

Nonelderly Households with No Children. These households are headed by a person less than 62 years old without children under the age of 18 present. Included in this group are families (that is, at least two individuals related by blood or by marriage), two or more unrelated individuals living together, and persons living alone. Households in this group must meet both income and other criteria to be eligible for federal rental assistance. In general, eligibility is restricted to families, to households with handicapped or disabled persons, to persons displaced by government action or federally recognized disaster, or to a person living alone who is the only member of a family to remain in an assisted unit. Assistance to other one-person households may only be provided subject to certain stringent limitations.

Households with One or Two Children. This group consists of households with one or two children under the age of 18 present and can be headed by either an elderly or a nonelderly person. In this paper, these households are frequently referred to as small families.

Households with Three or more Children. This group consists of households with three or more children under the age of 18 present and can be headed by an elderly or a nonelderly person. These households are frequently referred to here as large families--the definition used in federal housing assistance programs.

LOCATIONAL CHARACTERISTICS

The locational classification stratifies households by whether or not they live in metropolitan statistical areas (MSAs) according to the 1985 American Housing Survey (AHS). The AHS's definitions are based on 1983 boundaries of metropolitan areas. Any changes in the number of MSAs or their boundaries since 1983 are therefore not reflected here.

Metropolitan Areas. An MSA is a county or group of contiguous counties that contain either at least one city of 50,000 or more inhabitants, or an urbanized area (as defined by the Census Bureau) with a population of at least 50,000 and a total MSA population of 100,000. Contiguous counties are included in an MSA if they are "socially and economically integrated" with the central city. (In the New England states, MSAs consist of towns and cities instead of counties.)

Nonmetropolitan Areas. All areas that do not meet the definition of MSA are classified as nonmetropolitan.

TABLE 2. CHARACTERISTICS OF RENTERS AND HOMEOWNERS, BY INCOME, 1985

Type of Household	Income			All
	Very-Low-Income	Low-Income	Other	
Renters (Thousands of households)^a				
Elderly, No Children	3,250	900	940	5,080
Nonelderly, No Children	3,440	2,600	7,920	13,950
Households with 1 or 2 Children	3,460	2,100	3,070	8,630
Households with 3 or More Children	1,570	550	470	2,580
In Metropolitan Areas	9,620	5,130	10,910	25,660
In Nonmetropolitan Areas	2,100	1,010	1,480	4,590
Total	11,720	6,140	12,390	30,250
Renters (As percentage of households in income category)^a				
Elderly, No Children	28	15	8	17
Nonelderly, No Children	29	42	64	46
Households with 1 or 2 Children	30	34	25	29
Households with 3 or More Children	13	9	4	9
In Metropolitan Areas	82	84	88	85
In Nonmetropolitan Areas	18	16	12	15
Total	100	100	100	100
Homeowners (Thousands of households)				
Elderly, No Children	5,870	3,540	6,840	16,250
Nonelderly, No Children	1,760	1,730	14,450	17,950
Households with 1 or 2 Children	1,640	2,310	13,600	17,550
Households with 3 or More Children	720	770	2,910	4,400
In Metropolitan Areas	6,330	5,720	29,760	41,810
In Nonmetropolitan Areas	3,660	2,630	8,050	14,340
Total	9,990	8,350	37,810	56,150
Homeowners (As percentage of households in income category)				
Elderly, No Children	59	42	18	29
Nonelderly, No Children	18	21	38	32
Households with 1 or 2 Children	16	28	36	31
Households with 3 or More Children	7	9	8	8
In Metropolitan Areas	63	68	79	74
In Nonmetropolitan Areas	37	32	21	26
Total	100	100	100	100

SOURCE: Congressional Budget Office tabulations of the 1985 American Housing Survey conducted by the Bureau of the Census for the Department of Housing and Urban Development.

NOTE: Very-low-income households are the primary target group of most federal housing assistance programs. Income categories and household types are defined in Box 2.

a. Excludes renters who paid no cash rent.

Compared with higher-income renter households, those with lower incomes were more likely to be headed by elderly persons, to have children present, and to live in nonmetropolitan areas.

