at 42 U.S.C. §8013.)

Until the enactment of Section 811, the Section 202 program provided housing for persons with disabilities. Through Section 811, HUD provides capital grants to non-profit organizations to create rental housing that is affordable to very low-income households with an adult who has a disability.[19] The program also funds project rental assistance contracts to subsidize the rent paid by tenants. Housing built with capital grants may include group homes, independent living facilities, multifamily rental units, condominium units, and cooperative housing. Section 811 developers must provide supportive services to those residing in the units. In addition, through FY2010 the Section 811 program created tenant-based rental assistance, sometimes called “mainstream vouchers,” that tenants can use to find housing in the private market, much like Section 8 vouchers. However, based on a law enacted in 2010 (P.L. 111-374), since FY2011, Section 811 tenant-based assistance has been funded via the Section 8 account. Also as part of P.L. 111-374, Section 811 rental assistance funds were made available to be used in conjunction with capital funding from other sources (such as Low Income Housing Tax Credits and HOME funds). For more information about the Section 811 program, see CRS Report RL34728, *Section 811 and Other HUD Housing Programs for Persons with Disabilities*, by Libby Perl.

Table 3. Appropriations for Section 202 and Section 811, FY2003-FY2013

($ in millions)

Fiscal Year	Section 202[a]	Section 811
2003	678	249
2004	698	249
2005	648	238
2006	635	231

[18] “Handicapped” families were added to the definition of “elderly” families in P.L. 88-560, the Housing Act of 1964. In 1990, the Cranston-Gonzalez National Affordable Housing Act (P.L. 101-625) separated housing for persons with disabilities from housing for elderly persons with the creation of the Section 811 Supportive Housing for Persons with Disabilities program.

[19] A disability is defined as (1) having a physical, mental, or emotional impairment that is expected to be of long-continued or indefinite duration, substantially impedes the ability to live independently, and could be improved by suitable housing, (2) a developmental disability. 42 U.S.C. §8013(k)(2).

Fiscal Year	Section 202[a]	Section 811
2007	639	236
2008	629	237
2009	625	250
2010	668	300
2011	306	150[a]
2012	283	165[a]
2013	265	156[a]

Source: HUD Budget Justifications from FY2005 through FY2015. Enacted funding figures are taken from subsequent years' justifications. FY2013 funding levels reflect sequestration.

The amounts appropriated for Section 202 include funds for new capital grants, new project rental assistance, and renewals of or amendments to project rental assistance contracts. These figures do not include funds for Service Coordinators or the Assisted Living Conversion Program.

a. Beginning in FY2011, appropriations for Section 811 vouchers were provided through the Section 8 tenant-based rental assistance account. In FY2011, appropriations were split between the Section 811 and Section 8 account. Thereafter, all funding has been provided through the Section 8 account.

Other Rent-Restricted Units

The Section 236 program was a HUD initiative to encourage private developers to create housing affordable to low- and moderate-income households. The program, created as part of the Housing and Urban Development Act of 1968 (P.L. 90-448) was active in promoting new development from approximately 1969 to 1973. (The program is codified at 12 U.S.C. §1715z-1.) The Section 236 program provided mortgage insurance to housing developers for the construction and rehabilitation of rental housing and continues to provide mortgage subsidies to building owners through a mechanism called Interest Reduction Payments (IRPs). IRPs are subsidies to owners that ensure that the owners will only pay 1% interest on their mortgages. Given the reduced financing costs, owners can charge below-market rents for Section 236 units. Many units also receive rental assistance payments through the Section 8 project-based rental assistance program, Rent Supplement program, or the Rental Assistance Payments (RAP) program, making the units affordable to very low-income and extremely low-income families.

The Section 221(d)(3) Below Market Interest Rate (BMIR) program was another HUD program that encouraged private developers to create affordable housing by offering FHA-insured loans with interest rates of 3%. The program was enacted as part of the Housing Act of 1961 (P.L. 87-70) and actively insured new loans until 1968, when the Section 236 program replaced it as a vehicle for affordable housing development. (The Section 221(d)(3) program is codified at 12 U.S.C. §1715*l*.) Like Section 236, units created under this program are offered for below-market rents and units may also receive rental assistance.

Rural Rental Assistance (Section 521)

Title V of the Housing Act of 1949 authorized the U.S. Department of Agriculture (USDA) to make loans to farmers to enable them to construct, improve, repair, or replace dwellings and other farm buildings to provide decent, safe, and sanitary living conditions for themselves, their tenants, lessees, sharecroppers, and laborers. USDA was authorized to make grants, or combinations of loans and grants to those farmers who could not qualify to repay the full amount

of a loan, but who needed the funds to make their dwellings sanitary or to remove health hazards to the occupants or the community. Although the act was initially targeted to farmers, over time the act has been amended to enable USDA to make housing loans and grants to rural residents in general.

The USDA housing programs are generally referred to by the section number under which they are authorized in the Housing Act of 1949, as amended. Under the Section 515 program, the Rural Housing Service of the USDA is authorized to make direct loans for the construction of rural rental and cooperative housing. (The Section 515 program is codified at 42 U.S.C. §1485.) The loans are made at a 1% interest rate and are repayable in 50 years. Except for public agencies, all borrowers must demonstrate that financial assistance from other sources is not enough to enable the borrower to provide the housing at terms that are affordable to the target population. USDA also provides guarantees on loans made by private lenders to developers of affordable rural rental housing for low- and moderate-income households under the Section 538 program. (The Section 538 program is codified at 42 U.S.C. §1490p-2.)

Under the Section 521 program, rental assistance payments, which are made directly to owners of rental properties, make up the difference between the tenants' rent payments and the USDA-approved rent for the Section 515 units. (The Section 521 program is codified at 42 U.S.C. §1490a.) Owners must agree to operate the property on a limited profit or nonprofit basis. For more information about rural housing assistance programs, see CRS Report RL31837, *An Overview of USDA Rural Development Programs*, by Tadlock Cowan.

Table 4. Appropriations for USDA Section 521 Rental Assistance, FY2003-FY2013

($ in millions)

Fiscal Year	Section 521 Rental Assistance
2003	724
2004	581
2005	587
2006	647
2007	616
2008	479
2009	903
2010	980
2011	954
2012	905
2013	837

Source: USDA Annual Budget Summaries from FY2005 through FY2015. Enacted funding figures are taken from subsequent years' budget summaries. FY2013 funding levels reflect sequestration.

Funding for States and Localities

Low Income Housing Tax Credit

The LIHTC was enacted as part of the Tax Reform Act of 1986 (P.L. 99-514) and provides incentives for the development of affordable rental housing through federal tax credits administered through the Internal Revenue Service. (The program is codified at 26 U.S.C. §42.) The tax credits are disbursed to state housing finance agencies (HFAs) based on population. HFAs, in turn, award the credits to housing developers that agree to build or rehabilitate housing where a certain percentage of units will be affordable to low income households. Housing developers then sell the credits to investors and use the proceeds from sale of the credits to help finance the housing developments. The benefit of the tax credits to the purchasing investors is that they reduce the investor's federal income tax liability annually over a ten year period.

Because tax credits reduce the amount of private financing required to build or rehabilitate housing, the owners of developments financed through tax credits are able to charge lower rents. In order to qualify for the tax credits, at least 20% of units in a development must be occupied by households with incomes at or below 50% of area median income, or at least 40% of units must be occupied by households with incomes at or below 60% of area median income. Rent charged for the rent restricted units in a development may not exceed 30% of an imputed income limitation—calculated based on area median incomes. Units financed with tax credits must remain affordable for at least 15 years. As of 2011, more than 2.3 million units had been placed in service using LIHTCs.[20] In FY2013, the Joint Committee on Taxation estimated that the LIHTC would result in a $6.4 billion tax expenditure.[21] For more information about the LIHTC, see CRS Report RS22389, *An Introduction to the Low-Income Housing Tax Credit*, by Mark P. Keightley.

