

JANUARY 2004

Affordable
Housing

A Foundation for Stable Communities



EAST-WEST GATEWAY
Coordinating Council

Creating Solutions Across Jurisdictional Boundaries

AFFORDABLE HOUSING: A FOUNDATION FOR STABLE COMMUNITIES

The importance of good-quality and equitable affordable housing plays a key role in the success of the region's communities and the health of the regional economy. Federal guidelines state that to be considered affordable, rental housing should cost no more than 30 percent of a family's income. Generally, when individuals or families spend more than 30 percent of their income to meet basic housing costs they do not have enough income to meet other basic needs (such as food, clothing and medical insurance) or weather financial setbacks.¹

Decent, affordable, and accessible housing fosters self-sufficiency, brings stability to families and new vitality to distressed communities, and supports overall economic growth. Housing is important because of its connections with the composition and health of communities, access to educational and employment opportunities, and opportunities for wealth accumulation. The growth in the numbers of families, of those working in service sectors, and of immigrant families moving to the region creates a greater need to produce and preserve affordable housing.

The availability of affordable housing adds to a number of important outcomes for our region:

Affordable housing is a critical foundation to economic self-sufficiency.

- Most households spend more on housing than on any other single expense, so finding affordable housing can make the difference between financial security and insolvency for many families².
- Decent, affordable, and stable housing promotes family stability and plays an important role in helping families find and hold jobs³.
- Housing stability creates a positive environment for raising children and can have especially positive effects on school success and social outcomes⁴.
- By stabilizing families and communities, affordable housing helps to reduce economic drains on the region's education, public health, social service, law enforcement, criminal justice, and welfare systems.⁵
- Better-quality housing is related to lower levels of psychological distress, which in turn reduce health care costs and improve productivity⁶.

Homeownership is a key to financial stability and longterm wealth creation.

- Housing represents the single largest source of wealth for most homeowners. Homeownership has the potential to help families build assets and wealth, stabilize their housing costs and living arrangements, and gain greater control over their home environments.⁷
- Homeownership not only insulates families from rising rents and home prices, but it also enables them to build financial resources that can be tapped for other purposes. In 1998, 50 percent of the average U.S. homeowner's net worth was in home equity.⁸
- All else equal, children of parents who own their homes and live in neighborhoods with low turnover have a higher probability of completing high school.⁹ Even after controlling for parents' age, income, and other influences, homeowners' children have significantly higher math and reading scores as well as significantly fewer behavioral problems and a better quality home environment than renters' children.¹⁰

Housing is an engine of the regional economy and crucial to its strength.

- Housing production stimulates employment growth. Increasingly, working does not guarantee that families will be able to afford a home. Housing is needed both in suburban communities, where the majority of the region's job growth is taking place, and in the central cities, which form the region's largest job centers¹¹.
- A lack of affordable housing may inhibit economic development because of the lack of a stable labor force. Enabling low-income families to live closer to employment centers (and stronger schools) in the regional economy not only will benefit those families and their children, but will also increase productivity and meet employer needs for workers¹².
- Affordable housing development can contribute to the physical development of communities by renovating buildings, preserving historic structures, and constructing new buildings on vacant sites. Effective housing policy can improve housing conditions in poor neighborhoods and encourage reinvestment in these neighborhoods by households of all income levels¹³.

REGIONAL CHALLENGES TO AFFORDABLE HOUSING

Despite its key role in communities, supplies of affordable housing remain inadequate for low-income individuals and families in the St. Louis region¹⁴. Where We Stand reports that St. Louis ranks eighth in affordable homes and tenth in homeowner households. However, affordable housing is not equally available to all members of the region. St. Louis ranks first in disparity in housing opportunities between African-American and white households.

HOUSING OPPORTUNITY
Percent of homes affordable for median income, 2001

1 Indianapolis	83.4
2 Kansas City	82.8
3 Oklahoma City	79.4
3 Cincinnati	79.4
4 Columbus	78.8
5 Nashville	77.3
6 Louisville	75.6
7 Washington DC	75.4
8 St. Louis	74.5
9 Minneapolis	74.4
10 Memphis	74.1
11 Cleveland	72.7
12 Baltimore	71.3
13 Atlanta	71.2
14 Milwaukee	70.5
15 Phoenix	70.0
16 San Antonio	67.5
17 Dallas	67.1
18 Houston	64.6
19 Pittsburgh	63.0
Average	62.5
20 Salt Lake City	61.4
21 Austin	60.8
22 Philadelphia	60.6
23 Miami	55.4
24 Seattle	55.2
25 New York	54.8
26 Denver	52.6
27 Charlotte	43.3
28 Boston	41.8
29 Portland	37.1
30 Los Angeles	35.6
31 San Diego	22.3
32 San Francisco	7.8