Homeowners

In 1985, 10.0 million very-low-income and 8.4 million low-income households owned the units they occupied (see the bottom panel of Table 2). Almost 60 percent of the very-low-income and 42 percent of the low-income homeowners were elderly and had no children present. Households headed by nonelderly people with no children present accounted for about one in five of all lower-income owner-occupants. The remaining 20 percent to 40 percent of all lower-income homeowners had children present, with large families--that is, those with three or more children--making up about one in four of all such households.

Lower-income homeowners on the whole were more likely to be elderly but, unlike the pattern among renters, generally less likely to have children present than were their higher-income counterparts. Also, lower-income homeowners were more likely to live in nonmetropolitan areas than were those with higher incomes.

HOUSING CONDITIONS OF ELIGIBLE HOUSEHOLDS

Paying large shares of income for housing is the problem most commonly faced by lower-income households. Living in physically deficient dwelling units or in crowded quarters are substantial problems, however, among families with children, especially those with three or more children. Moreover, these problems are much more common among lower-income households than among higher-income households. In each income group, renters are worse off than homeowners, and elderly households without children present are generally better off than all other groups. Households in metropolitan areas tend to face all problems--except perhaps living in units in need of repair--more often than their counterparts in nonmetropolitan areas.

High Housing Costs Relative to Income

High shelter costs relative to income are common among all groups of very-low- and low-income households, but the incidence of this problem varies according to tenure (that is, whether the household rents or owns its dwelling unit), household characteristics, and location.

Renters. In 1985, over 12 million renters paid more than 30 percent of their pre-tax incomes for housing costs, as shown in the top panel of Table 3. About 80 percent of all very-low-income renters and more than 40 percent of all low-income renters faced this problem, compared with only 8 percent of higher-income renters.⁵

Among very-low-income renters, the elderly were somewhat less likely than other groups to pay such large shares of income for housing--73 percent compared with 75 percent to 85 percent for other groups. Among the low-income group, however, families with children were least likely to experience this problem. Both very-low-income and low-income renters in metropolitan areas were more likely than their counterparts in nonmetropolitan areas to face this problem.

Homeowners. Although relatively high housing costs are much less prevalent among homeowners than among renters, lower-income homeowners are, again, far more likely to face this problem than are better-off owner-occupants. In 1985, well over half of all very-low-income homeowners and about one-quarter of those with low incomes faced this problem, compared with only 9 percent of those with higher incomes (see the bottom panel of Table 3).

The incidence pattern of this housing problem among various groups of very-low-income homeowners is similar to that among renters. For example, while over 60 percent of all very-low-income homeowners with children paid large shares of income for housing, about half of very-low-income elderly households did. In contrast to the pattern among low-income renters, however, low-income elderly

5. To the extent that households may underreport their income or overstate their housing costs, the number and thus the proportion of households that pay more than 30 percent of their pre-tax income for housing may be overstated by the American Housing Survey.

TABLE 3. HOUSEHOLDS SPENDING OVER 30 PERCENT OF INCOME FOR HOUSING, BY INCOME, TENURE, AND HOUSEHOLD TYPE, 1985

Type of Household	Income			All
	Very-Low- Income	Low- Income	Other	
Renters (Thousands of households)^a				
Elderly, No Children	2,290	460	160	2,910
Nonelderly, No Children	2,690	1,120	570	4,370
Households with 1 or 2 Children	2,730	820	270	3,810
Households with 3 or More Children	1,130	190	40	1,360
In Metropolitan Areas	7,390	2,320	960	10,680
In Nonmetropolitan Areas	1,440	260	70	1,780
Total	8,840	2,590	1,030	12,450
Renters (As percentage of households in income/demographic category)^a				
Elderly, No Children	73	51	17	58
Nonelderly, No Children	85	43	7	32
Households with 1 or 2 Children	83	39	9	45
Households with 3 or More Children	75	35	8	54
In Metropolitan Areas	81	45	9	43
In Nonmetropolitan Areas	72	26	5	39
Total	80	42	8	42
Homeowners (Thousands of households)				
Elderly, No Children	2,820	460	230	3,520
Nonelderly, No Children	950	450	1,150	2,550
Households with 1 or 2 Children	870	620	1,280	2,770
Households with 3 or More Children	410	240	360	1,010
In Metropolitan Areas	3,370	1,350	2,660	7,380
In Nonmetropolitan Areas	1,690	430	350	2,470
Total	5,060	1,780	3,010	9,850
Homeowners (As percentage of households in income/demographic category)				
Elderly, No Children	51	14	3	23
Nonelderly, No Children	66	29	9	16
Households with 1 or 2 Children	62	30	10	18
Households with 3 or More Children	66	36	14	26
In Metropolitan Areas	59	25	10	19
In Nonmetropolitan Areas	51	18	5	19
Total	56	23	9	19

SOURCE: Congressional Budget Office tabulations of the 1985 American Housing Survey conducted by the Bureau of the Census for the Department of Housing and Urban Development.

