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Overview of Federal Housing Assistance Programs and Policy

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SUMMARY

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Overview of Federal Housing Assistance Programs and Policy

The federal government has been involved in providing housing assistance to lower-income households since the 1930s. In the beginning, the federal government played a role 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 federal government has shifted away from providing construction-based subsidies toward providing rental subsidies and private developers and property owners have been playing a larger role.

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, Federal Housing Authority (FHA) and Department of Veterans Affairs mortgage insurance, and the mortgage interest deduction in the tax code.

Most federal housing assistance programs are aimed at making housing affordable for low-income families. Affordability—defined as housing that costs no more than 30% of a family's income—is considered to be 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, 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 that began in 2007 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 mortgage insurance to lenders that make certain types of mortgages to eligible homebuyers or developers of multifamily housing. One of the federal government's largest housing benefits, arguably, is the mortgage interest deduction, which is not targeted to lower-income households and is available to 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. It then provides descriptions of today's major federal housing assistance programs. The report concludes with a discussion of issues and trends in federal housing assistance policy.

This report is primarily focused on the federal government's programs and policies that provide housing-related assistance to households and communities to assist lower-income families. This is a narrower focus than the federal government's role in all aspects of housing and housing finance. For example, this report does not explore the federal government's regulation of lead-based paint hazards in residential structures, assistance to communities in responding to mass displacement immediately following natural disasters, or financial industry regulations as they affect both residential and commercial lending. It also does not provide an in-depth discussion of the federal government's role in facilitating a secondary market for mortgages through the government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac or the government agency Ginnie Mae.[1]

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

[1] For more information on the federal government's role in the secondary mortgage market, see CRS Report R42995, *An Overview of the Housing Finance System in the United States*.

repaid or the mortgage had to be renegotiated. Another feature of the mortgage market at that time 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 backdrop 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) 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 new idea: 20-year mortgages on which a loan would be completely repaid at the end of its term. If borrowers defaulted, FHA insured the lender for full repayment. Eventually, lenders began to make long-term mortgages without FHA insurance as long as borrowers made significant down payments. Over time, 15- and 30-year mortgages have become the standard mortgage products.

As in the case of the mortgage finance market, the federal government initially became involved in providing 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.[2] 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.

This provided the background for the enactment of the U.S. Housing Act of 1937 (P.L. 75-412). 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 of 1948. President Harry S. Truman's pledge to address the postwar housing shortage and the problem of urban slums played

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

a key role in his large margin of victory.[3] In his State of the Union Address in 1949, which unveiled 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."

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.[4]

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 Rental 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 there was a gap 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.[5] Proposals had been made in Congress 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.[6] To find a way to serve this segment of the population without creating another large housing program with high expenditures, Congress approved legislation at the end of the 1950s and throughout the 1960s that engaged the private sector in the development of affordable rental 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 nonprofit organizations for the development of affordable housing for moderate-income residents age 62 and older. The low interest rates were meant to

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

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

[5] 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.").

[6] 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."

ensure that units would be affordable, with nonprofit developers being able to charge lower rents and still have adequate revenue to pay back the government loans.

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 to developers at low interest rates. The BMIR program expanded the pool of eligible borrowers to private for-profit developers and government entities, as well as nonprofit 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.

The Housing and Urban Development Act of 1965 (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. The Rent Supplement Program, enacted as part of P.L. 89-117, 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. P.L. 89-117 also created the Section 23 leased housing program, which was the first program to provide rent subsidies for use with existing private rental market units.

The Housing and Urban Development Act of 1968 (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. Some Section 236 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 mortgage interest reduction payments similar to the Section 236 program, but for individual homeowners rather than multifamily housing developers. Through it, eligible borrowers could obtain FHA-insured mortgages with subsidized interest rates. As the program was originally enacted, HUD was to make subsidy payments to the lender in order to reduce the interest rate on the mortgage to as low as 1%.

By the end of the 1960s, subsidies to private developers had resulted in the creation of hundreds of thousands of rental housing units. Approximately 700,000 units of housing had been built through the Section 236 and Section 221(d)(3) programs alone.[7] The Section 202 program had created more than 45,000 units for elderly households.[8] The Section 235 program and Section 23 leased-housing program provided ownership and rental subsidies for thousands more. Through 1972, the Section 235 program subsidized nearly 400,000 homeowners,[9] while the Section 23 leased-housing program provided rent subsidies for more than 38,000 private market rental units.[10] Despite the growth in the role of private developers, public housing was still the largest housing subsidy program, with roughly 1 million units built and subsidized by the early 1970s.[11]

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

[8] 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.

[9] U.S. Department of Housing and Urban Development, *Housing in the Seventies: A Report of the National Housing Policy Review*, November 1974, p. 106, https://www.huduser.gov/portal/Publications/pdf/HUD-968.pdf.

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

[11] U.S. Department of Housing and Urban Development, "Annotated Tables for 2001 Budget," p. 86.

Another development during the 1960s was an income-based rent structure. 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 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 to be responsible for codifying an income-based rent structure in federal housing programs.

Housing Discrimination, the Fair Housing Act, and the Community Reinvestment Act

In 1968, Congress enacted the Fair Housing Act as Title VIII of the Civil Rights Act (P.L. 90-284). The law prohibits discrimination in the sale, rental, or financing of housing based on race, color, religion, national origin, sex, familial status, and handicap.[12] In addition to prohibiting discrimination, the Fair Housing Act also requires HUD and other federal agencies to administer their housing and urban development programs in ways that affirmatively further fair housing. In other words, as determined by courts, HUD is to prevent segregation and ensure that housing is open to everyone.[13]

Leading up to the passage of the Fair Housing Act, there had been years of governmental and private discrimination in the provision of housing. For example, the Federal Housing Administration's policies and underwriting requirements often discouraged or prohibited FHA insurance for mortgages in certain areas, including non-white or racially mixed areas, and encouraged occupancy restrictions based on race for the mortgages it insured.[14] Such policies limited minority households' opportunities to achieve homeownership and contributed to patterns of racial segregation.

Systematic racial discrimination was not limited to private market housing transactions, but was also prevalent in public housing. Together, a presidential order,[15] Supreme Court cases,[16] and civil rights legislation, including the Fair Housing Act, worked to make it illegal to deny public housing assistance to families based on their race and to segregate public housing residents systematically by race, both of which had been common practice since the inception of the program.[17]

In 1977, Congress enacted the Community Reinvestment Act (CRA) as part of the Housing and Community Development Act of 1974 (P.L. 95-128). The CRA affirms that federally insured depository institutions have an obligation to meet the credit needs of the communities in which

[12] The protected categories of familial status and handicap were added as part of the Fair Housing Amendments Act of 1988 (P.L. 100-430).

[13] For more information, see CRS Report R44557, *The Fair Housing Act: HUD Oversight, Programs, and Activities*.

[14] For example, see Kenneth T. Jackson, *Crabgrass Frontier: The Suburbanization of the United States* (Oxford University Press, 1985), pp. 207-215; and FHA's *Underwriting Manual* from 1938, available at https://www.huduser.gov/portal/sites/default/files/pdf/Federal-Housing-Administration-Underwriting-Manual.pdf.

[15] John F. Kennedy, Executive Order 11063—Equal Opportunity in Housing, November 20, 1962.

[16] For example, see *Jones v Mayer Co.*, (U.S. Supreme Court 1968).

[17] For a review of this history, see Alexander von Hoffman, "A Study in Contradictions: The Origins and Legacy of the Housing Act of 1949," Fannie Mae Foundation, Housing Policy Debate, vol. 11, issue 12, 2000.

they are chartered and accept deposits, consistent with financial safety and soundness considerations, and requires federal banking regulators to assess the extent to which banks are meeting those needs. The enactment of the CRA grew out of concern that banking deposits were funding lending activities across the country at the expense of providing credit in certain areas where deposits were collected, thereby contributing to neighborhood disinvestment.[18]

Rethinking the Strategy: The Shift 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. Multiple series of pilot programs were launched to test the cost-effectiveness of supply-side (construction) subsidies versus demand-side (rental assistance) subsides. 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.[19] Based on 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—that began 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 agreed 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 that met certain quality standards.