Mortgage Revenue Bonds

The federal government authorizes state and local governments to issue private activity bonds, up to a certain limit, which are exempt from federal taxes. One form of a private activity bond is a mortgage revenue bond (MRB). (MRBs are codified at 26 U.S.C. §143.) State or local governments—or their authorized agencies, such as housing finance agencies—sell MRBs to investors. Because the interest earned by bondholders is exempt from federal (and sometimes state) taxation, the bonds can be marketed at lower interest rates than would be required for similar taxable instruments. The proceeds of the bond sale, less issuance costs and reserves, are used to finance home mortgages to eligible (generally first-time) homebuyers. In effect, the tax exemption on the bonds provides an interest rate subsidy to homebuyers.

In order to qualify for the benefit, a borrower must not have been a homeowner in the past three years, the mortgage must be for the principal residence of the borrower, the purchase price may

[20] U.S. Department of Housing and Urban Development, Low Income Tax Credit Database, accessed March 19, 2014, http://www.huduser.org/portal/datasets/lihtc.html.

[21] Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2012-2017*, committee print, February 1, 2013, p. 33, https://www.jct.gov/publications.html?func=startdown&id=4503 (hereinafter *Estimates of Federal Tax Expenditures for Fiscal Years 2012-2017*). The Joint Committee on Taxation (JCT) measures a tax expenditure as the difference between tax liability under present law and tax liability computed without the tax expenditure provision. The JCT assumes all other tax expenditures remain in the tax code and that taxpayer behavior is unchanged. The tax expenditure estimate for the LIHTC includes tax credits taken by individuals and corporations.

not exceed 90% (110% in targeted areas) of the average purchase price in the area, and the income of the borrower may not exceed 110% (140% in targeted areas) of the median income for the area. In FY2013, the Joint Committee on Taxation estimated that MRBs would result in a $1 billion tax expenditure.[22]

Community Development Block Grants

The Community Development Block Grant (CDBG) program was enacted as part of the Housing and Community Development Act of 1974 (P.L. 93-383), and is administered by HUD. (The program is codified at 42 U.S.C. §§5301-5321.)

The purpose of the CDBG program is to develop viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities primarily for low- and moderate-income persons. The CDBG program distributes 70% of total funds through formula grants to entitlement communities—central cities of metropolitan areas, cities with populations of 50,000 or more, and urban counties—and the remaining 30% goes to states for use in small, non-entitlement communities.

Recipient communities may use CDBG funds for a variety of activities, although at least 70% of funds must be used to benefit low- and moderate-income persons. Eligible activities include the acquisition and rehabilitation of property for purposes such as public works, urban beautification, historic preservation; the demolition of blighted properties; services such as crime prevention, child care, drug abuse counseling, education, or recreation; neighborhood economic development projects; and the rehabilitation or development of housing as well as housing counseling services. In addition to its annual appropriations, Congress also has used the program's framework to provide additional, supplemental, and special appropriations to assist states and communities in responding to various economic crises and manmade and natural disasters. For more information about CDBG, see CRS Report R43394, *Community Development Block Grants: Recent Funding History*, by Eugene Boyd.

Table 5. Appropriations for the Community Development Fund and CDBG, FY2003-FY2013

($ in millions)

Fiscal Year	CDBG Formula Grants[a]	Set-Asides	Community Development Fund Account Total
2003	4,340	565	**4,905**
2004	4,331	603	**4,934**
2005	4,117	585	**4,702**
2006	3,711	467	**4,178**
2007	3,711	61	**3,772**
2008	3,593[b]	273	**3,866**
2009	4,642[c]	258	**4,900**
2010	3,950[d]	500	**4,450**

[22] Ibid., p. 34.

Fiscal Year	CDBG Formula Grants[a]	Set-Asides	Community Development Fund Account Total
2011	3,303	198	**3,501**
2012	2,948	60	**3,008**
2013	3,078	57	**3,135**

Source: HUD Congressional Budget Justifications from FY2005 through FY2015. Enacted funding figures are taken from subsequent years' justifications. FY2013 funding levels reflect sequestration.

Note: The CDBG program is funded in an account called the Community Development Fund. That account also funds set-asides including funding for Economic Development Initiatives and Neighborhood Initiatives. This table excludes emergency funding provided to CDBG in response to disasters.

a. Includes funding for insular areas.

b. Does not include $4 billion provided in the CDF account for the Neighborhood Stabilization Program (NSP). For more information about NSP, see CRS Report RS22919, *Community Development Block Grants: Neighborhood Stabilization Program; Assistance to Communities Affected by Foreclosures*, by Eugene Boyd.

c. Includes $1 billion in additional CDBG funding provided by P.L. 111-5. Does not include $2 billion provided in the CDF account for the Neighborhood Stabilization Program by P.L. 111-5.

d. Does not include $1 billion provided in the CDF account for the Neighborhood Stabilization Program by P.L. 111-203.

HOME Block Grants

The HOME Investment Partnerships Program is a housing block grant program administered by HUD and designed to expand the supply of decent, safe, sanitary, and affordable housing. (The program is codified at 42 U.S.C. §§12741 et seq.) HOME funds are allocated via formula: 60% of funds are awarded to "participating jurisdictions" (localities which have populations above a certain threshold) and 40% are awarded to states to use in areas not served by participating jurisdictions. HOME grantees must match 25% of their HOME grants (with some exceptions) and submit a plan to HUD detailing their community housing needs and priorities.

HOME funds can be used for four main purposes: rehabilitation of owner-occupied housing, homebuyer assistance, rental housing construction and rehabilitation, and the provision of tenant-based rental assistance. All HOME funds must be used to benefit low-income families (those with incomes at or below 80% of the area median income), and at least 90% of funds used for rental housing activities or tenant-based rental assistance must be used to benefit families with incomes at or below 60% of area median income. For more information about HOME, see CRS Report R40118, *An Overview of the HOME Investment Partnerships Program*, by Katie Jones.

Table 6. Appropriations for HOME, FY2003-FY2013

($ in millions)

Fiscal Year	HOME Formula Grants	Set-Asides	HOME Account Total
2003	1,850	137	**1,987**
2004	1,855	150	**2,006**
2005	1,785	115	**1,900**
2006	1,677	81	**1,757**
2007	1,677	81	**1,757**

Fiscal Year	HOME Formula Grants	Set-Asides	HOME Account Total
2008	1,625	79	**1,704**
2009	1,805	20	**1,825**[a]
2010	1,803	22	**1,825**
2011	1,587	19	**1,607**
2012	998	2	**1,000**
2013	946	2	**948**

Source: HUD Congressional Budget Justifications from FY2005 through FY2015. Enacted funding figures are taken from subsequent years' justifications. FY2013 funding levels reflect sequestration.

Note: In addition to funding HOME block grants, the HOME account also funds certain set-asides that have varied over the years. Such set-asides have included HOME funding for insular areas as well as programs such as the American Dream Downpayment Initiative (ADDI) and the Housing Counseling Assistance Program, among other things. ADDI, which provided funding for down payment and closing cost assistance for eligible first time homebuyers, was funded through the HOME account from FY2003-FY2008; Congress has not provided funding for ADDI in subsequent fiscal years. The Housing Counseling Assistance Program was funded through a set-aside in the HOME account until FY2009. Since that time, housing counseling has been funded in its own account rather than as a set-aside within the HOME account.

a. Does not include $2 billion appropriated in this account for the Tax Credit Assistance Program by P.L. 111-5.

Homeless Assistance Grants

The Homeless Assistance Grants were established in 1987 as part of the Stewart B. McKinney Homeless Assistance Act (P.L. 100-77). The grants, administered by HUD, fund housing and services for homeless persons. The Homeless Assistance Grants have gone through several permutations since their enactment, with the most recent change taking place when the grants were reauthorized in the 111th Congress by the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act, enacted as part of the Helping Families Save Their Homes Act (P.L. 111-22).

Until enactment of the HEARTH Act, the Homeless Assistance Grants were made up of four programs: the Emergency Shelter Grants (ESG) program, the Supportive Housing Program (SHP), the Section 8 Moderate Rehabilitation Assistance for Single-Room Occupancy Dwellings (SRO) program, and the Shelter Plus Care (S+C) program. The HEARTH Act maintained the ESG program, but renamed it the Emergency Solutions Grants program, and consolidated the three remaining programs (SHP, SRO, and S+C), sometimes referred to as the "competitive grants," into one program called the "Continuum of Care" (CoC) program. Funds appropriated for the ESG program continue to be distributed via formula to states and localities while funds for the CoC program, like its three predecessor programs, are distributed through a competition. Further, rural communities may apply separately for funds that otherwise would have been awarded as part of the Continuum of Care program through the Rural Housing Stability (RHS) grant program.