NOTE: Excludes households for which housing cost-to-income ratios are not computed. Housing costs are defined in Box 1. Income categories and household types are defined in Box 2.

a. Excludes renters who paid no cash rent.

homeowners were much less likely to face this problem than were other types of low-income homeowners.⁶ High housing costs were more common among lower-income homeowners in metropolitan areas than among those in nonmetropolitan areas.

Deficiencies in Housing Units

Problems with the physical condition of housing units are much less prevalent than affordability problems among both renters and homeowners.⁷

Renters. Close to 4 million rental units were judged to be in need of rehabilitation in 1985, as shown in the top panel of Table 4. Lower-income renters were more likely than higher-income renters to live in physically deficient dwelling units. In 1985, 18 percent of all very-low-income renters and 14 percent of all low-income renters lived in such units, compared with 8 percent of higher-income renters.

Among lower-income renters, the incidence of deficient housing varies with demographic characteristics but not much with location. For example, in 1985, lower-income renters with large families were more than twice as likely to live in units with some form of deficiency as were lower-income elderly households. While the incidence of deficient housing was similar in metropolitan and nonmetropolitan areas, the most serious deficiencies, such as lack of complete plumbing or kitchen facilities, tended to be more common in nonmetropolitan areas. In particular, of all deficient units in nonmetropolitan areas occupied by very-low-income renters, 27 percent lacked complete plumbing and 28 percent lacked complete kitchens, compared with 9 percent and 17 percent, respectively, in metropolitan areas.

6. This pattern is largely explained by the relatively high proportion of elderly homeowners who do not have a mortgage on their property. For example, among very-low-income households, 89 percent of all elderly owner-occupants owned their homes free and clear, compared with 62 percent of nonelderly homeowners without children present, 50 percent of homeowners with one or two children present, and 37 percent of homeowners with three or more children present.

7. The CBO index for identifying units in need of rehabilitation produces estimates similar to those derived by Iredia Irby, "Attaining the Housing Goal?" The CBO index is somewhat stricter for rental units and somewhat less strict for owner-occupied units than the HUD index.

TABLE 4. HOUSEHOLDS LIVING IN UNITS REQUIRING REHABILITATION, BY INCOME, TENURE, AND HOUSEHOLD TYPE, 1985

Type of Household	Income			All
	Very-Low-Income	Low-Income	Other	
Renters (Thousands of households)^a				
Elderly, No Children	350	70	80	500
Nonelderly, No Children	650	380	620	1,650
Households with 1 or 2 Children	650	310	270	1,230
Households with 3 or More Children	410	90	40	540
In Metropolitan Areas	1,740	740	890	3,370
In Nonmetropolitan Areas	320	110	110	540
Total	2,050	850	1,010	3,910
Renters (As percentage of households in income/demographic category)^a				
Elderly, No Children	11	8	8	10
Nonelderly, No Children	19	14	8	12
Households with 1 or 2 Children	19	15	9	14
Households with 3 or More Children	26	17	9	21
In Metropolitan Areas	18	14	8	13
In Nonmetropolitan Areas	15	11	8	12
Total	18	14	8	13
Homeowners (Thousands of households)				
Elderly, No Children	390	120	150	660
Nonelderly, No Children	150	90	430	660
Households with 1 or 2 Children	170	130	350	640
Households with 3 or More Children	110	60	100	270
In Metropolitan Areas	450	280	770	1,490
In Nonmetropolitan Areas	370	120	250	740
Total	810	400	1,020	2,230
Homeowners (As percentage of households in income/demographic category)				
Elderly, No Children	7	3	2	4
Nonelderly, No Children	8	5	3	4
Households with 1 or 2 Children	10	6	3	4
Households with 3 or More Children	16	7	3	6
In Metropolitan Areas	7	5	3	4
In Nonmetropolitan Areas	10	5	3	5
Total	8	5	3	4

SOURCE: Congressional Budget Office tabulations of the 1985 American Housing Survey conducted by the Bureau of the Census for the Department of Housing and Urban Development.