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 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 they 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.

The 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

[18] For more information on the CRA, see CRS Report R43661, *The Effectiveness of the Community Reinvestment Act*.

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

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 slowing significantly between 1982 and 1988.[20] In addition, existing affordable rental units were being lost as use restrictions between private owners and HUD expired or as owners chose to prepay their low-interest mortgages and begin charging market-rate rent.[21]

As a result of reduced federal support for housing, state and local governments and private for-profit or nonprofit organizations began to take the initiative in developing innovative ways of providing housing in their communities.[22] Policymakers 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.[23] From the late 1980s through the 1990s, Congress acknowledged the value of local control and gave more decisionmaking 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 to ensure that developers would have an incentive to continue to construct low- and moderate-income housing.[24] The LIHTC, intentionally or not, was one of the first major programs to give a good deal of control over federal funding for housing to states. Tax credits are allocated to states based on population, and states 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 time, they may choose to allocate credits based on criteria such as the tenant populations served (e.g., those with special needs, families with children, or those on public housing waiting lists).

Just one year after enactment of the LIHTC, Congress passed the Stewart B. McKinney Homeless Assistance Act (P.L. 100-77), which included funding for several grants that states and localities could use to assist people experiencing homelessness. Grants were available for permanent and transitional housing, as well as supportive services, with the idea that localities are in a better position to know how to serve the people living in their communities.

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

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

[21] Ibid.

[22] 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).

[23] 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, http://www.mi.vt.edu/data/files/hpd%2011(2)/hpd%2011(2)_orlebeke.pdf.

[24] 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, http://www.mi.vt.edu/data/files/hpd%202(2)/hpd%202(2)%20case.pdf.

families with incomes at or below 80% of area median income (or lower in some cases). Recipient jurisdictions were permitted to use funds to assist homebuyers and homeowners, construct rental housing, and provide rental assistance, and they were required to establish plans for spending their funds, meet matching requirements, and partner with local nonprofits.

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, a 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 to be mismanaged, of poor quality, and dangerous.[25] At the same time, interest was growing in reforming social programs by devolving control to the states and increasing the programs' focus on promoting work and self-sufficiency. Concern over the condition 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 Responsibility Act of 1998 (QHWRA; P.L. 105-276).

The purposes of QHWRA, as defined in the act, were to deregulate PHAs, provide PHAs with more flexibility in their use of federal assistance, 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, consolidation and reform of funding for public housing, and modifications to the assessment systems for PHAs. QHWRA also featured the so-called "Faircloth Amendment," which prohibited the use of public housing funding for the development of any net new units of public housing.

The Decline of Public Housing and Aftermath of the Financial Crisis

In the 10 years following passage of QHWRA, the number of public housing units declined by more than 10%.[26] This is attributable to a number of policy changes, many of which were contained in QHWRA, including the Faircloth Amendment limiting development of new public housing, the growth of HOPE VI paired with the removal of a requirement for one-for-one replacement of demolished units, and an increased focus on mixed finance redevelopment of

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

[26] Calculated by CRS based on data presented in **Table 16**.

public housing. The pace of decline in the overall number of public housing units increased again with the introduction of the Rental Assistance Demonstration in 2012 (P.L. 112-55). RAD allows PHAs to remove their properties from the public housing program and instead receive a form of Section 8 rental assistance. As the program is currently authorized, HUD is authorized to approve the conversion of nearly half of the remaining public housing stock to Section 8 rent assistance.[27]

Another important development in housing policy in more recent years was the 2007 financial crisis and its aftermath. The financial crisis itself was precipitated in large part by mortgage lending practices and its aftermath was felt heavily in housing markets as home prices fell, foreclosures rose, and the homeownership rate dropped significantly. This led to a variety of policy responses addressing both the perceived causes and the effects of the housing and financial market turmoil. For example, major reforms enacted in 2008 resulted in federal conservatorship for two housing government-sponsored enterprises (Fannie Mae and Freddie Mac) that continues today. Congress and both the George W. Bush and Obama Administrations created several temporary programs to address rising foreclosure rates. The recession that accompanied the financial market turmoil prompted Congress and President Obama to enact an economic stimulus package in 2009 that included a significant one-time increase in resources for, among other things, several federal housing programs (including public housing, CDBG, and grants for LIHTC projects). In 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203) instituted new rules related to mortgages intended to protect consumers and the financial system from some of the lending practices that preceded the financial crisis, among other reforms. In the ensuing years, there has been ongoing debate about the effects of some of these policy responses as well as the appropriate role of the government in providing support for homeownership and the housing finance system more generally.

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 housing finance and homeownership assistance. These categories are not necessarily mutually exclusive. For example, some assistance provided to states and local governments can in turn be used to provide various types of housing finance or 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 several 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.

Housing finance and homeownership assistance can include direct assistance to defray home buying costs, tax incentives, and mortgage insurance programs to help provide incentives for the private market to meet the needs of underserved segments of the population. Such assistance may help finance single-family housing, which can assist eligible homebuyers in obtaining mortgages

[27] While the total number of public housing units authorized for conversion under RAD was initially capped at 60,000 units in 2012, the cap has been raised several times, most recently to 455,000 units in the FY2018 appropriations law (P.L. 115-141).

to purchase homes, or multifamily housing, which can assist housing developers in obtaining financing to develop affordable rental housing.

This section provides a description of the major housing assistance programs that fall into the three aforementioned categories.

Rental Housing Assistance

Section 8 Housing Choice Vouchers

Section 8 Housing Choice Vouchers (vouchers) are a form of tenant-based rental assistance funded by the federal government, administered locally by quasi-governmental PHAs, and provided to private landlords on behalf of low-income families. (The program is codified at 42 U.S.C. §1437f(o)). Generally, an eligible family with a voucher lives in the housing of its choice in the private market (assuming the unit meets program standards and the landlord is willing to participate in the program) 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 it 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 vouchers 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) and 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 greater of area median income or the poverty guidelines). 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 are being 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 homes of their choosing. Another special form 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 vouchers 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 them 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 methods. 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.

Project-Based Section 8 Rental Assistance

Under the project-based Section 8 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 with private landlords 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- to 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 (earning at or below 80% of area median income), but 40% of public housing units that become available in a year must be given to families that are extremely low-income (earning at or below the greater of 30% of area median income or the federal poverty guidelines). As in the two Section 8 programs, 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 Choice Neighborhoods revitalization grants (which replaced the HOPE VI program), which are used to demolish and rebuild, or substantially rehabilitate, severely distressed public housing, replacing it with mixed-income housing.

There are roughly 1 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 PHAs from increasing the total number of public housing units in their inventories; however, the number of public housing units had begun to decline steadily 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 the voucher program. Also, the HOPE VI program has contributed to the demolition of more units than it has replaced. Most recently, the Rental Assistance Demonstration (RAD) authorizes up to nearly half of the current public housing stock to leave the program via conversion to Section 8.[28] (For more information about public housing, see CRS Report R41654, *Introduction to Public Housing*, by Maggie McCarty.)

Table 1. Appropriations for Tenant-Based Section 8 Vouchers and Project-Based Section 8 Rental Assistance, FY2008-FY2018

(dollars in millions)

Fiscal Year	Tenant-Based Section 8 Vouchers	Project-Based Section 8 Rental Assistance
2008	15,703[a]	6,382
2009	16,225[b]	9,100[c]
2010	18,184	8,558
2011	18,371	9,257
2012	18,264[d]	9,340
2013	17,964	8,851
2014	19,177	9,917
2015	19,304	9,730
2016	19,628	10,620
2017	20,292	10,816
2018	22,015	11,515

Source: HUD Congressional Budget Justifications from FY2009 through FY2017; HUD Comparative Statement of New Budget Authority from 2017 and 2018. 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. Figure for tenant-based rental assistance is adjusted for $723 million rescission of current-year budget authority enacted in FY2008.

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

c. 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.

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

[28] See footnote 27.