ESG program funds may be used by grantees in two categories: (1) emergency shelter and related services and (2) homelessness prevention and rapid rehousing. The statute limits use of funds in the first category to the greater of 60% of a state or local government's ESG allocation or the amount the recipient spent for these purposes in the year prior to the effective date of the HEARTH Act. CoC program funds may be used for transitional housing, permanent supportive

housing, rapid rehousing, supportive services, and Homeless Management Information Systems. Grantees under the RHS program may use funds to assist people who are experiencing homelessness in many of the same ways as the CoC program. These include transitional housing, permanent housing, rapid rehousing, data collection, and a range of supportive services. Funds may also be used for homelessness prevention activities, relocation assistance, short-term emergency housing, and home repairs that are necessary to make housing habitable.

For more information about the Homeless Assistance Grants, see CRS Report RL33764, *The HUD Homeless Assistance Grants: Programs Authorized by the HEARTH Act*, by Libby Perl.

Housing Opportunities for Persons With AIDS

The Housing Opportunities for Persons with AIDS (HOPWA) program is the only federal program that provides funding specifically for housing for persons with acquired immunodeficiency syndrome (AIDS) and related illnesses. Congress established the HOPWA program as part of the National Affordable Housing Act (P.L. 101-625) in 1990. (The program is codified at 42 U.S.C. §§12901-12912.) HOPWA program funding is distributed both by formula allocations and competitive grants. HUD awards 90% of appropriated funds by formula to states and eligible metropolitan statistical areas (MSAs) that meet thresholds regarding population, AIDS cases, and AIDS incidence. Recipient states and MSAs may allocate grants to nonprofit organizations or administer the funds through government agencies. HOPWA grantees may use funds for a wide range of housing, social services, program planning, and development costs. For more information about HOPWA, see CRS Report RL34318, *Housing for Persons Living with HIV/AIDS*, by Libby Perl.

Table 7. Appropriations for the Homeless Assistance Grants and HOPWA, FY2003-FY2013

($ in millions)

Fiscal Year	Homeless Assistance Grants	HOPWA
2003	1,217	290
2004	1,260	295
2005	1,229	282
2006	1,327	286
2007	1,442	286
2008	1,586	300
2009	1,677	310
2010	1,865	335
2011	1,901	334
2012	1,901	332
2013	1,933	315

Source: HUD Budget Justifications from FY2005 through FY2015. Enacted funding figures are taken from subsequent years' justifications. FY2013 funding levels reflect sequestration.

Note: Funding for FY2009 Homeless Assistance Grants does not include $1.5 billion for the Homelessness Prevention and Rapid Re-Housing Program (HPRP) provided by P.L. 111-5.

NAHASDA

The Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA, P.L. 104-330), reorganized the system of federal housing assistance to Native Americans by separating Native American programs from the public housing program, and by eliminating several separate programs of assistance and replacing them with a single block grant program. In addition to simplifying the process of providing housing assistance, the purpose of NAHASDA was to provide federal assistance for Indian tribes in a manner that recognizes the right of Indian self-determination and tribal self-governance.

The act provides block grants to Indian tribes or their tribally designated housing entities (TDHEs) to use for a wide range of affordable housing activities through the Native American Housing Block Grant (NAHBG) program. The tribe must submit an Indian housing plan (IHP), which is reviewed by HUD for compliance with statutory and regulatory requirements. Funding is provided under a needs-based formula, which was developed pursuant to negotiated rule-making between tribal representatives and HUD. Tribes and TDHEs can leverage funds, within certain limits, by using future grants as collateral to obtain private loans for affordable housing activities under a guaranteed loan program, the Title VI Loan Guarantee Program. For more information about NAHASDA, see CRS Report R43307, *The Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA): Background and Funding*, by Katie Jones.

Table 8. Appropriations for Native American Housing Block Grants, FY2003-FY2013

($ in millions)

Fiscal Year	NAHASDA
2003	645
2004	650
2005	622
2006	624
2007	624
2008	624
2009	1,155[a]
2010	700
2011	649
2012	650
2013	616

Source: HUD Congressional Budget Justifications from FY2005 through FY2015. Enacted funding figures are taken from subsequent years' justifications. FY2013 funding levels reflect sequestration.

Note: Figures show total funding for the Native American Housing Block Grants account. In addition to funding the block grants, this account also includes funding for the Title VI Loan Guarantee Program, funding for training and technical assistance, and funding for a national organization representing Native American housing interests (traditionally the National American Indian Housing Council).

a. Includes $510 million provided by the American Recovery and Reinvestment Act (P.L. 111-5).

Homeownership Assistance

Federal Housing Administration

The Federal Housing Administration (FHA) was established by the National Housing Act of 1934 (P.L. 73-479). Today an agency within HUD, FHA insures private lenders against losses on certain home mortgages. Since lenders are insured against loss if borrowers default, they are willing to make loans to borrowers who might not otherwise be served by the private market, particularly those with low down payments or little credit history. FHA-insured borrowers pay insurance premiums to FHA and are subject to limits on the size of loan that they can obtain.

The FHA administers a variety of mortgage insurance products, including insurance for home purchase and home improvement loans, reverse mortgages to allow the elderly to remain in their homes, and loans for the purchase, repair, or construction of apartments, hospitals, and nursing homes. The programs are administered through two program accounts—the Mutual Mortgage Insurance/Cooperative Management Housing Insurance fund account (MMI Fund) and the General Insurance/Special Risk Insurance fund account (GI/SRI Fund). The MMI Fund provides insurance for single-family mortgages. The GI/SRI fund provides insurance for mortgages on multifamily buildings, hospitals and nursing homes, and for an assortment of special purpose loans such as manufactured housing loans and home improvement loans.

Table 9 presents the FHA share of the home purchase mortgage market for FY2002-FY2012. The share of home purchase mortgages insured by FHA was about 11% in FY2002 and then declined to a low of 4% in FY2005 and FY2006. The FHA share of home purchase mortgages increased dramatically after FY2007, reaching a high of 33% in FY2009, as the housing market experienced turmoil and FHA insured a larger number of mortgages in an overall smaller mortgage market. FHA's share of the home purchase mortgage market has decreased somewhat since its peak, but, at 29% in FY2012, it remains high by historical standards. For more information on FHA, see CRS Report RS20530, *FHA-Insured Home Loans: An Overview*, by Katie Jones.

Table 9. FHA Share of Home Purchase Market, FY2002-FY2012

Fiscal Year	Number of FHA-Insured Home Purchase Mortgages (000)	FHA-Insured Mortgages as a % of All Home Purchase Mortgages
2002	765	11
2003	630	8
2004	457	7
2005	323	4
2006	295	4
2007	317	6
2008	845	24
2009	1,088	33
2010	944	32

Fiscal Year	Number of FHA-Insured Home Purchase Mortgages (000)	FHA-Insured Mortgages as a % of All Home Purchase Mortgages
2011	760	27
2012	738	29

Source: HUD, FHA-Insured Single Family Mortgage Market Share Reports, http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/rmra/oe/rpts/fhamktsh/fhamktqtrly.

Department of Veterans Affairs Loan Guarantees

The Servicemen's Readjustment Act of 1944 (P.L. 78-346) established the home loan guaranty program, which is administered by the Department of Veterans Affairs (VA). The VA loan guaranty came about as an alternative to a cash bonus for veterans returning from World War II, considered less expensive than a bonus, but still a way to provide benefits to veterans.

The loan guaranty program assists veterans by insuring mortgages made by private lenders, and is available for the purchase or construction of homes as well as to refinance existing loans. The loan guaranty has expanded over the years so that it is available to (1) all veterans who fulfill specific duration of service requirements or who were released from active duty due to service-connected disabilities, (2) members of the reserves who completed at least six years of service, and (3) spouses of veterans who died in action, died of service-connected disabilities, or who died while receiving (or while being entitled to receive) benefits for certain service-connected disabilities. Under the loan guaranty, the VA agrees to reimburse lenders for a portion of losses if borrowers default. Unlike insurance provided through the Federal Housing Administration (FHA) insurance program, the VA does not insure 100% of the loan, and instead the percentage of the loan that is guaranteed is based on the principal balance of the loan.

