

Introduction

The rental housing market is booming. With the number of renter households reaching 40.7 million, renters made up 35% of all households nationwide in 2011. In a single year (2011), the number of renter households rose by one million households, representing the single largest one-year increase since the early 1980s.¹

Renting has become more attractive to people in all demographic groups, appealing broadly across age and income groups. Households are delaying homeownership, an effect of the recession's lasting impact on household financial confidence. A poll released in September 2012 suggests that 61% of U.S. renters have been deterred from homeownership for financial reasons, primarily citing difficulty saving for a down payment as a barrier.²

With demand for rental apartments accelerating, the national rental vacancy rate fell from 8% directly after the financial crisis to 4.5% by the third quarter of 2012.³ Falling vacancy rates are a nationwide phenomenon, with two-thirds of all large metro areas experiencing a tightening rental market.⁴ Landlords also began to increase rents in 2012, raising prices an average of 3.8% from 2011.⁵

Finding a decent, affordable apartment is a challenge for all renters, but the poorest households are the most likely to be locked out of the market entirely. For every 100 extremely low income (ELI)⁶ renter households, there are just 30 affordable and available units.⁷ Only a sliver of the rental market remains affordable and available to the lowest income households.

The level of investment in new affordable housing units today is insufficient to meet the demand. Although nearly a third (29%) of renter households live below poverty,⁸ and a quarter of renters have extremely low incomes,⁹ most newly constructed units are for high income households, while older units are being swiftly upgraded to serve a higher income market.¹⁰

While ELI renter households may qualify for federal and local subsidy programs, housing assistance programs are oversubscribed and many eligible households go unassisted. Low income households desperately in need of housing find

themselves on years-long waiting lists, or find that waiting lists for affordable housing in their area are closed entirely. Households on waiting lists for housing assistance have a median wait time of two years.¹¹ For households trapped on waiting lists, many experience unstable housing situations, living “doubled up” with family or friends (40%) or in the worst cases suffering bouts of homelessness as they bounce from one untenable housing situation to another (23%).¹²

The Housing Wage in *Out of Reach* captures the gap between wages and rents across the country, and is the estimate of the full-time hourly wage that a household must earn to afford a decent apartment at the HUD estimated Fair Market Rent (FMR), while spending no more than 30% of income on housing costs. The 2013 Housing Wage is \$18.79, exceeding the \$14.32 hourly wage earned by the average renter by almost \$4.50 an hour, and greatly exceeding wages earned by low income renter households.

Each year, *Out of Reach* demonstrates that large numbers of low income renters cannot afford the cost of living in the cities and towns where they work. This edition underscores the challenges facing the lowest income renters: increasing rents, stagnating wages, and a shortage of affordable housing. The urgent solution to these issues is clear: expanding the supply of affordable housing units, dedicated to the lowest income renters.

Finding a decent, affordable apartment is a challenge for all renters, but the poorest households are the most likely to be locked out of the market entirely. For every 100 extremely low income renter households, there are just 30 affordable and available units.

¹ Joint Center for Housing Studies. (2012). *State of the nation's housing*. Cambridge, MA: Author. <http://bit.ly/KC6g8j>

² Leung, L. (2012, September 6). Survey: 61% of renters delaying homeownership. *U-T San Diego*. <http://bit.ly/Zy1hw3>

³ Wotapka, D. (2013, January 7). Apartment rents continue to rise as vacancies fall. *Wall Street Journal*. <http://on.wsj.com/TZl8Ra>

⁴ Joint Center for Housing Studies. (2012).

⁵ Wotapka, D. (2013, January 7).

⁶ Extremely low income households are those with incomes at or below 30% of area median income.

⁷ NLIHC (2013). Housing spotlight: America's affordable housing shortage, and how to end it. Washington, D.C.: Author.

⁸ U.S. Census Bureau. (2011). Table C-10-RO: Housing Costs – Renter Occupied Units. *2011 American Housing Survey*. <http://factfinder2.census.gov>

⁹ NLIHC (2013).

¹⁰ Joint Center for Housing Studies. (2012).

¹¹ Leopold, J. (2012, July). The housing needs of rental assistance applicants. *Cityscape*, 14(2). <http://bit.ly/PH6EVh>

¹² *Ibid.*

EXTREMELY LOW INCOME HOUSEHOLDS CONTINUE TO HAVE THE GREATEST HOUSING NEED

Today, one out of every four renter households is an ELI household. There are a total of 10.1 million ELI renter households across the United States, and many of these households lack affordable, safe and well-maintained housing. Over three-quarters (76%) of ELI renters spend over 50% of their income on housing costs. These 7.7 million households have little left over to meet other basic needs.¹³ And the need for affordable housing among ELI households grows each year. In 2010, there was a need for 6.8 million units that are both affordable and available to ELI households; this figure rose to 7.1 million in 2011.¹⁴

In 2013, ELI households had incomes of no more than \$19,810, down from \$20,210 in 2012. At this income level, ELI households can afford to spend no more than \$495 a month on rent. This year, the national two-bedroom FMR edged up to \$977, and the one-bedroom FMR is \$783, far above the rent ELI households are able to pay.