Table 2. Appropriations for Public Housing, FY2008-FY2018

(dollars in millions)

Fiscal Year	Operating Fund	Capital Fund	HOPE VI/Choice Neighborhoods	Total Public Housing
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**
2014	4,400	1,875	90	**6,365**
2015	4,440	1,876	80	**6,396**
2016	4,500	1,900	125	**6,525**
2017	4,400	1,942	138	**6,480**
2018	4,550	2,750	150	**7,450**

Source: HUD Congressional Budget Justifications from FY2009 through FY2017; HUD Comparative Statement of New Budget Authority from 2017 and 2018. Enacted funding figures are taken from subsequent years' justifications. FY2013 funding levels reflect sequestration.

Note: An accounting change enacted by Congress led to 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 Supportive Housing for Persons with Disabilities Program

Through the Section 202 Supportive Housing for the Elderly program, HUD provides funds to nonprofit organizations that in turn build rental properties for low-income elderly households (those where one or more persons are age 62 or older). It 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 persons with disabilities were eligible for residency in Section 202 properties.[29] 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). 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.)

[29] "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.

The Section 811 Supportive Housing for Persons with Disabilities Program was created in 1990 as part of the Cranston-Gonzalez National 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 nonprofit organizations to create rental housing that is affordable to very low-income households (income at or below 50% of AMI) with an adult who has a disability.[30] 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 could use to find housing in the private market, much like Section 8 vouchers. However, since FY2011 (based on a law enacted in 2010 (P.L. 111-374)), 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 LIHTC 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 the Section 202 Supportive Housing for the Elderly Program and the Section 811 Supportive Housing for Persons with Disabilities Program, FY2008-FY2018

(dollars in millions)

Fiscal Year	Section 202[a]	Section 811
2008	629	237
2009	625	250
2010	668	300
2011	306	150[a]
2012	283	165[a]
2013	265	156[a]
2014	312	126
2015	350	135
2016	356	151
2017	427	146
2018	588	230

Source: HUD Budget Justifications from FY2009 through FY2019; HUD Comparative Statement of New Budget Authority from FY2018. 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.

[30] A disability is defined as having (1) 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; or (2) a developmental disability. 42 U.S.C. §8013(k)(2).

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 accounts. Thereafter, all funding has been provided through the Section 8 account.

Other Rent-Restricted Units

The Section 236 program was an initiative to encourage private developers to create housing affordable to low- and moderate-income households. It was created as part of the Housing and Urban Development Act of 1968 (P.L. 90-448), and 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 it continues to provide mortgage subsidies to building owners through a mechanism called Interest Reduction Payments (IRPs). IRPs are subsidies to owners that ensure they 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 project-based Section 8 rental assistance program, Rent Supplement program, or 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%. It 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 may also receive rental assistance.

Department of Agriculture Rural Rental Housing Programs

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 and 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 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 it 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 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.

Under the Section 538 program, USDA guarantees loans made by private lenders to developers of affordable rural rental housing for low- and moderate-income households. (The 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 (30% of tenant income) 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, FY2007-FY2017

(dollars in millions)

Fiscal Year	Section 521 Rental Assistance
2007	616
2008	479
2009	903
2010	980
2011	954
2012	905
2013	837
2014	1,110
2015	1,089
2016	1,390
2017	1,405

Source: USDA Annual Budget Summaries from FY2009 through FY2019. 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 in which a certain percentage of units will be affordable to low-income households. Housing developers then sell the credits to investors and use the proceeds 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 10-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. To qualify for the tax credits, one of three criteria must be met: at least 20% of units in a development must be occupied by households with incomes at or below 50% of area median income; at least 40% of units must be occupied by households with incomes at or below 60% of area median income; or, more recently, properties have been allowed to adopt an "income-averaging" approach that enables them to serve a mix of higher-income families if they also serve lower-income families, as long as it results in an average of 40% of units being occupied by households with incomes that average 60% or below of area median income.[31] Rent charged for

[31] The income-averaging approach was authorized under the Consolidated Appropriations Act of 2018 (P.L. 115-141).

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, although states may choose to adopt longer use restrictions. As of 2018, more than 2.3 million units had been placed in service using LIHTCs.[32] In FY2018, the Joint Committee on Taxation estimated that the LIHTC would result in a $9 billion tax expenditure.[33] (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 sales, 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.

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 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 FY2018, the Joint Committee on Taxation estimated that MRBs would result in a $1.3 billion tax expenditure.[34]

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.) Its purpose 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, and historic preservation; the demolition of blighted properties; services such as crime

[32] U.S. Department of Housing and Urban Development, Low Income Tax Credit Database, http://www.huduser.org/portal/datasets/lihtc.html, accessed December 11, 2018

[33] Joint Committee on Taxation (JCT), *Estimates of Federal Tax Expenditures for Fiscal Years 2018-2022*, committee print, October 4, 2018, p. 23, https://www.jct.gov/publications.html?id=5148&func=startdown (hereinafter, *Estimates of Federal Tax Expenditures for Fiscal Years 2018-2022*). 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.

[34] Ibid., p. 24.

prevention, child care, drug abuse counseling, education, or recreation; neighborhood economic development projects; the rehabilitation or development of housing; and housing counseling services. Beyond CDBG's annual appropriations, Congress 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 Community Development Block Grant (CDBG), FY2008-FY2018

(dollars in millions)

Fiscal Year	CDBG Formula Grants[a]	Set-Asides[b]	Community Development Fund Account Total
2008	3,593[c]	273	**3,866**
2009	4,642[d]	258	**4,900**
2010	3,950[e]	500	**4,450**
2011	3,303	198	**3,501**
2012	2,948	60	**3,008**
2013	3,078	57	**3,135**
2014	3,030	70	**3,100**
2015	3,000	66	**3,066**
2016	3,000	60	**3,060**
2017	3,000	60	**3,060**
2018	3,300	65	**3,365**

Source: HUD Congressional Budget Justifications from FY2009 through FY2017; HUD Comparative Statement of New Budget Authority from 2017 and 2018. 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 (CDF). 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. Includes funding for Indian tribes.

c. 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.

d. Includes $1 billion in additional CDBG funding provided by the American Recovery and Reinvestment Act (P.L. 111-5). Does not include $2 billion provided in the CDF account for the Neighborhood Stabilization Program by P.L. 111-5.

e. 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 funding is allocated via formula: 60%

of funds are awarded to "participating jurisdictions" (localities that have populations above a certain threshold and qualify for a certain amount of funding under the formula), and 40% are awarded to states. 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 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 the HOME Investment Partnerships Program, FY2008-FY2018

(dollars in millions)

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**
2014	998	2	**1,000**
2015	898	2	**900**
2016	948	2	**950**
2017	950	54	**1,004**
2018	1,362	54	**1,416**

Source: HUD Congressional Budget Justifications from FY2009 through FY2017; HUD Comparative Statement of New Budget Authority from 2017 and 2018. 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. In recent years, the only funding for set-asides in the HOME account has been for HOME grants to insular areas.

a. Does not include $2 billion appropriated in this account for the Tax Credit Assistance Program by the American Recovery and Reinvestment Act (P.L. 111-5).

Housing Trust Fund

The Housing Trust Fund (HTF) was created in the Housing and Economic Recovery Act of 2008 (HERA, P.L. 110-289). It is a block grant administered by HUD that is targeted primarily toward

the development of rental housing for the lowest-income households. (The program is codified at 12 U.S.C. §4568.) HTF funds are allocated to states via formula.

HTF funds are to be used primarily for rental housing; however, by statute up to 10% of funds can be used for certain homeownership activities for eligible first-time homebuyers. Furthermore, all HTF funds must benefit households that are at least very low-income, and at least 75% of the funds used for rental housing must benefit extremely low-income households (or households with incomes at or below the poverty line). While the HTF is similar to the HOME program in some ways, it is more explicitly focused on rental housing and has deeper income targeting requirements than HOME.

The HTF is funded through contributions from the government-sponsored enterprises Fannie Mae and Freddie Mac rather than through appropriations. Although the HTF was created in 2008, due to concerns about Fannie Mae's and Freddie Mac's financial situations, the first contributions were not provided to the HTF until 2016. (For more information about the Housing Trust Fund, see CRS Report R40781, *The Housing Trust Fund: Background and Issues*, by Katie Jones.)