Table 10 presents VA-insured mortgages' share of the home purchase mortgage market for FY2002 to FY2012. The total number of VA-insured purchase loans originated per year as a share of all home purchase mortgages has increased from between 2% and 3% in FY2002-FY2007, to 8% in FY2012. For more information on VA home loans, see CRS Report R42504, *VA Housing: Guaranteed Loans, Direct Loans, and Specially Adapted Housing Grants*, by Libby Perl.

Table 10. VA Share of Mortgage Market, FY2002-FY2012

Fiscal Year	Number of VA-Insured Home Purchase Mortgages (000)	VA-Insured Purchase Mortgages as a % of All Home Purchase Mortgages
2002	177	3
2003	149	2
2004	152	2
2005	119	2
2006	123	2
2007	118	2
2008	142	4
2009	181	5

Fiscal Year	Number of VA-Insured Home Purchase Mortgages (000)	VA-Insured Purchase Mortgages as a % of All Home Purchase Mortgages
2010	193	7
2011	187	7
2012	202	8

Source: The number of VA-insured mortgages are from VA Annual Benefits Reports. Total market data taken from HUD's website at http://www.hud.gov/offices/hsg/rmra/oe/rpts/fhamktsh/fhamkt_current.pdf. Percentages calculated by CRS.

Department of Agriculture Rural Housing Loans

Through the Section 502 Rural Housing Loan program, USDA is authorized to make both direct loans and to guarantee private loans to very low- to moderate-income rural residents for the purchase or repair of new or existing single-family homes. (The program is codified at 42 U.S.C. §1472.) The direct loans have a 33-year term and interest rates may be as low as 1%. Borrowers in rural areas with incomes at or below 80% of area median income qualify for the direct loans. The guaranteed loans have 30-year terms, and borrowers in rural areas with incomes at or below 115% of the area median qualify. Priority for both direct and guaranteed loans is given to first-time homebuyers, and USDA may require that borrowers complete a homeownership counseling program.

Through the Section 504 program, the USDA makes loans and grants to very low-income homeowners (those with incomes at or below 50% of area median income) for home repairs or improvements, or to remove health and safety hazards. (The program is codified at 42 U.S.C. §1474.) The Section 504 grants may be available to homeowners who are age 62 or older. To qualify for the grants, the elderly homeowners must lack the ability to repay the full cost of the repairs. Depending on the cost of the repairs and the income of the elderly homeowner, the owner may be eligible either for a grant that will cover the full cost of the repairs, or for some combination of loan and grant. For more information about rural housing programs, see CRS Report RL31837, *An Overview of USDA Rural Development Programs*, by Tadlock Cowan.

Table 11 presents the number of mortgages that were made under the Section 502 Direct Loan Program and the Section 502 Guaranteed Loan Program in each fiscal year between FY2002 and FY2012.

Table 11. Number of USDA Section 502 Mortgages, FY2002-FY2012

Fiscal Year	Number of USDA Section 502 Direct Loans (000)	Number of USDA Section 502 Guaranteed Loans (000)
2002	14	28
2003	13	32
2004	15	34
2005	12	31
2006	12	30
2007	11	34

Fiscal Year	Number of USDA Section 502 Direct Loans (000)	Number of USDA Section 502 Guaranteed Loans (000)
2008	10	59
2009	12	131
2010	17	133
2011	9	121
2012	8	145

Source: Housing Assistance Council data on the USDA Rural Development programs' historical activity, http://ruralhome.org/information-and-publications/rural-development-obligations/rd-data-gen/189-historic-activity.

Notes: FY2009 and FY2010 figures include loans funded under the American Recovery and Reinvestment Act (ARRA).

Federal Home Loan Banks

The Federal Home Loan Banks (FHLB; the Banks) were created in 1932 by the Federal Home Loan Bank Act (P.L. 72-304) to serve as lenders to savings and loan associations, which at the time made the majority of home mortgage loans. The Banks were established to ensure the liquidity of these lenders, and today lend money to commercial banks, credit unions, and insurance companies in addition to savings and loans. The FHLB System includes twelve regional wholesale Banks and an Office of Finance. Each Bank is a separate legal entity, cooperatively owned by its member financial institutions, and has its own management, employees, and board of directors. Each Bank is assigned a distinct geographic area.

The FHLB system is a government-sponsored enterprise (GSE). As a GSE, the Banks receive certain privileges to assist them in carrying out their mission, such as an exemption from certain taxes. Each of the Federal Home Loan Banks is required to annually contribute 10% of its net income toward an Affordable Housing Program (AHP).[23] Through the AHP, the Banks provide grants and subsidized loans for rental and owner-occupied housing for very low- and low-income households. Each FHLB may set aside up to the greater of 35% of its AHP funds or $4.5 million per year to help low- and moderate-income households purchase homes by providing grants for down payment or closing cost assistance or other costs related to buying or rehabilitating a home. At least one-third of the amount set aside for homeownership assistance must be used for first-time homebuyers, and the maximum per-household grant amount may not exceed $15,000.[24]

Each of the Banks also operates a Community Investment Program (CIP). Through the CIP, the Banks offer advances to member financial institutions at discounted interest rates to fund rental and owner-occupied housing for households at or below 115% of area median income as well as other community development activities. (The Affordable Housing Program and Community Investment Program are codified at 12 U.S.C. §1430. Regulations are at 12 C.F.R. Part 1291 and 12 C.F.R. Part 952, respectively.)

[23] See http://www.fhlbanks.com/programs_affordhousing.htm.

[24] For more information, see the Federal Housing Finance Agency's website at http://fhfa.gov/Default.aspx?Page=102. The Federal Housing Finance Agency is the regulator for the FHLBs.

Section 235

The Section 235 program, enacted as part of the Housing and Urban Development Act of 1968 (P.L. 90-448), helped to subsidize the home purchases of individual borrowers. Through the program, FHA provided a monthly subsidy payment to lenders in order to reduce the interest liability of loans made to eligible borrowers. As originally enacted and administered, homebuyers were required to pay at least 20% of their income toward debt service on their mortgages, and FHA paid the lenders the lesser of (1) the balance of the monthly payment due after the borrowers paid 20% of their income or (2) the difference between the required payments at the FHA interest rate and the payments that would be due on a loan with a 1% interest rate. As a result, the subsidy to homeowners varied depending upon their income, the amount of the mortgage, and the market interest rate.

The Section 235 program had a two-tiered eligibility component. At least 80% of program funds were made available for homebuyers with incomes that did not exceed 135% of the maximum income for admission to public housing. Applicants in this group could purchase homes with down payments as low as $200. The remaining 20% of program funds were available for a higher income group. Applicants in this group had to make down payments of at least 3% of the sales price. New commitments under the Section 235 program were halted by the 1973 Nixon moratorium; a revised version of the program was reactivated in 1976. The Section 235 program was terminated as of October 1, 1989 by the Housing and Community Development Act of 1987 (P.L. 100-242); however, according to the most recent publicly available HUD data, several thousand families continue to be assisted by the program.[25]

Mortgage Interest Deduction

Homeownership promotion has generally taken two forms: government assistance in the financing of home purchases, and tax preferences favoring homeowners. One of the tax incentives that promote homeownership is the mortgage interest deduction. The mortgage interest deduction allows homeowners to deduct any interest paid on their mortgage from their taxable income, thus reducing their tax liability. The deduction benefits those households that own homes, that have a mortgage on which they pay interest, that have federal income tax liability, and for whom itemized deductions exceed the standard deduction (approximately 75% of taxpayers take the standard deduction). It is not targeted to lower-income households.

Although the mortgage interest deduction was not initially created to promote homeownership,[26] today, the mortgage interest deduction could be considered the federal government's largest housing program. In FY2013, the Joint Committee on Taxation estimated that the mortgage interest deduction would result in a $69.7 billion tax expenditure.[27] For more information about the mortgage interest deduction, see CRS Report R41596, *The Mortgage Interest and Property Tax Deductions: Analysis and Options*, by Mark P. Keightley.

[25] HUD, Congressional Justifications for FY2011, p. K-3.

[26] As described in CRS Report R41596, *The Mortgage Interest and Property Tax Deductions: Analysis and Options*, by Mark P. Keightley, when the federal income tax was instituted in 1913, all interest payments were deductible, including business and personal expenses. Over time, the ability to deduct other personal interest payments has been eliminated while the deductibility of mortgage interest was maintained.