Source: National Association of Home Builders

HOME OWNERSHIP
Homeowner households as a percent of total households, 2000

1 Charlotte	75.8
2 Detroit	75.3
3 Philadelphia	74.4
4 Kansas City	73.6
5 Minneapolis	73.1
6 Cincinnati	72.5
7 Cleveland	72.1
7 Salt Lake City	72.1
8 Pittsburgh	71.8
9 Phoenix	70.7
10 St. Louis	70.6
11 Oklahoma City	70.5
12 Louisville	70.2
13 Denver	68.2
13 Baltimore	68.2
14 Nashville	67.9
15 Atlanta	67.7
16 Indianapolis	67.5
17 Washington DC	67.1
18 San Antonio	66.6
19 Chicago	66.4
Average	65.0
20 Seattle	63.4
21 Dallas	62.4
22 Columbus	61.6
23 Memphis	61.1
24 San Diego	59.1
25 Boston	58.7
26 Miami	56.2
27 Austin	54.7
28 Houston	53.6
29 Los Angeles	49.1
30 San Francisco	48.9
31 New York	34.1

Source: 2000 Census

DISPARITY IN HOUSING OPPORTUNITY
Ratio African-American to white households paying more than 35 percent of income on housing, 1994-1999

1 St. Louis	2.22
2 Milwaukee	2.08
3 Oklahoma City	2.03
4 Salt Lake City	1.84
5 Washington DC	1.82
6 Cincinnati	1.79
7 Indianapolis	1.70
8 Detroit	1.69
8 Pittsburgh	1.69
10 Charlotte	1.68
10 Minneapolis	1.68
12 Chicago	1.63
13 Memphis	1.62
13 Atlanta	1.62
15 Cleveland	1.58
Average	1.52
16 Portland	1.46
17 Baltimore	1.45
18 Kansas City	1.43
18 Philadelphia	1.43
20 Houston	1.42
21 Dallas	1.41
21 Los Angeles	1.41
23 Denver	1.40
23 Columbus	1.40
25 Seattle	1.39
26 New York	1.37
27 San Antonio	1.36
28 San Francisco	1.23
29 Boston	1.15
30 San Diego	1.09
31 Miami	1.07
32 Phoenix	0.45

Source: American Housing Survey

The challenges facing state and local policymakers are further complicated by the suburbanization of jobs, changes in household composition and housing needs, and the growing diversity of our region's population.

Affordable housing disparities come at a time when the responsibilities for implementing affordable housing programs are increasingly shifting to state and local government leaders and their partners—in the corporate, civic, real estate, and nonprofit communities.

Yet, these groups may be best equipped to find strategies that match local conditions and respond to community housing needs. Because housing markets are regional, housing policies are often best addressed on the regional level. State and local government leaders can work together to craft region-wide strategies for expanding the availability of affordable housing, advancing racial and economic diversity and promoting balanced growth.

REGIONAL AFFORDABLE HOUSING RESOURCES

The primary goal of affordable housing programs is to provide families with better options for high-quality, permanent housing. By reducing the portion of a family's income devoted to housing, affordable rental housing and homeownership programs help families maintain housing stability and build financial security. Housing can be grouped into three basic categories— rental assistance, homeownership assistance, and land use and regulatory initiatives.

In addition to relieving families' financial burden, many affordable housing programs offer social and educational services that help families achieve their personal goals. Home ownership programs can provide budget counseling and home maintenance training to teach families the skills they need to be successful in their new homes. Anti-predatory lending initiatives help to protect homeowners against high-cost loans that strip the equity out of a family's investment.

The U.S. Department of Housing and Urban Development's (HUD's) annual analysis of worst case housing needs generally finds that 80 percent of the problem is not housing inadequacy or overcrowding, but affordability. Thus, policies that help people increase their incomes will help address housing hardship as well. State and local leaders are increasingly realizing that they can raise the incomes of working families by enhancing access to and use of such federal investments as the earned income tax credit (EITC), nutrition assistance, health care, and child care. In addition, programs such as Individual Development Accounts (IDA's) constitute an excellent vehicle to establish sustainable communities, by providing low-income families with the opportunity to save toward the down payment to buy their first home.

The following is a partial listing and brief description of community-based programs that support affordable housing in the St. Louis region.

