STRONG FOUNDATIONS:
FINANCIAL SECURITY STARTS WITH AFFORDABLE, STABLE HOUSING

RESEARCH BRIEF

This brief summarizes the findings of "**Strong Foundations: Financial Security Starts with Affordable, Stable Housing**," a research primer published by the Expanding Prosperity Impact Collaborative (EPIC), an initiative of The Aspen Institute Financial Security Program. To access the full research primer, with complete findings, supporting data, and full citations, visit www.aspenepic.org/housing.

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AMERICA NEEDS AFFORDABLE, STABLE HOUSING.

This is true for every individual American, and it is no less true for American society as a whole.

One in three US households—38 million of them[1]—struggle with housing costs that jeopardize their financial security. As a greater proportion of a family's income goes to mortgage or rent, less is available for other necessities with fewer opportunities to save and invest for the future. Unaffordable housing costs directly contribute to poor health outcomes, reduced child well-being, and higher levels of financial insecurity.

This harms not only families but also their communities. When housing is too expensive for workers, employers struggle to fill jobs. Roads are clogged by commuters forced to live far from work. Income goes to mortgage and rent instead of local businesses. People's attachment to a town or neighborhood—and with it, their feelings of belonging and responsibility to the community—wither when the four walls that surround them are a source of stress rather than security. >

EVERYONE BENEFITS WHEN FAMILIES HAVE AFFORDABLE, STABLE HOUSING:

EDUCATION

- Improve academic performance
- Improve attendance
- Reduce need for school-based social services

HEALTHCARE

- Fewer chronic illnesses in community
- Reduce need for unfunded acute care
- Meet Affordable Care Act community health and charity care requirements

FAMILIES

- Able to pay other bills on time and weather financial shocks
- Able to save and invest for the future
- Children can thrive

GOVERNMENT

- Serve the public interest
- Reduce reliance on food and utilities assistance programs
- Stronger tax base

BUSINESS

- Able to recruit and retain talent
- Improve employee financial wellness
- Stronger consumer spending environment

HOUSING IS THE FOUNDATION OF THE US ECONOMY. AND THAT FOUNDATION IS CRACKED.

Since the Great Recession, new housing construction has lagged in the areas with the greatest job growth, driving up housing costs faster than incomes. In other parts of the country, homes may be affordable but in disrepair, or mortgage financing has dried up. Nearly everywhere, renters are challenged to find housing they can afford and depend on. >

These challenges have great costs:

- $2 trillion of GDP foregone due to the mismatch in job growth and housing growth—including $1.3 trillion in lost wages.[2]
- 16 million households pay 50% or more of their income for housing.[3]
- 1.4 million public school children experience homelessness.[4]
- 46% of employers see housing costs as a major challenge for their workers.[5]

THE FOUR CORNERS OF THE HOUSING CRISIS:

THE LANDSCAPE: WHAT AFFECTS HOUSING AFFORDABILITY IN AMERICA?