[27] *Estimates of Federal Tax Expenditures for Fiscal Years 2012-2017*, p. 33. See footnote 21 for full citation.

Issues and Trends in Housing Assistance Programs

Incidence of Housing Problems

When the federal housing assistance programs began in the 1930s, the nation was considered to be ill-housed. The Housing Act of 1937 identified an "acute shortage of decent, safe, and sanitary dwellings." Thanks in part to stricter building codes and standards, most housing in the United States today is decent, safe, and sanitary. Although some units are still considered substandard, today the greatest perceived housing problem is affordability. Housing is considered "affordable" if it costs no more than 30% of a household's income. Households that pay half or more of their income toward their housing costs are considered severely cost burdened; households that pay between 30% and 50% of their income toward their housing costs are considered moderately cost burdened. According to data from the Census Bureau's American Community Survey, 21.7 million households were moderately cost burdened and 20.6 million households were severely cost burdened in 2011.[28]

Public policy is generally most concerned with the housing affordability problems of the lowest-income families, because high housing costs may prevent these families from meeting their other basic needs. The American Community Survey data show that in 2011, among households with income below $15,000 per year, 68.7% were severely cost burdened (compared to 62.6% in 2001), and for households with income between $15,000 and $29,999 per year, 30.9% were severely cost burdened (compared to 23.1% in 2001).[29]

HUD is directed to report to Congress periodically on the incidence of "worst case" housing needs. Worst case housing needs are defined as occurring when unassisted renters with very low incomes (at or below 50% of area median income) pay more than half of their income for housing costs or live in severely substandard housing. In its 2011 report to Congress on worst case housing needs, HUD found that nearly 8.5 million households (or 7.4% of all households) had worst case housing needs, increasing by 19% compared to 2009 (when 7.1 million households had worst case housing needs, or 6.0% of all households) and by 43% compared to 2007 (when 5.9 million households had worst case housing needs, or 5.3% of all households).[30] Prior to 2005, the percentage of households having worst case housing needs had remained relatively steady—roughly 5% of all households—since HUD began reporting on worst case housing needs in 1991. The vast majority of households with worst case housing needs in 2011 (93%) were severely cost burdened, but lived in standard housing; only about 3% of households had worst case housing needs solely because they lived in substandard housing (another 4% experienced both conditions).

[28] Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing 2013*, p. 27, http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/son2013.pdf.

[29] Ibid., Table A-3.

[30] U.S. Department of Housing and Urban Development, *Worst Case Housing Needs 2011 Report to Congress*, August 2013, pp. 1-2, 25, http://www.huduser.org/Publications/pdf/HUD-506_WorstCase2011_reportv3.pdf.

Characteristics of Families Receiving Assistance

Public housing, Section 8 vouchers, and the Section 8 project-based rental assistance programs combined serve roughly 4 million households and can be considered the primary housing assistance programs for low-income families. These three forms of assistance are similar in many ways. They all target assistance to extremely low-income families, require families to pay 30% of their incomes toward rent, and generally have long waiting lists for assistance. However, the three vary in terms of their evolution, the structure of their benefit (a portable voucher versus a housing unit), and their administration (PHA versus private owner).

The similarities and differences in the programs themselves result in similarities and differences in the characteristics of the households they serve. **Table 12** provides household characteristics data for participants in the Section 8 tenant-based voucher program, the public housing program, and the project-based Section 8 rental assistance program.

Table 12. Characteristics of Households Served in Selected Housing Assistance Programs

	Tenant-Based Section 8	Public Housing	Project-Based Section 8
Household Characteristics			
Elderly Head of Household or Spouse	21%	32%	46%
Non-elderly Disabled Head of Household or Spouse	28%	20%	17%
All Households with Children	49%	39%	30%
Female Head of Household	81%	74%	73%
Female Head of Household With Children	44%	34%	27%
Race and Ethnicity (Head of Household)			
Non-Hispanic White	34%	26%	45%
Non-Hispanic Black	47%	45%	34%
Hispanic	16%	25%	16%
Other	4%	3%	5%
Household Income			
$0-$5,000	14%	14%	16%
$5,001-$10,000	30%	32%	32%
$10,001-$15,000	24%	20%	26%
$15,001-$20,000	14%	13%	14%
$20,001-$30,000	12%	11%	9%
$30,001-$90,000	5%	11%	3%

Source: Calculated by CRS, based on 2012 HUD Public Use Microdata, accessed March, 2014. Totals may not add to 100% due to rounding.

The Section 8 (tenant-based) voucher program serves more single, female-headed households with children than do the public housing program or project-based programs. Based on 2012 HUD data, 44% of voucher households were households with children headed by females,

compared to 34% of public housing households and 27% of project-based households. The project-based Section 8 program primarily serves families headed by persons who are elderly or live with disabilities, who account for nearly two-thirds (63%) of all households served in the program. This is not surprising given that owners of project-based housing may designate entire properties for elderly or disabled households. In addition, units of Section 202 housing for the elderly that were developed during the 1970s and 1980s were subsidized with project-based Section 8 rental assistance. Public housing and the Section 8 voucher program each have about half of households (52% and 49%, respectively) where the head or spouse is elderly or a person with a disability.

HUD reports race and ethnicity of the head of household as non-Hispanic white, non-Hispanic black, Hispanic, and other. In Public Housing and the Section 8 voucher program, non-Hispanic black household heads make up the largest share of households (45% and 47%, respectively). In the project-based Section 8 program, non-Hispanic white household heads are the largest share (45%), with non-Hispanic black household heads making up 34% of the total. Between 16% and 25% of households served across the three programs have heads of household who identify their ethnicity as Hispanic, with Public Housing having the largest share.

The rules governing the three main housing assistance programs require that they serve low-income households, those with incomes at or below 80% of area median income. However, with the targeting required in these programs, many households served have very low- or extremely low-incomes (at or below 50% or 30% of area median income, respectively).[31] As an example, in 2012 the national median income was $65,000,[32] meaning that low-income would be considered at or below $49,200; very low-income, $32,500; and extremely low-income, $19,500. The majority of households served in each of the three programs have incomes at or below $15,000. In Public Housing, the percentage of households with incomes at or below $15,000 is 65%, rising to 68% of households in the Section 8 voucher program, and 73% of households in Project-Based Section 8.

Concern has been raised that perhaps the income-based rent structure in the assisted housing programs acts as a disincentive for households to increase their earnings; for every new dollar a family earns, thirty-cents must go toward rent.[33] There have been some efforts to mitigate this perceived work disincentive, including the adoption of an earned income disregard in the public housing program and an earned income disregard for disabled families in the voucher program. Congress also developed the Family Self Sufficiency (FSS) program in an effort to promote work. Families in the FSS program enter into contracts with their PHAs in which they agree to take steps toward becoming self-sufficient within five years. The PHA, in turn, agrees to deposit any increased rent collected as a result of the family's increased earnings into an escrow account that the family will receive at the end of the five years, or from which they can make interim withdrawals for approved purposes. FSS is voluntary for PHAs to administer and voluntary for families to join.

[31] For more information about income eligibility, see CRS Report R42734, *Income Eligibility and Rent in HUD Rental Assistance Programs: Responses to Frequently Asked Questions*, by Libby Perl and Maggie McCarty.

[32] U.S. Department of Housing and Urban Development, *Notice PDR-12-01, Estimated Median Family Incomes for Fiscal Year 2012*, December 1, 2011, http://www.huduser.org/portal/datasets/il/il12/Medians2012.pdf.

[33] Edgar Olsen et al., "Effects of Different Types of Housing Assistance on Earnings and Employment," *Cityscape: A Journal of Policy Development and Research*, vol. 8, no. 2, p. 2005.

The Federal Government's Role in Affordable Rental Housing

Beginning in the 1980s, the federal government took on a lesser role in the creation of assisted housing. This occurred in several ways. Congress ceased funding new construction under the Section 8 project-based program, which from its enactment in 1974 had subsidized hundreds of thousands of units of assisted housing. This left very few active programs in which HUD supported the development of physical housing units. Between 1976 and 1982, the federal housing programs produced more than 1 million units of subsidized housing.[34] In the following years, however, annual production was around 25,000 new subsidized units.[35] Around the time that housing production was declining, Congress created two programs that gave a good deal of control over decisions regarding housing policy and development to state and local governments—these included the Low Income Housing Tax Credit (LIHTC) program and the HOME Investment Partnerships program. These programs, particularly the LIHTC, have been used by states and localities to create hundreds of thousands of units of affordable housing.