HOMEBUYER FINANCING RESOURCES

Lender Based Programs

- Large lenders such as Washington Mutual, U.S. Bank, Bank of America lend and invest funds for community economic development programs and affordable housing initiatives, including affordable lending mortgage programs. The programs focus on low and moderate-income families and properties located in low-to-moderate income neighborhoods. The Neighborhood Assistance Corporation of America coordinates many of these lender-based programs.

ACORN Housing Corporation (AHC) Affordable Housing Program

- Helps consumers pre-qualify for mortgages at no cost.

Catholic Commission on Housing (CCOH) First Time Homebuyer Program

- First-time homebuyer program for low-moderate income families that provides comprehensive homebuyer education, credit and financial analysis, housing counseling, advocacy for purchasers, down payment and closing cost assistance (to those who meet the requirements), and post-purchase follow-up.

City of St. Louis Community Development Administration (CDA) and Fannie Mae

- This program offers forgivable loans to be used for down payment and closing costs. Up to \$3,500 for single family, \$5,000 for two to four family homes.

Illinois Housing Development Authority

Single-Family Owner-Occupied Rehabilitation (SFOOR) Program

- Provides funds to limited-income people for repairs of weathered roofs, worn siding, outdated plumbing and heating systems, drafty windows, or outmoded electrical wiring.

First-Time Homebuyer Program

- IHDA offers 30-year fixed-rate mortgages at below market interest rates.

Mortgage Credit Certificate Program

- IHDA offers a tax credit that can assist homebuyers in qualifying for a mortgage by reducing one's federal income taxes.

Justine Petersen Housing and Reinvestment Corporation (JPHRC)

- Offers comprehensive service emphasizing counseling. Assists homebuyers with credit issues and financial education.

Missouri Housing Development Commission (MHDC) First Place Home Loans

- When funds are available, the MRB loan program offers four-percent cash assistance payment that can be used to pay down payment and closing costs.

Missouri Housing Partners

- Supplies individuals with information needed about home loans, down payment assistance, mortgage refinancing, and related topics.

Neighborhood Housing Services (NHS) Fast Track Homebuyers Training Program

- Offered monthly in two four-hour sessions focusing on personal financial assessment and selection of a home.

STEP, Inc.

- STEP, Inc. has a comprehensive housing program which includes Home Placement, Rent/Mortgage Assistance, Transitional Housing and Home Ownership.

St. Louis Reinvestment Corporation (SLRC)

- Helps prepare and train individuals in the home purchase process through a series of three homeowner education workshops.

U of M Outreach & Extension Program and Consumer Credit Counseling Service

Home Ownership Made Easier (H.O.M.E.)

- Home buying education course. Meets education requirements of Fannie Mae and Freddie Mac loan programs and less than 80% of median mortgage insurance discounts.

With Ownership, Wealth (WOW), A Congressional Black Caucus Initiative

- The WOW Initiative is conducting a pilot program in the St. Louis region with the goal to help prepare African Americans and other minorities to buy and keep homes of their own, so they can build intergenerational wealth.

AFFORDABLE HOUSING PROGRAMS

Housing Counseling

ACORN Housing Corporation

- ACORN Housing provides pre-purchase and delinquency counseling.

Better Family Life (BFL)

- BFL's Housing Counseling and Asset Building Initiative is designed for individuals and families who are at low-to-moderate income levels, have had difficulties in becoming a homeowner or need a better understanding of the home buying process.

Beyond Housing/Neighborhood Housing Services

- Provides homeownership counseling, training and insurance services for families purchasing a first home; provides ongoing support to sustain home ownership, stabilize the housing stock and build long-term neighborhood leadership.

Catholic Commission on Housing (CCOH)

- CCOH helps low- to moderate-income people buy their first home, repair and maintain their home, avoid foreclosure by resolving mortgage delinquencies, save for the purchase or improvement of a home, and achieve financial stability.

Consumer Credit Counseling (CCC)

- CCC (also DBA Consumer Debt Counseling) assists many social service and religious agencies by providing a variety of free or low-cost educational materials to individuals who have budgeting and debt management problems.

Equal Housing Opportunity Council (EHOC)

- EHOC fights illegal housing discrimination through education for housing providers, local governmental bodies and the general public.

Legal Services

Gateway Legal Services

- Gateway Legal Services, Inc. is a self-funding, self-supporting legal aid program that assists low income and elderly residents obtain social security and disability benefits.

Land of Lincoln Legal Assistance Foundation (East St. Louis office)

- The Land of Lincoln Legal Assistance Foundation Inc. is a non-profit organization that provides free legal services to low-income individuals and groups in civil cases.