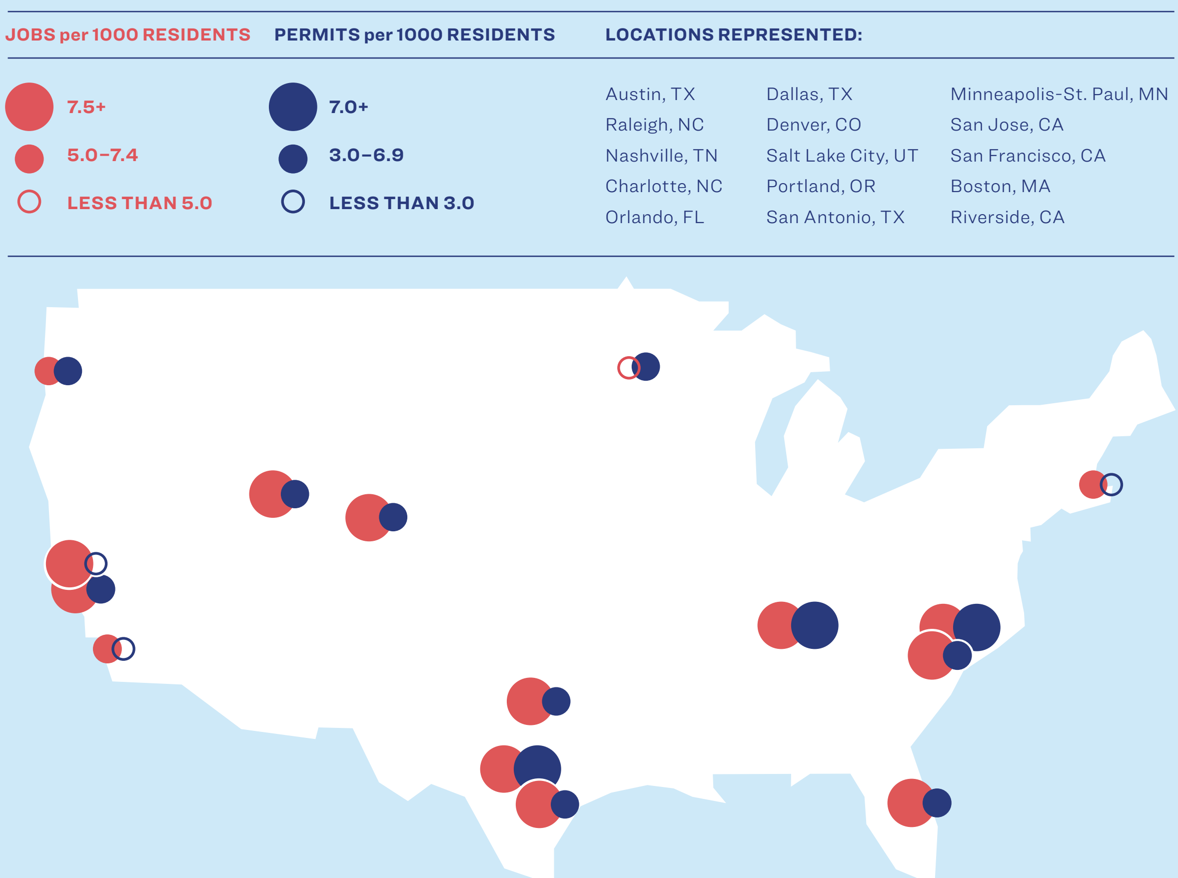
Strong job growth increases housing costs in markets where supply is restricted.

When a local economy is thriving and adding well-paid jobs, it creates an influx of people eager to work—which the local housing market struggles to absorb because new construction can be years away. In many places, it becomes a long-term problem, as local policies, public sentiment, or geographic constraints make building nearly impossible. The result is that rents rise for everyone in the area, further squeezing those in less secure housing situations. Lower-skilled and service-sector workers must devote a higher portion of their paychecks to housing, move far from their jobs, or settle for inadequate solutions like two families doubling up in a single home. In extreme cases, an increase in employment opportunities can create a cycle in which there's a net outflow of population, as in parts of California, where tech giants have recently pledged $4 billion in an effort to build new housing, including homes for low-income residents.[6]

Government policy shapes all aspects of housing markets.

Local, state, and the federal governments have been involved in housing policy since the early 1800s, and our housing options today are deeply shaped by that history and current policies. Today, policy seems to do more to restrict access to housing than to promote it. Many developers, for example, are eager to meet demand for market-rate housing but are constrained by restrictive zoning laws, inefficient permitting and approval processes, and NIMBYism, all of which raise the cost of new homes, inflate the value of existing homes, and increase rents. >

HOUSING IS NOT GROWING IN THE SAME PLACES AS JOBS



The locations shown are part of the group of metro areas that produced the most jobs between 2008–2018; these have the greatest number of new jobs per 1,000 residents.

Data sources: US Bureau of the Census, Building Permits Survey, and US Bureau of Labor Statistics, Quarterly Census of Employment and Wages; calculations by ApartmentList. See https://docs.google.com/spreadsheets/d/1vxquw-T72QQ6oZn8VaL0_9UPzHFip-0CdNn1dirL83I/edit#gid=0.

RENTAL NATION

43 MILLION US HOUSEHOLDS (1 IN 3) ARE RENTERS, A NUMBER THAT IS ON THE RISE.

- Nearly twice as many renters as homeowners are cost burdened.
- 1 in 4 renters pay more than 50% of their gross income for rent and utilities.
- Renters cannot control or even predict future housing costs.
- Even minor lease violations can leave tenants blacklisted and unable to find new housing. In many places, landlords can evict renters without cause, often without opportunity for appeal.