Table 7. Housing Trust Fund Allocation Amounts, FY2016-FY2018

(dollars in millions)

Fiscal Year	Allocation Amount
2016	174
2017	219
2018	267

Source: HUD Housing Trust Fund Allocation Notices published in the *Federal Register*.

Notes: Funding for the Housing Trust Fund comes from required contributions from Fannie Mae and Freddie Mac, rather than from appropriations. Amounts allocated by HUD can differ from the amount transferred by Fannie Mae and Freddie Mac in a given year for various reasons.

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). They are administered by HUD and fund housing and services for homeless persons. The grants have gone through several permutations since their enactment, with the most recent change taking place when they 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). (The Homeless Assistance Grants are codified at 42 U.S.C. §11360, et seq.)

The Homeless Assistance Grants consist of the Emergency Solutions Grants (ESG) program, Continuum of Care (CoC) program, and Rural Housing Stability (RHS) program. ESG funds are distributed to local communities and states by formula and 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, distributed to nonprofit organizations, public housing agencies, and state and local governments via a competition, may be used for transitional housing, permanent supportive housing, rapid rehousing, supportive services, and Homeless Management Information Systems. The RHS program has not been implemented, but would allow rural grantees to assist people who are experiencing homelessness in the same ways as the CoC program. The statute would also allow RHS funds to 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 program as part of the Cranston-Gonzalez 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 8. Appropriations for the Homeless Assistance Grants and Housing Opportunities for Persons with AIDS (HOPWA) Program, FY2008-FY2018

(dollars in millions)

Fiscal Year	Homeless Assistance Grants	HOPWA
2008	1,586	300
2009	1,677	310
2010	1,865	335
2011	1,901	334
2012	1,901	332
2013	1,933	315
2014	2,105	330
2015	2,135	330
2016	2,250	335
2017	2,383	356
2018	2,513	375

Source: HUD Budget Justifications from FY2009 through FY2019; HUD Comparative Statement of New Budget Authority from FY2018. 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 the American Recovery and Reinvestment Act (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, a 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 need-based formula, which was developed pursuant to negotiated rulemaking 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 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 9. Appropriations for Native American Housing Block Grants (NAHBG), FY2008-FY2018

(dollars in millions)

Fiscal Year	NAHBG
2008	624
2009	1,155[a]
2010	700
2011	649
2012	650
2013	616
2014	650
2015	650
2016	650
2017	654
2018	755

Source: HUD Congressional Budget Justifications from FY2009 through FY2017; HUD Comparative Statement of New Budget Authority from 2017 and 2018. 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, for training and technical assistance, and 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).

Housing Finance and Homeownership Assistance

Federal Housing Administration

The Federal Housing Administration (FHA) was established by the National Housing Act of 1934 (P.L. 73-479). Today, it is an agency within HUD that insures private lenders against losses on certain home mortgages. Because lenders are insured against loss if borrowers default, they are more 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 mortgages are subject to certain requirements, such as limits on the size of the loan.

FHA administers a variety of both single-family and multifamily mortgage insurance products. Single-family products include insurance for home purchase, refinance, and home improvement loans, as well as reverse mortgages to allow the elderly to access equity in their homes. Multifamily products include insurance for loans for the purchase, repair, or construction of apartments, hospitals, and nursing homes. These products are administered through two primary program accounts—the Mutual Mortgage Insurance Fund account (MMI Fund) and the General Insurance/Special Risk Insurance Fund account (GI/SRI Fund). The MMI Fund provides financial backing for insurance on single-family mortgages. The GI/SRI Fund backs 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.

While FHA insures a variety of different types of mortgages, its single-family home mortgage program is by far its largest. FHA insures mortgages for both home purchases and refinances, but it tends to make up a larger share of the home purchase market than the refinance market (FHA's market share fluctuates depending on economic conditions and other factors). FHA's share of the home purchase market averaged about 14% from the mid-1990s until the early 2000s, but fell to 5% by 2005 as other types of mortgage credit (including subprime mortgages) became more easily available. It then increased dramatically after 2007, reaching a high of 33% in 2009, as the housing market experienced turmoil, mortgage credit standards tightened, and FHA insured a larger number of mortgages in what had become a smaller mortgage market overall. FHA's share has decreased since its peak, but at 20% in 2017 it remains higher than it was in the years preceding the housing market turmoil. (For more information on FHA, see CRS Report RS20530, *FHA-Insured Home Loans: An Overview*, by Katie Jones.)

Table 10. FHA Share of Home Purchase Market, CY2005-CY2017

Calendar Year	FHA-Insured Home Purchase Mortgages (in thousands)	FHA-Insured Mortgages as a % of All Home Purchase Mortgages
2005	323	5
2006	295	5
2007	317	6
2008	845	24
2009	1,088	33
2010	944	32

Calendar Year	FHA-Insured Home Purchase Mortgages (in thousands)	FHA-Insured Mortgages as a % of All Home Purchase Mortgages
2011	760	30
2012	738	26
2013	665	20
2014	601	18
2015	811	22
2016	891	22
2017	851	20

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 program is codified at 38 U.S.C. §3710 et seq.) The VA loan guaranty came about as a less expensive alternative to a cash bonus for veterans returning from World War II that would still provide benefits to veterans.

The loan guaranty program assists veterans by insuring mortgages made by private lenders, and it is available for the purchase or construction of homes and for refinancing 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 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 the FHA insurance program, the VA does not insure 100% of the loan; instead, the percentage of the loan that is guaranteed is based on the loan amount, and is typically about 25% of the loan.

As shown in **Table 11**, the total number of VA-insured purchase loans originated per year as a share of all home purchase mortgages has increased from 2% in FY2005 through FY2007 to 9% in FY2017. (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 11. VA Share of Home Purchase Market, FY2005-FY2017

Fiscal Year	VA-Insured Home Purchase Mortgages (in thousands)	VA-Insured Purchase Mortgages as a % of All Home Purchase Mortgages
2005	119	2
2006	123	2
2007	118	2
2008	142	4
2009	181	5

Fiscal Year	VA-Insured Home Purchase Mortgages (in thousands)	VA-Insured Purchase Mortgages as a % of All Home Purchase Mortgages
2010	193	7
2011	187	7
2012	202	7
2013	241	7
2014	272	8
2015	322	9
2016	353	8
2017	380	9

Source: The numbers of VA-insured mortgages are from VA Annual Benefits Reports. Total market data taken from HUD's website at http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/rmra/oe/rpts/fhamktsh/fhamktqtrly. Percentages calculated by CRS.

Department of Agriculture Rural Homeownership Programs

USDA's Rural Housing Service administers a number of loan programs to assist with the financing of both owner-occupied housing and rental housing in rural areas. It also administers some grant programs for purposes such as home repairs.

Through the Section 502 Rural Housing Loan program, USDA is authorized both to make 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.

Table 12. USDA Section 502 Rural Housing Loan Program Mortgages, FY2005-FY2017

Fiscal Year	USDA Section 502 Direct Loans (in thousands)	USDA Section 502 Guaranteed Loans (in thousands)
2005	12	31
2006	12	30
2007	11	34
2008	10	61
2009	12	133
2010	17	133
2011	10	130
2012	8	145
2013	7	163

Fiscal Year	USDA Section 502 Direct Loans (in thousands)	USDA Section 502 Guaranteed Loans (in thousands)
2014	7	136
2015	7	134
2016	7	117
2017	7	134

Source: Housing Assistance Council data on the USDA Rural Development programs' annual obligations, http://ruralhome.org/sct-information/usda-housing-program-data/rd-annual-obs.

Notes: FY2009 and FY2010 figures include loans funded under the American Recovery and Reinvestment Act (P.L. 111-5).

Through the Section 504 program, 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. Depending on the cost of the repairs and the income of the elderly homeowner, the owner may be eligible either for a grant that would cover the full cost, or for some combination of a loan and grant. To qualify for a grant, the elderly homeowner must be unable to repay the full cost of the repairs. In FY2017, USDA provided about 3,400 Section 504 loans for a total of about $20 million and about 4,800 grants for a total of about $29 million.[35]

(For more information about rural housing programs, see CRS Report RL31837, *An Overview of USDA Rural Development Programs*, by Tadlock Cowan.)