NOTE: Units requiring rehabilitation are defined in Box 1. Income categories and household types are defined in Box 2.

a. Excludes renters who paid no cash rent.

Homeowners. Although physically deficient units are less common among homeowners than among renters, the relative incidence of substandard units among very-low-income homeowners is, again, higher than among better-off owner-occupants. In 1985, 8 percent of all very-low-income homeowners lived in units needing repairs--one and one-half times the rate among low-income homeowners and almost three times the rate among higher-income homeowners (see the bottom panel of Table 4).

Among lower-income homeowners, those with large families were more than twice as likely to live in substandard units as were elderly households without children. In contrast to the pattern among renters, units occupied by very-low-income homeowners in nonmetropolitan areas were more likely than those in metropolitan areas to need some form of repair. Moreover, the frequency of serious deficiencies in nonmetropolitan areas was substantially higher than in metropolitan areas. Of all the units judged in need of rehabilitation and occupied by very-low-income homeowners in nonmetropolitan areas, 30 percent lacked complete plumbing and 20 percent lacked complete kitchens, compared with 10 percent and 15 percent, respectively, in metropolitan areas.

Crowded Housing Conditions

In the aggregate, crowding is the least common housing problem today. Among families with three or more children, however, the problem remains widespread--particularly among renters--and is more common than substandard housing conditions.

Renters. In 1985, only 7 percent of all renters were living in crowded units--those with more than two persons per bedroom (see the top panel of Table 5). Even among lower-income renters, less than one in ten households experienced crowded housing conditions. Within all income groups, however, crowding remained a common problem for renters with three or more children present, affecting 35 percent of large families with very low incomes, 40 percent of those with low

TABLE 5. HOUSEHOLDS LIVING IN UNITS WITH MORE THAN TWO PERSONS PER BEDROOM, BY INCOME, TENURE, AND HOUSEHOLD TYPE, 1985

Type of Household	Income			All
	Very-Low- Income	Low- Income	Other	
Renters (Thousands of households)^a				
Elderly, No Children	10	10	10	30
Nonelderly, No Children	70	70	100	240
Households with 1 or 2 Children	380	250	190	830
Households with 3 or More Children	550	220	130	900
In Metropolitan Areas	880	510	400	1,790
In Nonmetropolitan Areas	140	30	40	210
Total	1,020	540	430	1,990
Renters (As percentage of households in income/demographic category)^a				
Elderly, No Children	b	1	1	1
Nonelderly, No Children	2	3	1	2
Households with 1 or 2 Children	11	12	6	10
Households with 3 or More Children	35	40	28	35
In Metropolitan Areas	9	10	4	7
In Nonmetropolitan Areas	7	3	2	4
Total	9	9	3	7
Homeowners (Thousands of households)				
Elderly, No Children	10	b	b	10
Nonelderly, No Children	10	b	30	40
Households with 1 or 2 Children	40	50	150	240
Households with 3 or More Children	200	160	310	670
In Metropolitan Areas	170	150	390	710
In Nonmetropolitan Areas	80	70	110	260
Total	260	210	490	970
Homeowners (As percentage of households in income/demographic category)				
Elderly, No Children	b	b	b	b
Nonelderly, No Children	b	b	b	b
Households with 1 or 2 Children	2	2	1	1
Households with 3 or More Children	28	21	11	15
In Metropolitan Areas	3	3	1	2
In Nonmetropolitan Areas	2	3	1	2
Total	3	3	1	2

SOURCE: Congressional Budget Office tabulations of the 1985 American Housing Survey conducted by the Bureau of the Census for the Department of Housing and Urban Development.

NOTE: Income categories and household types are defined in Box 2.

- a. Excludes renters who paid no cash rent.
 b. Fewer than 5,000 households or less than 0.5 percent.

incomes, and 28 percent of those with higher incomes.⁸ Crowding was more common among lower-income renters in metropolitan than in nonmetropolitan areas.

The fact that crowding is relatively widespread among large families even when they have higher incomes may be evidence of a general shortage of large units in the rental stock.⁹ On the other hand, some large families may not perceive more than two persons sharing a bedroom as a problem, particularly if it involves young children.