RURAL REALITIES

1 IN 5 AMERICANS LIVE IN A RURAL AREA AND FACE A PARTICULAR SET OF HOUSING CHALLENGES.

- Homes often have low resale value, making moves difficult.
- Mortgage financing is constricted in rural areas, and rates are higher.
- There is a shortage of rural rental housing, and of developers who want to build it.
- Utilities and other infrastructure are inconsistent and costly.
- Housing quality is below average, especially for people of color.

State and local regulations often tilt the playing field against renters, allowing onerous lease terms, hefty security deposits, and evictions without cause. Between 1990 and 2017, there was a net loss of 4 million low-rent apartments,[7] giving low-income households fewer options and more competition for available homes. In 2017, some 1.3 million renters across the country were forced to move.[8]

The foreclosure crisis made things worse.

In the aftermath of the Great Recession, at least 7 million households lost their homes to foreclosure and entered the rental market,[9] which created fierce competition for available rental properties and pushed up rents. Households higher up the income ladder became increasingly cost-burdened as housing costs outpaced income growth. Perverse incentives pushed developers to build more luxury housing for high-income individuals and slowed the growth of starter homes and rental options available to the typical worker. The reaction to the lax underwriting and risky loans that sparked the crisis has been to put more safeguards in place. The new regulations are mostly helpful but have made it more difficult for some people who can meet monthly housing payments to be approved for mortgages.

Discrimination remains a major barrier.

Discrimination in lending and leasing still exists, and statistics bear this out, particularly for people of color: black families face the highest risk of eviction and have the lowest rate of homeownership. America's history of racist discrimination, from theft of Native American lands and slavery to modern predatory lending, has prevented families of color from building the same amount of wealth that has accrued to white Americans over many generations. Families with children, LGBTQ populations, the formerly incarcerated, and disabled people also face routine discrimination in housing markets.

Current policy leaves middle- and working-class households behind.

Federal, state, and local governments often subsidize developers in the form of tax breaks or credits, access to infrastructure and municipal land, low-interest loans, and zoning exceptions, even for market-rate housing. The federal government also subsidizes current homeowners through the Mortgage Interest Deduction. However, public funding for renters and would-be homebuyers has not kept up with inflation, population growth, or need. In particular, insufficient federal funding for rental assistance and down payment support for low-income households is a major driver of housing instability. As a result, 7.7 million very low-income households who should receive housing assistance receive no help.[10] >

THE BLUEPRINT: WHAT SHOULD BE THE GOAL OF HOUSING IN AMERICA?

Household financial security begins with a home that is safe, adequate, and affordable. **Households need to be able to pay for housing and reliably have enough remaining income to build savings and cover the necessities of food, healthcare, transportation, and childcare.** When families can live in locations with reasonable access to good jobs, quality schools, medical facilities, and other community resources, they are healthier and more productive. When families are free from looming threats of eviction, foreclosure, and unpredictable housing costs, they can thrive in the present and invest in the future. We need bold, new efforts to ensure that everyone has the opportunity to become financially secure—starting with convenient, affordable and stable housing.

Though challenges have mounted over the past two decades, America's history of successful investments in housing is cause for optimism. Most famously, the loan guarantees of the G.I. Bill promoted a massive post-war expansion in homeownership among white families (while wrongly excluding others due to racism and other prejudices). Programs that provide down payment assistance, rental assistance, housing for homeless populations, and emergency cash infusions have helped generations achieve financial security. New leaders are also infusing fresh energy into state and local housing policy, leading to major reforms underway in California, Oregon, and Minnesota. Businesses from healthcare systems to tech giants increasingly recognize that supporting access to affordable, stable housing is key to their success.

BUILDING A BETTER TOMORROW

The US needs to build at least 2.5 million additional housing units to meet long-term demand,[11] and to do more to support the 38 million households with unaffordable housing costs. The stakes are high for households, communities, and businesses. As EPIC continues to examine the problems, we will identify concrete ways that leaders in all sectors can ensure that housing broadly supports all Americans' financial security and the future of our economy. We invite you to participate in this discussion! Subscribe to our newsletter and follow @AspenFSP to receive our updates and event announcements and to share the solutions you see on this important topic.

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