The federal government's decision to take a lesser role in the development of housing has had several consequences. First, state and local governments have taken on an increased role in providing affordable housing and establishing priorities in their communities.[36] Second, due to a reduction in the number of new affordable housing units that are created each year, the need to preserve existing affordable housing units has taken on a new importance. A third consequence is the need for multiple streams of funding other than federal grants in order both to support the creation of new affordable housing units and to preserve existing units. Those three consequences are discussed more fully below.

First, with the advent of both the LIHTC program and the HOME program, states and localities were able to exercise discretion in determining how to prioritize and develop housing using a larger pool of federal funds. Until that point, even though states, through their Housing Finance Agencies, helped finance mortgage loans and affordable rental housing, their role was limited by the amount of funds available.

In the Low Income Housing Tax Credit program, states develop plans in which they may set aside a certain percentage of tax credits for populations such as homeless individuals or persons with disabilities. They may also decide to use tax credits to preserve existing housing as well as to build new housing. Funds that states receive from the HOME program may be used for the construction of new rental housing and rental assistance for low-income households. A potential drawback of these programs is their inability, on their own, to reach the neediest households.[37] For example, in a LIHTC development, at least 20% of units must be affordable to households at or below 50% of area median income, or 40% of units must be affordable to households at or below 60% of area median income. Many of the older HUD programs constructed housing that was affordable to households at or below 30% of area median income—those considered

[34] The National Housing Task Force, *A Decent Place to Live*, March 1988. See S.Hrg. 100-689, p. 142.

[35] Ibid.

[36] Michael A. Stegman, *State and Local Affordable Housing Programs: A Rich Tapestry* (Washington, DC: Urban Land Institute, 1999).

[37] See, for example, Recapitalization Advisors, Inc., *The Low Income Housing Tax Credit Effectiveness and Efficiency: A Presentation of the Issues*, March 4, 2002, p. 11, available at http://www.affordablehousinginstitute.org/resources/library/MHC_LIHT.pdf.

extremely low-income. Often these households cannot afford units in LIHTC properties without rental subsidies, such as Section 8 vouchers.[38]

Another way some states and local governments support affordable housing is outside of the assistance of the federal government, through establishment of their own housing trust funds. These trust funds use dedicated funding sources such as document recording fees or real estate transfer taxes to create a pool of funds for affordable housing. By using a dedicated source of financing, trust funds may not be as subject to the vicissitudes of state budgets as are other means of funding housing development. States and local communities also support affordable housing through inclusionary zoning. Through this method, housing developers are expected to dedicate a percentage of units they build as affordable housing. In exchange, states or local communities give developers incentives that allow them to expand or speed up the pace of development. Some of the incentives include density bonuses or zoning variances that allow developers to build larger facilities than they would be able to under existing zoning regulations, as well as expedited approval of building permits.

A second consequence of the decreased role of the federal government in the production of affordable housing units is the increased pressure to maintain the affordability of existing units. Many HUD subsidized units that were developed in the 1960s and 1970s through programs such as Section 236 and Section 221(d)(3), as well as those units that received Section 8 project-based rental assistance, are no longer available to low-income households. At the time the properties were developed, building owners entered into contracts with HUD in which they agreed to maintain affordability for a certain number of years. The duration of these contracts varied; depending on the federal program, these contracts, or "use restrictions" may last between 15 years (the Low Income Housing Tax Credit program) and 50 years (early Section 202 developments). In recent years, these contracts have begun to expire or, in some cases, property owners have chosen to pay off their mortgages early and end the use restrictions. Contracts for rental assistance, including project-based Section 8 rental assistance, have also begun to expire. When any of these events occur, owners may charge market-rate rents for the units, and the affordable units are lost. The term used to refer to efforts to maintain the affordability of these housing units is "affordable housing preservation." In coming years, more and more property owners will be in a position to opt out of affordability restrictions and thousands of units could be lost.[39]

Congress has attempted to enact laws that would preserve affordable housing units; however, due to the temporary nature of some of the measures, preservation remains a concern. Congress first enacted legislation to help preserve affordable rental housing in 1987. The Emergency Low-Income Housing Preservation Act (ELIHPA), enacted as part of the Housing and Community Development Act of 1987 (P.L. 100-242), was a temporary measure that prevented owners of Section 236 and Section 221(d)(3) properties from prepaying their mortgages. In 1990, the Low-Income Housing Preservation and Resident Homeownership Act (LIHPRHA), enacted as part of the Cranston-Gonzalez National Affordable Housing Act (P.L. 101-625), offered incentives to owners to keep them from prepaying their mortgages. However, six years after LIHPRHA was enacted, Congress reinstated the right of owners to prepay their mortgages. (See P.L. 104-134.) Another effort to preserve affordable housing was enacted as part of the Multifamily Assisted

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[38] Ethan Handelman, Jeffrey Oakman, and David A. Smith, *The Interaction of LIHTC and Section 8 Rents*, Recapitalization Advisors, Inc., January 30, 2007, p. 4, available at http://www.recapadvisors.com/pdf/Wu%2061.pdf.

[39] For more information, see CRS Report R41182, *Preservation of HUD-Assisted Housing*, by Maggie McCarty and Libby Perl.

Housing Reform and Accountability Act (MAHRA, P.L. 105-65). Through this effort, HUD restructures the debt of building owners while at the same time renegotiating their rental assistance contracts. Unlike ELIHPA and LIHPRHA, MAHRA is still in effect.

A third consequence of the decreased federal role in the production of affordable housing is the need for low-income housing developers to bring together multiple funding streams in order to build a development. When the federal government first began to subsidize the production of affordable housing, in many cases the funds appropriated for housing programs were sufficient to construct or rehabilitate the affordable units without the need for funds from the private financial markets. Over the years, however, federal programs that provide grants for the construction of multifamily housing for low-income households have become a smaller portion of the government's housing portfolio. At the same time, the grants themselves have become a smaller portion of the total amount needed to support the development of affordable housing. As a result, it has become necessary for developers to turn to multiple sources of financing, including Low Income Housing Tax Credits, tax exempt bonds, and state or local housing trust funds. In addition, it is often necessary for building owners to seek rent subsidies through programs like Section 8 and HOME to make renting to very low- or extremely low-income households feasible.

The interactions among these various financing streams can be complex, and putting together a development plan may require the expertise of housing finance professionals.

Shift to Tenant-Based Assistance

Over time, the number of Section 8 vouchers provided and funded by the federal government has grown, while the number of federally-subsidized housing units—through project-based Section 8 rental assistance and public housing—has declined.[40] This change from project-based assistance to tenant-based assistance is due, in part, to Congress' decision to increase the voucher program by creating new vouchers after new construction in the project-based Section 8 program and public housing program had been halted.[41] Some of these vouchers were general purpose vouchers, available to any eligible family, and some were special purpose vouchers, targeted to special populations, such as families transitioning from welfare to work and homeless veterans.

This shift is also due, in part, to declines in the number of project-based assistance and public housing units. As previously noted in this report, the project-based rental assistance contracts between private landlords and HUD began expiring in the 1980s. When these contracts expire, private property owners can either renew their contracts with HUD (typically on an annual or

[40] For data on vouchers from FY1998 through FY2009, when numbers grew from 1.6 million to 2.18 million, see the Government Accountability Office Report, GAO-06-405, *Rental Housing Assistance: Policy Decisions and Market Factors Explain Changes in the Costs of the Section 8 Programs*, April 28, 2006 and the FY2011 HUD Congressional Budget Justifications. Note that the methodology for counting Section 8 vouchers has changed over time; therefore, the 2009 count may underestimate the number of vouchers. For data on Public Housing units, which declined from just under 1.3 million units in FY1998 to just under 1.13 million units in FY2009, see HUD Congressional Budget Justifications. And for data on project-based Section 8 rental assistance, which declined from just under 1.4 million units in CY1998 to just under 1.28 million units in FY2009, see Econometrica, et al., *Multifamily Properties: Opting In, Opting Out and Remaining Affordable*, January 2006 (CY1998 data, Table 2.2) and HUD Congressional Budget Justifications (FY2009 data). Note that for project-based figures, a calendar year figure is compared to a fiscal year figure.