Federal Home Loan Banks' Affordable Housing and Community Investment Programs

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 associations, and today lend money to commercial banks, credit unions, and insurance companies in addition to savings and loan associations. The FHLB System includes eleven regional wholesale Banks and an Office of Finance.[36] 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, a Bank receives certain privileges, such as an exemption from particular taxes, to assist it in carrying out its mission, and it is also required to engage in required activities to support affordable housing.

Each of the Banks is required annually to contribute 10% of its net income toward an Affordable Housing Program (AHP). (The program is codified at 12 U.S.C. §1430. Regulations are at 12 C.F.R. Part 1291.) Through the AHP, the Banks provide grants and subsidized loans for rental and owner-occupied housing for very low- and low-income households. Each Bank may set aside up

[35] Housing Assistance Council, *USDA Rural Development Obligations FY17 – May 2018*, http://www.ruralhome.org/storage/documents/rd_obligations/fy2017/FY_2017_USDA_Annual_Report.pdf.

[36] Previously, there were 12 regional Federal Home Loan Banks, but the FHLB Seattle merged with the FHLB Des Moines in 2015.

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 or rehabilitation of owner-occupied housing, with a maximum per-household grant amount that may be adjusted annually to account for changes in home prices.[37]

Each of the Banks also operates a Community Investment Program (CIP). (The program is codified at 12 U.S.C. §1430. Regulations are at 12 C.F.R. Part 952.) 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.

Capital Magnet Fund

The Capital Magnet Fund (CMF) was created in the Housing and Economic Recovery Act of 2008 (HERA, P.L. 110-289) and is administered by the Department of the Treasury's Community Development Financial Institutions (CDFI) Fund. (The program is codified at 12 U.S.C. §4569.) The CMF provides competitive grant funds to CDFIs or eligible nonprofit organizations to use to finance affordable housing and certain related community development activities.

CMF funds can be used for either rental housing or homeownership, but they must primarily benefit low-income households. The CMF is meant to leverage other sources of funding, and eligible activities are supposed to leverage at least 10 times the CMF award amount from other sources. Eligible forms of assistance that grantees can provide with CMF funds include capitalizing loan loss reserves or revolving loan funds and providing risk-sharing loans or loan guarantees, among other things.

Like the Housing Trust Fund, described earlier in this report, the CMF is funded through contributions from the government-sponsored enterprises Fannie Mae and Freddie Mac rather than through appropriations. Although the CMF was created in 2008, the first contributions were not transferred to it until 2016 due to concerns about Fannie Mae's and Freddie Mac's financial situations.[38] (For more information on the CMF and CDFIs in general, see CRS Report R42770, *Community Development Financial Institutions (CDFI) Fund: Programs and Policy Issues*, by Sean Lowry.)

Table 13. Capital Magnet Fund Allocation Amounts, FY2016-FY2018

(dollars in millions)

Fiscal Year	Allocation Amount
2016	91
2017	120
2018	143

[37] For more information, see the Federal Housing Finance Agency's website at https://www.fhfa.gov/PolicyProgramsResearch/Programs/AffordableHousing/Pages/Affordable-Housing-Home-Loan-Banks.aspx.

[38] Prior to receiving funding through the contributions from Fannie Mae and Freddie Mac, the CMF received one round of appropriated funding—the Consolidated Appropriations Act, 2010 (P.L. 111-117) appropriated $80 million for the program in FY2010.

Source: CDFI Fund, Capital Magnet Fund Award Books, https://www.cdfifund.gov/programs-training/Programs/cmf/Pages/award-announcement-step.aspx#step3; and Community Development Financial Institutions Fund, "Announcement of Funding Opportunity," 83 *Federal Register* 34685-34698, July 20, 2018.

Notes: Funding for the Capital Magnet Fund comes from required contributions from Fannie Mae and Freddie Mac rather than from appropriations. The Capital Magnet Fund did receive one round of appropriated funding ($80 million in FY2010), which is not reflected in the table above. Amounts allocated through the Capital Magnet Fund can differ from the amount transferred by Fannie Mae and Freddie Mac in a given year for a variety of reasons.

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 largest tax benefits for homeowners is the mortgage interest deduction. [39] It allows homeowners to deduct the interest paid on their mortgage (subject to caps) from their taxable income, thus reducing their tax liability. The deduction benefits those households that own homes, have a mortgage on which they pay interest, have federal income tax liability, and for whom itemized deductions exceed the standard deduction (note that the vast majority of tax filers take the standard deduction). It is not targeted to lower-income households. In FY2018, the Joint Committee on Taxation estimated that the mortgage interest deduction would result in a $33.7 billion tax expenditure.[40] (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.)

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, the greatest housing problem today is perceived to be 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% are considered moderately cost burdened. According to data from the Census Bureau's American Community Survey, 18.5 million households were severely cost burdened and 19.6 million households were moderately cost burdened in 2016.[41]

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 2016, 70% of households with

[39] The mortgage interest deduction did not originate as a housing-related tax provision. As described in CRS Report R41596, *The Mortgage Interest and Property Tax Deductions: Analysis and Options*, 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 has been maintained.

[40] *Estimates of Federal Tax Expenditures for Fiscal Years 2018-2022*, p. 24.

[41] Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing 2018*, Appendix Table A-2, "Housing Cost-Burdened Households by Tenure and Income: 2001, 2015, and 2016," p. 40, http://www.jchs.harvard.edu/sites/default/files/Harvard_JCHS_State_of_the_Nations_Housing_2018.pdf.

annual income below $15,000 were severely cost burdened (compared to 64% in 2001), and 33% of households with annual income between $15,000 and $29,999 were severely cost burdened (compared to 25% in 2001).[42]

HUD must report to Congress periodically on the incidence of "worst case" housing needs, which 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 a 2017 report,[43] HUD found that roughly 8.3 million renter households (7% of all households) had worst case housing needs in 2015. This represented an increase compared to 2013, when 7.7 million renter households (6.7% of all households) had worst case housing needs; a decrease from 2011, when 8.5 million renter households had worst case needs; and a nearly 41% increase since 2007, when 5.9 million renter households had worst case needs. Prior to 2005, the percentage of households with worst case housing needs had remained relatively steady—roughly 5% of all households—since HUD began reporting on worst case needs in 1991.

The vast majority of households with worst case housing needs are severely cost burdened but live in standard housing. For example, in 2015 about 95.6% of households with worst case housing needs experienced cost burdens only. About 1.8% of households had worst case housing needs solely because they lived in substandard housing, while another 2.6% experienced both conditions.[44]

Characteristics of Families Receiving Assistance

Public housing, Section 8 vouchers, and the project-based Section 8 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, they 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 14** provides household characteristics data for participants in the tenant-based Section 8 voucher program, the public housing program, and the project-based Section 8 rental assistance program.

Table 14. 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	25%	33%	49%
Non-elderly disabled head of household or spouse	36%	38%	32%
All households with children	30%	38%	28%

[42] Ibid. Percentages calculated by CRS.

[43] U.S. Department of Housing and Urban Development, *Worst Case Housing Needs 2017 Report to Congress,* August 2017, https://www.huduser.gov/portal/sites/default/files/pdf/Worst-Case-Housing-Needs.pdf.

[44] Ibid.

	Tenant-Based Section 8	Public Housing	Project-Based Section 8
Female head of household	79%	74%	72%
Female head of household with children	40%	34%	25%
Race and Ethnicity (Head of Household)			
White, Non-Hispanic	31%	33%	42%
Black, Non-Hispanic	48%	43%	34%
Hispanic	17%	21%	15%
Asian or Pacific Islander, Non-Hispanic	3%	3%	5%
Native American, Non-Hispanic	1%	1%	1%
Household Income			
$0-$4,999	10%	12%	12%
$5,000-$9,999	28%	31%	30%
$10,000-$14,999	25%	22%	28%
$15,000-$19,999	15%	13%	15%
$20,000+	23%	23%	15%

Source: *2017 HUD Assisted Housing: National and Local, Picture of Subsidized Households.*

Note: Totals may not add to 100% due to rounding.