Legal Services of Eastern Missouri

- Legal Services of Eastern Missouri primarily provides legal services to low income and elderly residents of Missouri who are in danger of losing their shelter.

INDIVIDUAL DEVELOPMENT ACCOUNTS (IDA)

International Institute

- The IDA program helps qualified participants acquire such assets by matching their savings and by providing general financial and asset-specific training and related services.

Justine Petersen Housing and Reinvestment Corporation (JPHRC)

- JPHRC helps participants open a savings account in their name and establish a savings goal of between \$10.00 and \$50.00. When the money is withdrawn for a qualifying reason, JPHRC will match the withdrawal dollar for dollar.

Redevelopment Opportunities for Women (ROW)

- After participating in the ROW economic education curriculum, battered women are given the opportunity to save for up to four years. Once participants have saved sufficient funds for a home down payment on a home, education, or the creation of a small business, REAP (ROW's Economic Action Program) will match \$2 for each dollar saved, up to \$500 a year.

Services Toward Empowering People (STEP, Inc.)

- STEP, Inc. is part of a national network of federally funded Community Action Agencies (CAAs), which administer various programs on community levels to assist low-income people out of poverty conditions.

South Side Day Nursery (SSDN)

- The SSDN IDA Specialist assists low-income participants in saving to repair or buy a home, pay for job training or education, start or enhance a business or purchase a car.

St. Louis Regional Jobs Initiative (RJI)

- RJI sponsors an IDA program that is implemented by Connections to Success and Better Family Life to support former TANF recipients interested in saving towards one of three goals: buying a house, starting a business, or going to college.

United Way of Greater St. Louis

- United Way helps participants establish a target level of dollars to be saved which, at the end of the specified time period, will be matched dollar-for-dollar and used toward home ownership or repair, educational expenses, job training, a micro-business, or an automobile.

ANTI-PREDATORY LENDING PROGRAMS

St. Louis Coalition to Promote Reputable Lending - "Don't Borrow Trouble"

- The St. Louis Coalition to Promote Reputable Lending is an organization of bankers, nonprofit counseling agencies, governments and others interested in combating predatory lending. The organization has received funds from the Freddie Mac Foundation to bring the "Don't Borrow Trouble" campaign to St. Louis. A focal point of the project will be the Loan Rescue Fund, which will be used to assist victims of predatory lenders.

OTHER PROGRAMS

Earned Income Tax Credit (EITC)

- The EITC is a federal income tax credit for eligible low-income workers. The credit reduces the amount of tax an individual owes, and may be returned in the form of a refund. The EITC can alleviate severe housing cost burdens.

Endnotes:

¹² An alternative method to measure housing affordability would be to calculate how much income a household has available to cover its housing costs after meeting other basic needs. Among many families with extremely low incomes, even spending 30 percent may be a serious hardship. Conversely, among those with moderate and higher incomes, spending 30 percent or more may not be a hardship at all. (Bipartisan Millennial Housing Commission)

³ *Meeting Our Nation's Housing Challenges*, Report of the Bipartisan Millennial Housing Commission
Appointed by the Congress of the United States, 2002

⁴ *Affordable Housing and Smart Growth: Making the Connection*, Report from the Smart Growth Network and the National Neighborhood Coalition, 2001

⁵ *The Impact of Homeownership on Child Outcomes*, A report from the Joint Center For Housing Studies Of Harvard University

⁶ *Rethinking Local Affordable Housing Strategies: Lessons From 70 Years Of Policy And Practice*, Report from the Center On Urban And Metropolitan Policy at The Brookings Institution and The Urban Institute

⁷ *ibid.*

⁸ *Meeting Our Nation's Housing Challenges*, op. cit. in footnote 2.

⁹ *Trends in Homeownership and Home Equity*: Report to the Consumer Federation of America's National Forum to Promote Lower-Income Household Savings, 2000

¹⁰ *A note on the Benefits of Homeownership*, Journal of Urban Economics, 2000

¹¹ *The Impact of Homeownership on Child Outcomes*, Report from the Joint Center For Housing Studies Of Harvard University

¹² The Family Housing Fund

¹³ *Rethinking Local Affordable Housing Strategies: Lessons From 70 Years Of Policy And Practice*, op. cit. in footnote 5.

¹⁴ *Affordable Housing and Smart Growth: Making the Connection*, op. cit. in footnote 3.

¹⁵ City of St. Louis Planning and Urban Design Agency

For more information about affordable housing and homeowner assistance programs, contact East-West Gateway Coordinating Council at 314-421-4220.