Homeowners. In 1985, no more than 3 percent of all homeowners in each income group experienced crowded living quarters, as shown in the bottom panel of Table 5. As was the case for renters, this problem was much more common among large families, with more than 20 percent of all lower-income families with three or more children lacking sufficient space under the definition used here. The differences in crowding between metropolitan and nonmetropolitan areas were negligible.

Overlapping Housing Problems Among Very-Low-Income Renters

This section describes in somewhat more detail the housing conditions of very-low-income renters--the primary target group of current housing assistance programs.¹⁰ In 1985, over 80 percent of all very-low-income renters experienced one or more of the three housing problems examined here (see Table 6).¹¹ Very-low-income elderly

8. The Bureau of the Census definition of crowding (more than one person per room) produces even higher estimates of crowding for all renters with three or more children (37 percent compared with 35 percent) but a lower estimate for those with one or two children (4 percent compared with 10 percent).
9. Some evidence supporting the hypothesis of local shortages of physically standard units that are large enough to allow no more than two persons per bedroom is presented in Grace Milgram, *Existing Housing Resources versus Need* (Congressional Research Service, January 1987).
10. See Appendix A for comparable details about higher-income renters and homeowners in all income categories.
11. About 4 million households received rental assistance in 1985. It seems reasonable to assume, therefore, that of the 1.7 million very-low-income renters without any problems, the vast majority had no problems because of this assistance. The actual number of households without problems may be understated, however, because households for which housing cost-to-income ratios are not computed are excluded from this analysis, reducing the total number of very-low-income renters from 11.7 million to 11.1 million.

TABLE 6. VERY-LOW-INCOME RENTERS WITH MULTIPLE HOUSING PROBLEMS, 1985

Housing Condition	Elderly, No Children	Nonelderly, No Children	Households With 1 or 2 Children	Households With 3 or More Children	All
Thousands of Households					
No Problems	750	360	420	200	1,740
Costly, but Physi- cally Adequate	2,040	2,150	1,970	570	6,740
Costly and Physi- cally Inadequate					
Substandard	230	480	440	160	1,310
Crowded	10	30	230	250	530
Both	<u>a</u>	<u>20</u>	<u>80</u>	<u>150</u>	<u>250</u>
Subtotal	240	540	750	570	2,100
Physically Inadequate, but Not Costly					
Substandard	100	110	70	60	320
Crowded	<u>a</u>	20	40	100	150
Both	<u>a</u>	<u>a</u>	<u>20</u>	<u>30</u>	<u>50</u>
Subtotal	100	120	120	180	520
Total	3,130	3,170	3,270	1,520	11,090
As Percentage of Households in Demographic Category					
No Problems	24	11	13	13	16
Costly, but Physi- cally Adequate	65	68	60	37	61
Costly and Physi- cally Inadequate					
Substandard	7	15	14	10	12
Crowded	<u>a</u>	1	7	17	5
Both	<u>a</u>	<u>1</u>	<u>2</u>	<u>10</u>	<u>2</u>
Subtotal	8	17	23	37	19
Physically Inadequate, but Not Costly					
Substandard	3	3	2	4	3
Crowded	<u>a</u>	<u>a</u>	1	7	1
Both	<u>a</u>	<u>a</u>	<u>1</u>	<u>2</u>	<u>a</u>
Subtotal	3	4	4	12	5
Total	100	100	100	100	100

SOURCE: Congressional Budget Office tabulations of the 1985 American Housing Survey conducted by the Bureau of the Census for the Department of Housing and Urban Development.

NOTE: Excludes renters who paid no cash rent and renters for whom housing cost-to-income ratios are not computed. Housing conditions are defined in Box 1. Household types are defined in Box 2.

a. Fewer than 5,000 households or less than 0.5 percent.

renters fared better in this respect than did all other groups. Around 76 percent of these elderly households faced at least one of these problems, compared with almost 90 percent of all other households. The elderly may face other shortcomings in their living arrangements, however, such as the absence of social and physical support services needed by aging households in order to maintain decent independent living arrangements.