The tenant-based Section 8 voucher program serves more single, female-headed households with children than do the public housing program or project-based programs, although they are not a majority of those served by the program. Based on 2017 HUD data, 40% of voucher households were households with children headed by females, compared to 34% of public housing households and 25% of project-based households. The project-based Section 8 program primarily serves families headed by persons who are elderly or disabled, which account for over three-fourths (81%) 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 also have a large majority of households (71% and 61%, respectively) where the head or spouse is elderly or disabled.

HUD reports the race and ethnicity of the head of household as non-Hispanic white, non-Hispanic black, Hispanic, non-Hispanic Asian or Pacific Islander, and non-Hispanic Native American. In the Section 8 voucher program and public housing, households headed by non-Hispanic blacks make up the largest share (48% and 43%, respectively). In the project-based Section 8 program, households headed by non-Hispanic whites are the largest share (42%), with households headed by non-Hispanic blacks making up 34% of the total. Between 15% and 21% 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 households that are low-income (income at or below 80% of area median income). However, with the targeting required in these programs, many households that are served have very low or

extremely low incomes (at or below 50% or 30% of area median income, respectively).[45] As an example, in 2018 the national median income was $71,900,[46] meaning that low income would be considered to be at or below $57,500; very low income, $35,950; and extremely low income, $21,550. The majority of households served in each of the three programs have incomes at or below $14,999. The percentage of households with incomes at or below this level is 63% in the Section 8 voucher program, 65% in public housing, and 70% in project-based Section 8 rental assistance.

The Federal Government's Role in Directly Subsidizing Affordable Rental Housing

Beginning in the 1980s, the federal government decreased its role in the creation of assisted housing. This occurred in several ways. Congress ceased funding new construction under the project-based Section 8 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.[47] In the following years, however, annual production was around 25,000 new subsidized units.[48] Around the time that federal housing production was declining, Congress created two programs—the Treasury Department's Low Income Housing Tax Credit (LIHTC) program and HUD's HOME Investment Partnerships program—that gave a good deal of control over decisions regarding housing policy and development to state and local governments. 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.[49] 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. These 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 prioritize and develop housing using a larger and more flexible pool of federal funds. Until that point, states helped finance mortgage loans and affordable rental housing through their Housing Finance Agencies, but the states' roles were limited by the amount of funds available.

In the LIHTC 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 and/or build new housing. Funds that

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

[46] U.S. Department of Housing and Urban Development, *Notice PDR-2018-01, Estimated Median Family Incomes for Fiscal Year 2018*, April 1, 2018, https://www.huduser.gov/portal/datasets/il/il18/Medians2018r.pdf.

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

[48] Ibid.

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

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, broadly to reach the neediest households. For example, in an 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. More recently, properties have been allowed to adopt an "income-averaging" approach that allows them to serve a mix of higher-income families if they also serve lower-income families, as long as it results in an average of 40% of units being occupied by households with incomes that average 60% or below of area median income.[50] Many of the older HUD programs constructed housing that was affordable to households at or below 30% of area median income—those considered extremely low-income. Often these households cannot afford units in LIHTC properties without rental subsidies, such as Section 8 vouchers.[51]

Another way some states and local governments support affordable housing is 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 project-based Section 8 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 LIHTC program, although states may adopt longer use restrictions) and 50 years (early Section 202 developments). Over time, these contracts have begun to expire, property owners have chosen to pay off their mortgages early and end the use restrictions, or mortgages have matured and their accompanying use restrictions have ended. When any of these events occur, owners may have the option to charge market-rate rents for the units, potentially making them unaffordable for current tenants. The term used to refer to efforts to maintain the affordability of these housing units is "affordable housing preservation."[52]

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

[50] The income averaging change was made by the Consolidated Appropriations Act of 2018 (P.L. 115-141).

[51] For example, see Michael K. Hollar, *Understanding Whom the LIHTC Program Serves: Tenants in LIHTC Units as of December 31, 2012*, HUD Office of Policy Development and Research, Washington, DC, December 2014, which notes that (despite significant data limitations) a large proportion of LIHTC tenants receive some form of rental assistance (more than half of tenants, among those households for which data is reported).

[52] For more information about affordable housing preservation, see CRS Report R41182, *Preservation of HUD-Assisted Housing*.

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 unless certain conditions were met, including permission from HUD. 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), continued the ELIHPA conditions required for prepayment, and also offered incentives to owners to maintain affordability. However, six years after LIHPRHA was enacted, Congress reinstated the right of owners to prepay their mortgages without prior HUD permission (see P.L. 104-134). Two years later, in FY1998, Congress stopped providing funding to HUD for preservation incentives to owners under LIHPRHA, effectively ending the LIHPRHA program (see H.Rept. 105-175). Another effort to preserve affordable housing was enacted as part of the Multifamily Assisted 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 LIHTCs, 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.

The 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 housing units it directly subsidizes—through project-based Section 8 rental assistance and public housing—has declined.[53] This change from project-based assistance to tenant-based assistance is due, in part, to Congress's decision to expand the voucher program by creating new vouchers after new construction in the project-based Section 8 program and

[53] For data on vouchers from FY1998 through FY2009, when the number grew from 1.6 million to 2.18 million, see the Government Accountability Office, *Rental Housing Assistance: Policy Decisions and Market Factors Explain Changes in the Costs of the Section 8 Programs*, GAO-06-405, 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.

public housing program had been halted.[54] Some of these 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 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. 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, with HUD's approval, remove their public housing properties from the public housing program and convert the funds they receive through the public housing operating and capital funds to either project-based Section 8 rental assistance or project-based vouchers. As noted earlier, HUD is currently authorized to transition up to nearly half of the current stock of public housing to a form of Section 8 via RAD.

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 voucher 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.[55] Subsequent mobility research showed mixed results,[56] although the most recent research has further supported the idea that neighborhood effects can be powerful for young children.[57] There is also some evidence that, for families accustomed to living in public housing, the transition to the private rental market with a voucher can be difficult without counseling and other supports, which may not be provided consistently.[58] Finally, there is evidence that the portability option offered by vouchers is not utilized fully by families to access areas of opportunity. This may be due in part to families' preferences, but it also may be due to structural barriers in the program and/or in local rental

[54] 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.

[55] 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.

[56] 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.

[57] For example, see R. Chetty, N. Hendren, and L.F. Katz, "The effects of exposure to better neighborhoods on children: New evidence from the Moving to Opportunity experiment," *American Economic Review*, vol. 106, no. 4 (2016), pp. 855-902.

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

markets, such as the maximum value of the voucher relative to rents in opportunity areas and landlord willingness to participate in the program.[59]

Supporting Homeownership

Since the 1930s, the federal government has engaged in various activities that provide support for homeownership. The specific types of support provided, and the policy rationales for that support, have evolved over the decades. Currently, the federal government provides support for homeownership through a variety of programs and activities, many of which are described in this report.[60] Some of these programs and activities benefit a broad range of homebuyers (e.g., the favorable tax treatment of homeownership, secondary market institutions that support the mortgage market) while others focus specifically on homebuyers who face certain barriers to homeownership (e.g., federal mortgage insurance and guaranty programs, grant programs that can be used for down payment or closing cost assistance). While not all of these existing programs and initiatives were established specifically with the intention of promoting homeownership, many policymakers have come to view the programs and activities as important for helping households access affordable financing to purchase a home.

In recent decades, federal efforts related to homeownership have also included a focus on reducing disparities in homeownership rates. Homeownership rates vary based on a number of demographic and geographic factors, but large and longstanding gaps in homeownership rates by race and ethnicity have been a particular area of concern, in part out of recognition of federal policies that explicitly contributed to these disparities. Many Presidents in recent decades have expressed support for the concept of specifically increasing homeownership rates, particularly among minority groups who have traditionally been less likely to be homeowners.[61] 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 severe downturn in U.S. housing and mortgage markets that began around 2007 resulted in increased mortgage foreclosure rates and steep declines in home equity in many parts of the country. It also led to a pronounced drop in the overall homeownership rate and further widened the gap in homeownership rates between white and black householders, in particular. As of 2017, the Census Bureau reported a homeownership rate of 63.9%, down from a peak of 69% in 2004.[62] The homeownership rate for non-Hispanic white householders (72.3%) is 30 percentage points higher than it is for black householders (42.3%). (In comparison, in 2001 the homeownership rate for non-Hispanic white householders was about 27 percentage points higher than it was for black

[59] For example, see Kirk McClure, Alex F. Schwartz, and Lydia B. Taghavi, "Housing Choice Voucher Location Patterns a Decade Later," *Housing Policy Debate*, vol. 25, no. 2 (2015), pp. 215-233.