[41] The authority to enter into new project-based Section 8 contracts was repealed in 1983 and the 1998 public housing reform law prohibited PHAs from increasing the number of public housing units under contract.

five-year basis) or leave the program. When property owners leave the program, their tenants typically receive Section 8 vouchers—referred to as tenant protection vouchers. As also noted earlier in this report, since the mid-1990s, when public housing units are demolished or sold, PHAs are not required to replace each lost unit with a new public housing unit. Instead, displaced families who are not relocated to other public housing units are provided with tenant-protection vouchers.

Also contributing to the decline in Public Housing units is the Rental Assistance Demonstration (RAD) program, enacted as part of the FY2012 Consolidated Appropriations Act (P.L. 112-55). Through RAD, PHAs may convert funds received through the Public Housing operating and capital funds to either project-based Section 8 rental assistance or project-based vouchers. As of the date of this report, the number of eligible Public Housing units eligible to convert through RAD was capped at 60,000.

The shift from project-based assistance to tenant-based assistance has several implications for families. Vouchers offer portability, which, for some residents of public or other assisted housing, may mean the ability to move out of a troubled community to a community with new opportunities. However, there is debate over whether vouchers' portability leads to economic or social mobility. Early research on mobility showed promise that families—particularly, low-income black families—that moved from heavily poverty- and minority-concentrated public housing neighborhoods to more economically- and racially-integrated neighborhoods using vouchers could see improved employment and child outcomes.[42] However, more recent mobility research has shown mixed results.[43] There is also some evidence that, for families accustomed to living in public housing, the transition to the private market rental market with a voucher can be difficult without counseling and other supports, which may not be consistently provided.[44]

Supporting Homeownership

For 2013, the Census Bureau reported a U.S. homeownership rate of 65.1%, down from a peak of 69% in 2004.[45] However, the distribution of homeownership is not even. The rate is highest in the Midwest (69.7%) and lowest in the West (59.4%). It is highest for those age 65 years or more (80.8%), and lowest for those under 35 years old (36.8%). It is higher for whites (73.3%) than it is for blacks (43.1%). Hispanics, who can be of any race, had a homeownership rate of 46.1%. The homeownership rate is higher for those with income at or greater than the median (about 80%) and lower for those with incomes less than the median (about 50%).[46]

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[42] J.E. Rosenbaum, *Changing the Geography of Opportunity by Expanding Residential Choice: Lessons from the Gautreaux,* Housing Policy Debate, vol. 6 no. 1, Fannie Mae Foundation, 1995.

[43] For more information, see CRS Report R42832, *Choice and Mobility in the Housing Choice Voucher Program: Review of Research Findings and Considerations for Policymakers*, by Maggie McCarty and Carmen Brick.

[44] Popkin, Susan, et al., *A Decade of HOPE VI: Research Findings and Policy Challenges,* Urban Institute, May 18, 2004.

[45] U.S. Department of Commerce, U.S. Census Bureau, *Housing Vacancies and Homeownership Annual Statistics: 2013*, Tables 14, 17, and 22. Homeownership rates by household income are from U.S. Census Bureau News, "Residential Vacancies and Homeownership in the Fourth Quarter 2013," January 31, 2014, pp. 5-10, http://www.census.gov/housing/hvs/files/qtr413/q413press.pdf.

[46] U.S. Census Bureau News, "Residential Vacancies and Homeownership in the Fourth Quarter 2013," January 31, 2014, pp. 5-10, http://www.census.gov/housing/hvs/files/qtr413/q413press.pdf.

The federal government has historically provided support for homeownership through a variety of programs and activities. These include favorable treatment in the tax code (mortgage interest and property tax deductions); the creation and favorable treatment of certain lending institutions that make home loans (Federal Home Loan Banks); the establishment of federal programs that insure lenders against losses on home loans (through FHA, VA, and USDA); establishing institutions that create a secondary market for mortgages and enable funds for mortgages to be available throughout the U.S. (Fannie Mae, Freddie Mac, and Ginnie Mae); establishing counseling programs, within HUD and other agencies, that fund organizations that counsel prospective homebuyers on obtaining and maintaining homeownership; and funding grant programs that provide down payment and closing cost assistance to some homebuyers.

While not all of these initiatives were established specifically to promote homeownership, many policy makers have come to view these programs and activities as important for helping households access affordable financing to purchase a home. Homeownership has long been perceived to provide a number of economic and social benefits, including an opportunity to build wealth through accumulating home equity and a greater level of neighborhood satisfaction and community involvement.[47] Given these perceived benefits, an ongoing policy concern has been that some creditworthy households might be unable to achieve these benefits due to difficulties obtaining affordable mortgages. For example, it may be difficult for some households who have the income to sustain a mortgage but do not have funds to make a large down payment to access mortgages on affordable terms.

Since the 1940s, nearly every U.S. President has expressed support for the concept of increased homeownership. For example, there has been the George H.W. Bush Administration's "Blueprint for the American Dream," the Clinton Administration's "National Homeownership Strategy," and the George W. Bush Administration's "Homeownership Initiative." Generally, these proposals involved little new federal funding, but sought to rally the private sector to use existing programs to reach some specified target. The primary focus of the more recent proposals was to increase homeownership among groups who have traditionally been less likely to be homeowners, such as low-income families and minorities.

Given the unprecedented downturn in U.S. housing and mortgage markets in recent years, and the resultant high foreclosure rate, the future of federal policy promoting homeownership is uncertain. High foreclosure rates and steep house price decreases in some areas have led some to question the traditional rationales for promoting homeownership. Nonetheless, others continue to believe that federal policy should continue to support activities that could increase access to homeownership for creditworthy borrowers. Given this policy debate, it remains to be seen whether, and to what extent, the federal government will pursue policies to encourage higher rates of homeownership in the future.

[47] For example, see the discussion of possible benefits related to homeownership in Christopher E. Herbert and Eric S. Belsky, *The Homeownership Experience of Low-Income and Minority Families: A Review and Synthesis of the Literature*, Abt Associates, Inc., prepared for U.S. Department of Housing and Urban Development, Office of Policy Development and Research, February 2006, pp. 3-6, http://www.huduser.org/publications/pdf/hisp_homeown9.pdf.

Data

The following tables present data on federal spending (outlays) on selected housing assistance programs as well as data on the number of assisted units, since 1980.

Table 13 presents outlays for selected programs, in both real and nominal dollars. It is important to note that this table does not include any spending information related to loan commitments or obligations. As can be seen in **Table 13**, outlays for the selected programs have increased, in both real and nominal dollars, over the more than three decades presented (a 377% increase in nominal dollars, a 95% increase in real dollars).

Table 13. Outlays, Selected Housing Programs, FY1980-FY2013

(dollars in millions)

Fiscal Year	Rental Assistance[a]	Public Housing[b]	Other Housing Assistance[c]	Block Grants[d,e]	Homeless and HOPWA[f]	Total Nominal Dollars	Total 2013 Dollars
1980	2,104	2,185	1,042	3,910	—[g]	9,240	22,564
1981	3,115	2,401	1,139	4,048	—[g]	10,703	23,809
1982	4,085	2,574	1,208	3,795	—[g]	11,661	24,273
1983	4,995	3,206	1,107	3,557	—[g]	12,865	25,648
1984	6,030	2,821	1,037	3,823	—[g]	13,711	26,404
1985	6,818	3,408	952	3,820	—[g]	14,998	27,954
1986	7,430	2,882	890	3,329	—[g]	14,530	26,478
1987	8,125	2,161	868	2,970	2	14,125	25,178
1988	9,133	2,526	851	3,054	37	15,601	26,941
1989	9,918	3,043	774	2,951	70	16,756	27,828
1990	10,581	3,918	778	2,821	82	18,180	29,136
1991	11,400	4,544	712	2,981	120	19,757	30,578
1992	12,307	5,045	752	3,099	145	21,347	32,250
1993	13,289	6,296	752	3,416	172	23,924	35,304
1994	14,576	6,771	762	4,439	189	26,737	38,614
1995	16,948	7,414	750	5,519	270	30,901	43,700
1996	15,779	7,605	719	5,761	453	30,317	42,090
1997	16,393	7,687	738	5,731	718	31,267	42,656
1998[h]	16,114	7,534	717	6,360	916	31,640	42,639
1999	15,652	6,560	693	6,748	1,032	30,685	40,834
2000	16,692	7,193	667	7,077	1,100	32,729	42,672
2001	17,494	7,483	659	7,047	1,208	33,892	43,145
2002	19,394	8,193	644	7,349	1,358	36,937	46,279
2003	21,941	7,837	630	7,229	1,376	39,013	47,962
2004	23,453	7,490	620	7,113	1,492	40,168	48,189