Paying a large share of income for housing is, in general, the most widespread housing problem among very-low-income renters. In 1985, about 80 percent faced this problem--alone or in conjunction with other problems. In fact, it was the only problem for well over half of all very-low-income renters, including elderly households, small families with children, and nonelderly households without children. Among large families, however, only about one-third experienced relatively high housing costs as their only problem.

About one-fifth (2 million) of all very-low-income renters spent over 30 percent of their income for rent and also lived in units that were substandard or crowded. Elderly households were the least likely to be in this category--8 percent compared with 23 percent of small families and 37 percent of large families. Unlike other groups, families with three or more children were much more likely to be in this predicament because of crowding than because of rehabilitation needs.

Only 5 percent of all very-low-income renters lived in units that were physically inadequate but that did not require a large share of their income for rent. Large families with children were more likely to fall in this category than were other groups. Many of the households in this category may have traded off greater consumption of other goods and services for housing of lower quality.

Thus, while between 70 percent and 90 percent of most groups of households that paid relatively high housing costs lived in physically adequate housing, only half of large families paying a large share of income for housing lived in adequate quarters. Many families with children probably faced this combination of problems because their income was so low that even renting substandard or relatively small dwellings consumed a large portion of their income--not because rents were high. This hypothesis seems particularly plausible in view of the finding that relatively few low-income and higher-income families

with children that lived in physically inadequate units spent more than 30 percent of their income for rent--for example, only 25 percent of all large low-income families did so (see Appendix A) compared with 76 percent of those with very low incomes. Finally, the fact that such relatively large proportions of families with children lived in substandard or crowded units--27 percent of small families and 49 percent of large families--may imply that some of them, even when spending a large share of their income on housing, cannot find physically standard units with adequate space or may not have access to better housing because of barriers in the housing market. These barriers would include racial segregation and private landlords who exclude families with children from rental complexes.



CHAPTER III

FEDERAL HOUSING ASSISTANCE

AND ITS DISTRIBUTION

A number of federal programs administered by the Department of Housing and Urban Development (HUD) and the Farmers Home Administration (FmHA) address the housing needs of lower-income households. Housing assistance has never been provided as an entitlement to all households that qualify for aid. Instead, each year the Congress has appropriated funds for a number of new commitments. Because these commitments generally run from 5 to 50 years, the appropriation is actually spent gradually, over many years. These additional commitments have expanded the pool of available aid, thus increasing the total number of households that can be served. They have also contributed to growth in federal outlays in the past and have committed the government to continuing expenditures for many years to come.

The number of additional commitments funded annually has been cut back in recent years, and the nature and mix of assistance programs has changed. These shifts have, in turn, affected the distribution of available aid. This chapter describes recent trends in the number and mix of new commitments, as well as trends in expenditures. It then discusses the current distribution of housing assistance among various groups of households and what this distribution implies about the relative rates at which these groups are served.

TRENDS IN FEDERAL HOUSING ASSISTANCE

The federal government provides housing aid to lower-income households in the form of rental subsidies and mortgage-interest subsidies. Over the past decade, both the number of households receiving aid and total federal expenditures have increased each year, but the growth in outstanding commitments has slowed significantly during the 1980s.

Types of Housing Assistance

A number of different housing assistance programs have evolved in response to changing housing policy objectives (see Table 7 for an overview of the major federal housing assistance programs). While the primary purpose of housing assistance has always been to improve housing quality and to reduce housing costs for lower-income households, other goals have included promoting residential construction, expanding housing opportunities for disadvantaged groups and groups with special housing needs, promoting neighborhood preservation and revitalization, and increasing homeownership.

New housing programs have been developed over time because of shifting priorities among these objectives--as housing-related problems changed--and because of the relatively high federal costs associated with some approaches. Other programs have become inactive in that the Congress stopped appropriating funds for new assistance commitments through them. Because housing programs traditionally have involved multiyear contractual obligations, however, these so-called inactive programs continue to play an important role today by serving a large number of households through commitments for which funds were appropriated some time ago.

Rental Assistance. Most federal housing aid is now targeted to very-low-income renters through the rental assistance programs administered by HUD and the FmHA.¹ Rental assistance is provided through two basic approaches:

- o Project-based aid, which is typically tied to projects specifically produced for lower-income households through new construction or substantial rehabilitation; and
- o Household-based subsidies, which permit renters to choose standard housing units in the existing private housing stock.