[60] Such programs and activities include favorable treatment in the tax code (e.g., the mortgage interest and property tax deductions), the creation and favorable treatment of certain institutions that provide funding for home loans or facilitate a secondary market for home mortgages (the Federal Home Loan Banks, Fannie Mae, Freddie Mac, and Ginnie Mae), the establishment of federal programs that insure lenders against losses on home loans (FHA, VA, and USDA mortgage guaranty programs), funding grants to organizations that counsel prospective homebuyers on obtaining and maintaining homeownership, and funding grant programs that can be used to provide down payment and closing cost assistance to some homebuyers.

[61] For example, see the George H.W. Bush Administration's "Blueprint for the American Dream," https://archives.hud.gov/initiatives/blueprint/blueprint.pdf; the Clinton Administration's "National Homeownership Strategy," https://www.huduser.gov/portal//Publications/txt/hdbrf2.txt; and the George W. Bush Administration's "Homeownership Initiative," https://georgewbush-whitehouse.archives.gov/news/releases/2002/06/20020617.html.

[62] U.S. Department of Commerce, U.S. Census Bureau, *Housing Vacancies and Homeownership Annual Statistics: 2017*, Table 14.

householders: 74.3% compared to 47.7%.[63]) Hispanics, who can be of any race, had a homeownership rate of 46.2% in 2017, about 26 percentage points lower than the rate for non-Hispanic white households.[64]

The housing market turmoil and its aftermath have raised a variety of questions about the appropriate role of the federal government in supporting homeownership going forward, including how best to balance the perceived benefits of homeownership with its possible risks.[65] Many policymakers believe that federal policy should continue to support activities that help provide access to homeownership, especially for creditworthy households who may otherwise have difficulty becoming homeowners. However, recent experience has reduced the focus on specifically attempting to increase homeownership rates to a particular target and underscored the importance of ensuring that homeownership is not just attainable, but also sustainable over the long term.

Data

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

Spending

Table 15 presents spending, or outlays, for selected housing assistance programs, in both real and nominal dollars. This table does not include any spending information related to loan commitments or obligations, nor does it include tax expenditures or expenditures from non-appropriated sources (such as the National Housing Trust Fund).

As can be seen in **Table 15**, outlays for the selected programs have increased, in both real and nominal dollars (a 449% increase in nominal dollars, a 108% increase in real dollars), over the more than three decades presented.

Table 15. Outlays, Selected Housing Programs, FY1980-FY2018

(dollars in millions)

Fiscal Year	Rental Assistance[a]	Public Housing[b]	Other Housing Assistance[c]	Grants[d,e]	Homeless and HOPWA[f,g]	Total, Nominal	Total, Real (2018)
1980	2,104	2,185	1,042	3,910		9,240	24,388
1981	3,115	2,401	1,139	4,048		10,703	25,728
1982	4,085	2,574	1,208	3,795		11,661	26,230

[63] U.S. Department of Commerce, U.S. Census Bureau, *Housing Vacancies and Homeownership Annual Statistics: 2017*, Table 22.

[64] Ibid.

[65] For an overview of the literature on some of the potential benefits and risks of homeownership, see Laurie S. Goodman and Christopher Mayer, "Homeownership and the American Dream," *Journal of Economic Perspectives*, vol. 32, no. 1 (Winter 2018); Christopher E. Herbert, Daniel T. McCue, and Rocio Sanchez-Moyano, *Is Homeownership Still an Effective Means of Building Wealth for Low-income and Minority Households? (Was it Ever?)*, Harvard University, Joint Center for Housing Studies, HBTL-06, September 2013, http://www.jchs.harvard.edu/sites/default/files/hbtl-06.pdf; and William M. Rohe and Mark Lindblad, *Reexamining the Social Benefits of Homeownership after the Housing Crisis*, Joint Center for Housing Studies of Harvard University, HBTL-04, August 2013, http://www.jchs.harvard.edu/sites/default/files/hbtl-04.pdf.

Fiscal Year	Rental Assistance[a]	Public Housing[b]	Other Housing Assistance[c]	Grants[d,e]	Homeless and HOPWA[f,g]	Total, Nominal	Total, Real (2018)
1983	4,995	3,206	1,107	3,557		12,865	27,720
1984	6,030	2,821	1,037	3,823		13,711	28,537
1985	6,818	3,408	952	3,820		14,998	30,213
1986	7,430	2,882	890	3,329		14,530	28,617
1987	8,125	2,161	868	2,970	2	14,125	27,212
1988	9,133	2,526	851	3,054	37	15,601	29,112
1989	9,918	3,043	774	2,951	70	16,756	30,070
1990	10,581	3,918	778	2,821	82	18,180	31,488
1991	11,400	4,544	712	2,981	120	19,757	33,047
1992	12,605	5,045	752	3,099	145	21,646	35,342
1993	13,635	6,296	752	3,416	172	24,270	38,706
1994	14,969	6,771	762	4,439	189	27,130	42,344
1995	17,384	7,414	750	5,519	270	31,337	47,895
1996	16,261	7,605	719	5,761	453	30,799	46,211
1997	16,905	7,687	738	5,731	718	31,779	46,854
1998	16,647	7,534	717	6,360	916	32,173	46,857
1999	16,207	6,560	693	6,748	1,032	31,240	44,929
2000	17,267	7,193	667	7,077	1,100	33,304	46,921
2001	18,097	7,483	659	7,047	1,208	34,495	47,463
2002	20,045	8,193	644	7,349	1,358	37,588	50,895
2003	22,657	7,837	630	7,229	1,376	39,729	52,785
2004	24,228	7,490	620	7,113	1,492	40,943	53,083
2005	25,318	7,426	603	7,225	1,562	42,135	52,965
2006	25,613	7,225	569	7,086	1,655	42,149	51,314
2007	26,561	7,295	559	7,011	1,664	43,089	51,072
2008	26,722	7,534	579	6,828	1,754	43,417	50,414
2009	27,325	7,973	556	6,565	1,801	44,220	50,755
2010	29,872	9,997	519	8,041	2,320	50,749	57,741
2011	30,762	8,973	494	8,463	2,616	51,308	57,215
2012	30,234	7,069	445	7,407	2,288	47,442	51,955
2013	30,132	6,377	391	6,307	2,042	45,249	48,730
2014	30,369	6,553	329	6,908	4,881	49,040	51,868
2015	30,881	6,469	259	7,192	2,200	47,001	49,119
2016	32,358	5,750	217	7,016	2,233	47,575	49,150
2017	34,521	6,162	153	6,787	2,298	49,919	50,701

Fiscal Year	Rental Assistance[a]	Public Housing[b]	Other Housing Assistance[c]	Grants[d,e]	Homeless and HOPWA[f,g]	Total, Nominal	Total, Real (2018)
2018	35,433	6,354	111	6,442	2,405	50,746	50,746

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, the Office of Management and Budget's Public Budget Database, and U.S. Treasury Combined Statements. Real dollars are obtained using the GDP deflator in the President's FY2019 budget, Table 10.1. The table includes outlays of funds provided as part of the American Recovery and Reinvestment Act (P.L. 111-5).

a. Rental Assistance includes project- and tenant-based Section 8 (including the Housing Certificate Fund and the Family Self Sufficiency program), Section 202, Section 811, and USDA Section 521.

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

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

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

e. Congress periodically provides emergency funding through the CDBG program following disasters, generally in amounts less than $1 billion per year. However, Congress provided substantially more funding on some occasions in recent years. 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, etc. As a result, total block grant outlays from FY2002 through FY2018 do not include CDBG emergency funding.

f. Homeless and HOPWA includes the Homeless Assistance Grants.

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

Rental Assistance Units

Table 16 and **Figure 1** present the total number of units eligible for payment[66]/households served under selected rental assistance programs from FY1980 to FY2016. The rental assistance programs reflected in these data are a subset of a group of housing assistance programs for which spending data are presented in **Table 15**.

