

**CBO STUDY ON CURRENT HOUSING
PROBLEMS AND POSSIBLE FEDERAL RESPONSES**

For half a century, through a variety of programs, the federal government has attempted to improve housing conditions and reduce housing costs for an increasing number of lower-income households. In 1987, over 5 million households were aided, at a cost of more than \$15 billion. Housing assistance is restricted to households that meet certain eligibility requirements, but it is not provided as an entitlement. Rather, decisions are made each year by the Congress about what form the assistance should take, the types and number of households to serve, and how large a subsidy to provide.

At the request of the Subcommittee on Housing and Community Development of the House Committee on Banking, Finance and Urban Affairs, the Congressional Budget Office has conducted a study to help inform the debate on these choices. The report provides information on the housing conditions of the population eligible for assistance and on the nature, amount, and distribution of currently available federal housing aid. It also presents a broad range of options that the Congress may want to consider in making decisions about future federal housing policy.

Using data from the recently released 1985 American Housing Survey, the study finds that affordability is the overwhelming housing problem for households eligible for housing aid, although some also live in substandard or crowded dwellings. In 1985, four-fifths of all very-low-income renters, the primary target group, spent more than 30 percent of their income on housing, with about one-fifth also living in substandard or crowded dwellings. Another 5 percent occupied physically inadequate housing without paying a large share of their income for housing, and only 16 percent experienced none of these problems. Families with children were more likely to face these problems than were elderly renters; in particular, almost half of all very-low-income renters with three or more children lived in substandard or crowded dwellings. This situation may be explained partially by the study's estimate that about half of all very-low-income elderly renters receive federal housing assistance compared with only about one-third of very-low-income renters with children.

Options dealing with the types of housing assistance include several approaches for providing rental and homeownership aid. Options addressing the targeting of aid include moving toward equalizing participation rates among various groups of households, and restricting eligibility for aid to households with housing problems or to the poorest segment of the population. Options for determining the number of households to assist and the amount of subsidy to provide range from making housing assistance available to all currently eligible households that want to participate, to phasing out housing assistance and, perhaps, providing general income supplements instead. The advantages, disadvantages, and costs of the options are also examined.

Questions regarding the analysis should be directed to Carla Pedone of CBO's Human Resources and Community Development Division at (202) 226-2665. The Office of Intergovernmental Relations is CBO's Congressional liaison office and can be reached at 226-2600. For additional copies of the report, please call the CBO Publications Office at 226-2809.



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