Fiscal Year	Rental Assistance[a]	Public Housing[b]	Other Housing Assistance[c]	Block Grants[d,e]	Homeless and HOPWA[f]	Total Nominal Dollars	Total 2013 Dollars
2005	24,495	7,426	603	7,225	1,562	41,312	48,052
2006	24,756	7,225	569	7,086	1,655	41,292	46,516
2007	25,674	7,295	559	7,011	1,664	42,202	46,290
2008	25,796	7,534	579	6,828	1,754	42,491	45,664
2009	26,351	7,973	556	6,565	1,801	43,246	45,936
2010	28,848	9,997	519	8,041	2,320	49,725	52,362
2011	29,677	8,973	494	8,463	2,616	50,223	51,874
2012	29,119	7,068	445	7,407	2,288	46,326	47,026
2013	29,004	6,367	391	6,307	2,042	44,111	44,111

Source: Table prepared by CRS based on data from the Department of Housing and Urban Development Annotated Tables for the 2001 Budget, Congressional Budget Justifications, and the Office of Management and Budget's Public Budget Database. Real dollars are obtained using the GDP deflator in the President's FY2015 budget, Table 10.1. The table includes outlays of funds provided as part of the American Recovery and Reinvestment Act.

a. Rental Assistance includes project- and tenant-based Section 8, Section 202, and Section 811.

b. Public Housing includes Public Housing Capital Fund, Public Housing Operating Fund, Public Housing Drug Elimination Program, and HOPE VI.

c. Other Housing Assistance includes Section 235, Section 236, and Rent Supplement.

d. Block Grants includes funding for the Community Development Fund, including the Community Development Block Grant (CDBG), HOME Investment Partnerships Program, Native American Housing Block Grants and Housing Counseling Assistance.

e. Congress periodically provides emergency funding through the CDBG program following disasters, generally in amounts less than $1 billion per year. However, on some occasions in recent years, Congress provided substantially more funding. Following the September 11, 2001 terrorist attacks Congress appropriated $3 billion for CDBG, following the 2005 hurricanes, more than $16 billion, and in the aftermath of Hurricane Sandy, in 2012, $15 billion. As a result, total block grant outlays from FY2002 through FY2013 do not include CDBG emergency funding.

f. Homeless includes HOPWA and the Homeless Assistance Grants.

g. Neither the Homeless Assistance Grants nor the HOPWA program existed prior to FY1987.

h. Prior to FY1998, funding for the Native American housing programs that were consolidated by NAHASDA was included in other accounts.

Table 14 presents the number of units eligible for payment across several programs through FY2009. Unit data are not provided from FY2010 to the present because HUD no longer reports the number of units eligible for payment and could not provide the information to CRS. HUD, as part of its Annual Performance Reports, publishes data on households in occupied rental housing units receiving assistance. However, the data are not comparable to those provided in **Table 14**.

Units eligible for payment is a measure of the number of housing units under rental assistance contracts with HUD (project-based Section 8, Section 202 and Section 811 units, and rental assistance payment and rent supplement units) as well as the number of Section 8 vouchers. Generally, over the course of a year, each unit will be available for one household, although given turnover, properties are rarely at 100% occupancy and vouchers are rarely 100% utilized. As a

result, fewer households receive assistance in a year than there are units eligible for payment in a year.

As shown in **Table 14**, the total number of units eligible for payment under the selected housing programs has grown by over 50% over the nearly three decades presented. However, most of that growth happened in the 1980s. Since the early 1990s, the number of units eligible for payment has gone up and down from year to year, with an overall decline in units from FY2001 to FY2009.

Table 14 also helps to illustrate the trend away from public housing and other housing assistance to rental assistance (Section 8 vouchers) discussed earlier in this report. The number of units assisted under the other housing assistance programs has been on the decline since the Nixon Moratorium in the 1970s. For many of those units, once the family leaves the program, they receive a voucher. In the case of public housing, the number of units continued to increase until the mid-1990s, as contracted units became available. Since the mid-1990s, through the HOPE VI program and other authority, PHAs have been demolishing and disposing of many of their public housing developments. In their place, some replacement public housing units have been built, but many of the units were replaced with Section 8 vouchers.

Table 14. Units Eligible for Payment, Selected Housing Programs, FY1980-FY2009

Fiscal Year	Rental Assistance[a]	Public Housing	Other Housing Assistance[b,c]	Annual Total
1980	1,153,311	1,192,000	761,759	3,107,070
1981	1,318,927	1,204,000	774,524	3,297,451
1982	1,526,683	1,224,000	757,213	3,507,896
1983	1,749,904	1,250,000	663,424	3,663,328
1984	1,909,812	1,331,908	617,956	3,859,676
1985	2,010,306	1,355,152	577,780	3,943,238
1986	2,143,339	1,379,679	553,765	4,076,783
1987[d]	2,239,503	1390,098	521,651	4,151,252
1988[d]	2,332,462	1,397,907	496,961	4,227,330
1989[d]	2,419,866	1,403,816	491,635	4,315,317
1990	2,500,462	1,404,870	481,033	4,386,365
1991	2,547,995	1,410,137	473,945	4,432,077
1992	2,796,613	1,409,191	428,986	4,634,790
1993	2,812,008	1,407,923	434,498	4,654,429
1994	2,925,959	1,409,455	413,999	4,749,413
1995	2,911,692	1,397,205	415,165	4,724,062
1996	2,958,162	1,388,746	404,498	4,751,406
1997	2,943,634	1,372,260	385,651	4,701,545
1998[e]	3,000,935	1,295,437	359,884	4,656,256
1999[f]	2,985,339	1,273,500	337856	4,596,695
2000	3,196,225	1,266,980	302,898	4,766,103

Fiscal Year	Rental Assistance[a]	Public Housing	Other Housing Assistance[b,c]	Annual Total
2001	3,396,289	1,219,238	262,343	4,877,870
2002	3,420,669	1,208,730	233,736	4,863,135
2003	3,476,451	1,206,721	179,952	4,863,124
2004	3,508,091	1,188,649	155,289	4,852,029
2005	3,483,511	1,162,808	128,771	4,775,090
2006[g]	3,498,363	1,172,204	123,503	4,794,070
2007	3,532,079	1,155,377	100,595	4,788,051
2008	3,495,299	1,140,294	109,773	4,745,366
2009	3,528,620	1,128,891	97,862	4,755,373

Source: Table prepared by CRS based on data from the Department of Housing and Urban Development Annotated Tables for the 2001 Budget and Congressional Budget Justifications, Housing Payments.

Note: Unit data are not provided from FY2010 to the present because HUD no longer reports units eligible for payment and could not provide this data to CRS. HUD, as part of its Annual Performance Reports, publishes data on households in occupied rental housing units receiving assistance. However, the data are not comparable to those provided.

a. Rental Assistance includes Section 8, Section 202, Section 811.

b. Other Housing Assistance includes Section 235, Section 236, Rent Supplement.

c. Total is adjusted for units receiving multiple subsidies.

d. Voucher counts for FY1987-FY1989 reflect vouchers leased, rather than reserved (contracted) vouchers.

e. Prior to FY1998, Native American public housing units were included in the count of public housing units. Beginning in 1998, those units are not included in the public housing unit count.

f. The voucher count in FY1999 reflects obligated vouchers, rather than reserved (contracted) vouchers.

g. Beginning in FY2006, HUD reported the total number of "funded" vouchers, which is HUD's estimate of how many vouchers the amount of funding provided by Congress would sustain, given the distribution of that funding.

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Acknowledgment

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