As shown, units/households in the rental assistance programs has grown by 66% over the more than three decades presented. Most of that growth happened in the 1980s and early 1990s. 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. HUD stopped publishing "units eligible for payment" data after FY2009. Beginning with FY2010, the data shown reflect HUD's report of the number of households served by various HUD programs, taken from their annual performance reports. Between FY2010 and FY2016, there was some modest and uneven growth in the number of assisted households, with increases in vouchers offsetting decreases in other forms of assistance.

Table 16 also helps to illustrate the trend away from public housing and other housing assistance toward rental assistance (e.g., Section 8 vouchers) discussed earlier in this report. The number of

[66] 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.

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, it receives 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. Some replacement public housing units have been built in their place, but many of the units were replaced with Section 8 vouchers.

Table 16. Units Eligible for Payment/Households Served, Federal Rental Assistance Programs, FY1980-FY2016

Fiscal Year	Rental Assistance[a]	Public Housing	Legacy Programs[b,c]	Annual Total
1980	1,173,311	1,192,000	741,759	3,107,070
1981	1,336,582	1,204,000	756,869	3,297,451
1982	1,540,963	1,224,000	742,933	3,507,896
1983	1,761,650	1,250,000	651,678	3,663,328
1984	1,920,562	1,331,908	607,206	3,859,676
1985	2,025,556	1,355,152	562,530	3,943,238
1986	2,157,850	1,379,679	539,254	4,076,783
1987[d]	2,264,424	1,390,098	496,730	4,151,252
1988[d]	2,357,383	1,397,907	472,040	4,227,330
1989[d]	2,444,615	1,403,816	466,886	4,315,317
1990	2,526,929	1,404,870	454,566	4,386,365
1991	2,577,235	1,410,137	444,705	4,432,077
1992	2,826,348	1,409,191	399,251	4,634,790
1993	2,845,670	1,407,923	400,836	4,654,429
1994	2,962,436	1,409,455	377,522	4,749,413
1995	2,953,452	1,397,205	373,405	4,724,062
1996	2,998,174	1,388,746	364,486	4,751,406
1997	2,983,129	1,372,260	385,651	4,701,545
1998[e]	3,039,979	1,295,437	359,884	4,656,256
1999[f]	3,027,696	1,273,500	337,856	4,639,052
2000	3,238,032	1,266,980	302,898	4,807,910
2001	3,439,034	1,219,238	262,343	4,920,615
2002	3,463,537	1,208,730	233,736	4,906,003
2003	3,520,963	1,206,721	179,952	4,907,636
2004	3,556,171	1,188,649	155,289	4,900,109
2005	3,538,939	1,162,808	128,771	4,830,518
2006	3,541,960	1,172,204	123,503	4,837,667
2007	3,615,190	1,155,377	100,595	4,871,162
2008	3,616,867	1,140,294	109,773	4,866,934

Fiscal Year	Rental Assistance[a]	Public Housing	Legacy Programs[b,c]	Annual Total
2009	3,739,238	1,128,891	97,862	4,965,991
Note: Methodology changes between FY2009 and FY2010 mean numbers before and after this break are not fully comparable				
2009	3,661,348	1,059,189	205,573	4,926,110
2010	3,701,024	1,060,392	193,474	4,954,890
2011	3,749,940	1,082,393	178,532	5,010,865
2012	3,754,706	1,091,758	171,216	5,018,488
2013	3,737,111	1,090,471	166,346	4,993,928
2014	3,789,006	1,082,991	162,932	5,035,602
2015	3,841,679	1,065,241	89,920	4,996,840
2016	4,017,477	1,048,958	86,796	5,153,231

Source: Table prepared by CRS based on data from the Department of Housing and Urban Development (HUD) and U.S. Department of Agriculture (USDA). HUD data through 2000 taken from HUD Annotated Tables for the 2001 Budget and Congressional Budget Justifications. Data from 2001-2009 taken from Housing Payments tables in HUD annual Congressional Budget Justifications. HUD data from 2009-present taken from HUD Annual Performance Reports. USDA rural rental data is taken from Housing Assistance Council reports on USDA data.

Note: Unit data through FY2009 represent units eligible for payment, as reported by HUD. Beginning in FY2010, HUD ceased reporting comparable units eligible for payment data and could not provide this data to CRS upon request. However, as part of its Annual Performance Reports, HUD does publish data on households in occupied rental housing units receiving assistance. These data are not fully comparable to units eligible for payment data that were provided previously. Two values are shown for 2009 to help illustrate the difference.

a. Rental Assistance includes project-based Section 8 rental assistance and Housing Choice Vouchers, Section 202, Section 811, and USDA Section 521.

b. Legacy Programs includes rental assistance programs that have and are largely converting to other forms of assistance over time. These include Section 235, Section 236, and Rent Supplement, which HUD frequently labels "Other Housing Assistance."

c. To the extent possible, total is adjusted for units receiving multiple subsidies.

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

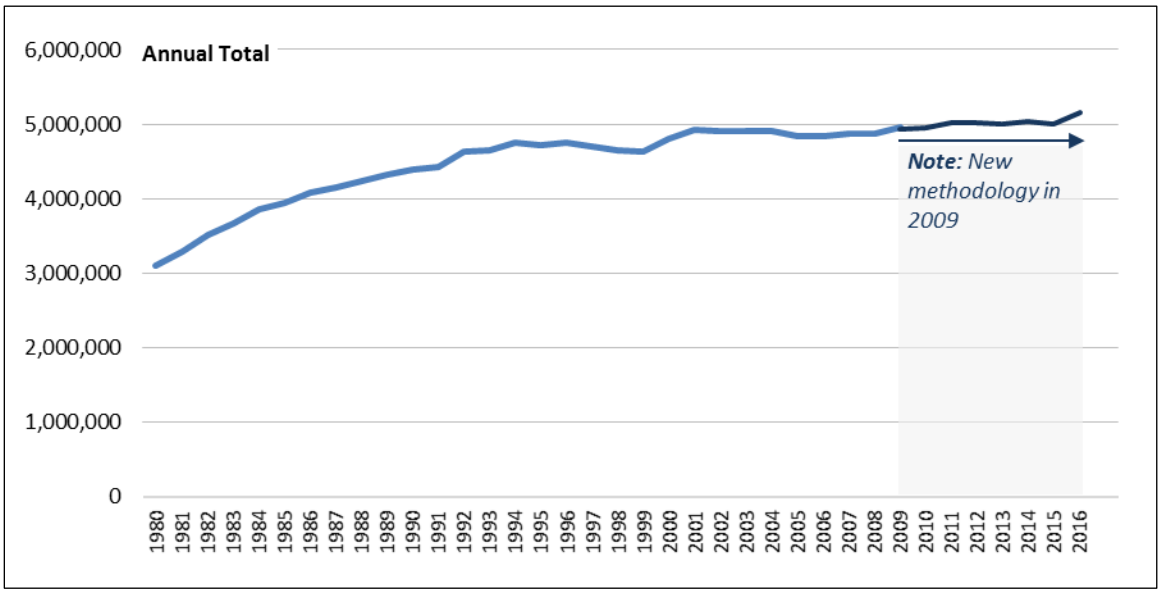
e. Prior to FY1998, Native American public housing units were included in the count of public housing units. Beginning in 1998, those units are not included in the public housing unit count.

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.

Figure 1. Housing Assistance, 1980-2016

Units Eligible for Payment/Households Served



Source: Figure prepared by CRS based on data from the Department of Housing and Urban Development (HUD) and U.S. Department of Agriculture (USDA). HUD data through 2000 taken from HUD Annotated Tables for the 2001 Budget and Congressional Budget Justifications. Data from 2001-2009 taken from Housing Payments tables in HUD annual Congressional Budget Justifications. HUD data from 2009-present taken from HUD Annual Performance Reports. USDA rural rental data is taken from Housing Assistance Council reports on USDA data.

Notes: Due to changes in HUD data methodology, numbers before and after 2009 are not fully comparable. Two values are shown for 2009 to help illustrate the difference.

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