1. For a more detailed description of the various types of programs, see Congressional Budget Office, *Federal Housing Assistance: Alternative Approaches* (May 1982); or National Association of Homebuilders, *Low- and Moderate-Income Housing: Progress, Problems and Prospects* (Washington, D.C.: NAHB, 1986).

Some funding is also provided each year to modernize units built with federal aid. Rental assistance programs generally reduce tenants' rent payments to a fixed percentage--currently 30 percent--of their income after certain deductions, with the government paying the remaining portion of the dwellings' costs.

Almost all project-based aid is provided through production-oriented programs, which include the public housing program, the Section 8 new construction and substantial rehabilitation program, and the Section 236 mortgage-interest-subsidy program--all administered by HUD--and the Section 515 mortgage-interest-subsidy program administered by the FmHA.² New commitments are being funded through three of the four--the public housing program, the Section 8 new construction program, and the Section 515 program. Under Section 8, however, new aid is being provided only for elderly and handicapped households through the so-called Section 202/8 program. In addition, a small amount of assistance is funded annually under two recently authorized HUD programs--the rental housing development grants (HoDAG) and the rental rehabilitation block grant program.³ These programs distribute funds through a national competition and by formula, respectively, to units of local government that meet eligibility criteria established by statute.

Some project-based aid is also provided through several components of HUD's Section 8 existing-housing program, which tie subsidies to specific units in the existing-housing stock, many of which have received other forms of aid or mortgage insurance through HUD. These components--all of which are currently active--include the Section 8 loan management set-aside (LMSA) and property disposition (PD) components, which are designed to improve cash flows in selected financially troubled projects that are or were insured by the Federal Housing Administration (FHA); the Section 8 conversion assistance component, which subsidizes units that were previously aided through other programs; and the Section 8 moderate rehabilitation program, which provides subsidies tied to units that are brought up to standard by the owner.

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2. A small number of renters continue to receive project-based subsidies through the now inactive Section 221(d)(3) below-market interest rate (BMIR) and rent supplement programs.
 3. The Housing and Community Development Act of 1987 terminates the HoDAG program at the end of fiscal year 1989.

TABLE 7. OVERVIEW OF MAJOR FEDERAL PROGRAMS FOR DIRECT HOUSING ASSISTANCE, IN CHRONOLOGICAL ORDER

Program	Year Authorized	Status	Type of Subsidy	Description
Rental Assistance Programs				
Public Housing	1937	Active	Project-based	Pays for developing and modernizing projects owned by local PHAs. Before 1987, funds paid off debt-service costs over 20 to 40 years. Costs are now financed with up-front grants. Since 1969, has also paid the difference between the projects' operating costs and rent collections.
Section 202	1959	Active	Project-based	Provides loans for up to 40 years to nonprofit sponsors to finance construction of rental housing for the elderly and handicapped. All projects built since 1974 also receive Section 8 rental subsidies.
Section 221(d)(3) Below-Market Interest Rate (BMIR)	1961	No new commitments since 1968	Project-based	Provides up-front subsidies that reduced to 3% the interest rate on private 40-year mortgages for multifamily rental housing built by nonprofit or limited-dividend organizations. Reduces rents for income-eligible tenants.
Section 515 Rural Rental Assistance	1962	Active	Project-based	FmHA provides 50-year direct loans to developers at 1% interest. Reduces rents for income-eligible tenants. Some very poor tenants receive supplementary assistance through the rural RAP and Section 8 programs.
Rent Supplement	1965	No new commitments since 1973	Project-based	Reduces rents for income-eligible tenants in housing projects insured under certain FHA mortgage insurance programs. Most outstanding commitments have been converted to Section 8 assistance.
Section 236	1968	No new commitments since 1973	Project-based	Provides monthly subsidies that reduce to 1% the interest rate on private 40-year mortgages for new multifamily rental projects. Reduces rents for income-eligible tenants. Since 1974, some tenants get larger subsidies through the RAP program. Many RAPs have been converted to Section 8 assistance.

SOURCE: Congressional Budget Office compilation from various sources.

NOTES: n.a. = not applicable; FHA = Federal Housing Administration; FmHA = Farmers Home Administration; FMR = Fair Market Rent; HUD = Department of Housing and Urban Development; PHA = public housing agency; RAP = rental assistance payment program.

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