Roughly eight million individuals receive Supplemental Security Income (SSI) because they are elderly, blind, or disabled, and have few economic resources.¹⁵ The maximum federal monthly SSI payment is \$710 in 2013. On this income, an SSI recipient can afford rent of only \$213 a month.¹⁶ SSI is the only source of income for 57% of all recipients, and nearly all beneficiaries (85%) were eligible on the basis of disability.¹⁷ Among those reliant on SSI, there is not a single county in the U.S. where even a modest efficiency apartment, priced according to the FMR, is affordable.

For many ELI households, homelessness and housing instability are real threats. While the overall rate of homelessness has remained steady over the past year, homelessness among persons in families rose 1.4% from 2011 to 2012.¹⁸ Low income families unable to afford market rents or obtain federal housing assistance often turn to family or friends for short term shelter. A study of low income families enrolled in a homelessness assistance program found that 45% of households lived doubled up prior to entering the program.¹⁹ Such conditions, often overcrowded, are precarious and are a common precursor to homelessness.

DEFINITIONS

Affordability in this report is consistent with the federal standard that no more than 30% of a household's gross income should be spent on gross housing costs. Households paying over 30% of their income are considered cost burdened. Households paying over 50% of their income are considered severely cost burdened.

Area Median Income (AMI) is used to determine income eligibility for affordable housing programs. Area Median Income is set according to family size and varies by region.

Extremely Low Income (ELI) refers to earning less than 30% of AMI.

Housing Wage is the estimated full-time hourly wage a household must earn to afford a decent rental unit at HUD estimated Fair Market Rent while spending no more than 30% of their income on housing costs.

Full-Time Work is defined as 2,080 hours per year (40 hours each week for 52 weeks). The average employee works roughly 34.5 hours per week, according to the Bureau of Labor Statistics.

Fair Market Rent (FMR) is the 40th percentile of gross rents for typical, non-substandard rental units. FMRs are determined by HUD on an annual basis, and reflect the cost of shelter and utilities. FMRs are used to determine payment standards for the Housing Choice Voucher program and Section 8 contracts.

Renter Wage is the estimated hourly wage among renters by region, based on 2011 Bureau of Labor Statistics data, adjusted using the ratio of renter income to the overall household income reported in the ACS and projected to April 1, 2013.

STAGNANT WAGES REMAIN INSUFFICIENT TO COVER RENTS

The Census Bureau's most recent data indicate that household median income declined by 1.5% between 2010 and 2011.²⁰ This is a continuation of a decade-long trend; since 2000, worker productivity rose 22.8%, while hourly pay barely budged.²¹ Overall, wages have fallen to a record low as a proportion of the country's gross domestic product, indicative of a widening disconnect between national economic trends and worker pay.²²

Low income service sector workers, including those earning the minimum wage, compose a sizeable portion of the nation's 10.1 million ELI renters. Overall job growth has been heavily concentrated in low-wage industries, with 58% of new jobs in the post-recession recovery period paying no more than \$13.84 per hour.²³ This trend is likely to continue over the coming decade, with job growth between 2010 and 2020 projected to be dominated by relatively low wage professions, such as home health aides.²⁴

¹³ NLIHC (2013).

¹⁴ Ibid.

¹⁵ Social Security Administration. (2012, December). *SSI monthly statistics, December 2012*. Washington, D.C.: Author. <http://1.usa.gov/Z6MKaH>

¹⁶ Because SSI payments are reduced for beneficiaries who report other sources of income, the average federal payment in December 2012 was \$519. However, 46 states supplement the federal payment for all or a subset of recipients, depending on the state. See Appendix A.

¹⁷ Social Security Administration. (2012, September). *SSI annual statistical report, 2011*. Washington, D.C.: Author.

¹⁸ Department of Housing and Urban Development. (2012, November). *Volume I of the 2012 annual homeless assessment report*. Office of Community Planning and Development. Washington, D.C.: Author. <http://bit.ly/YiJPF1>

¹⁹ Davis, T.H., and Saunders Lane, T. (2012, April). *Rapid re-housing of families experiencing homelessness in Massachusetts: Maintaining housing stability*. Metropolitan Boston Housing Partnership. <http://bit.ly/MZRvw1>

²⁰ DeNavas-Walt, C., Proctor, B., Smith, J. (2012, September). *Income, poverty and health insurance: Coverage in the United States: 2011*. Washington, D.C.: U.S. Census Bureau. <http://1.usa.gov/QJChR>

²¹ Economic Policy Institute. (2012). *State of working America, 12th edition*. Washington, D.C.: Author. <http://stateofworkingamerica.org>

²² Greenhouse, S. (2013, January 12). Our economic pickle. *New York Times*. <http://nyti.ms/WAhzBJ>

²³ National Employment Law Project. (2012, August). *The low-wage recovery and growing inequality*. Washington, D.C.: Author. www.nelp.org

²⁴ Bureau of Labor Statistics. (2012, January). *Occupations with the most job growth, 2010 and projected 2020*. <http://1.usa.gov/5YY0Xx>

In both rural and urban America, renters are affected by the affordable housing shortage: over half of all renters are cost burdened, paying over 30% of their income for housing.

Minimum wage workers continued to earn just \$7.25 per hour for 2013. Today's minimum wage is worth about 30% less than it was in 1968, based on purchasing power. In other words, the minimum wage is not keeping up with the rising cost of living.²⁵ The number of full-time jobs that a household must work today at the prevailing state minimum wage to afford the average two-bedroom FMR ranges from 1.4 jobs (Puerto Rico) to 4.4 jobs (Hawaii). In no state can an individual working a typical 40-hour work week at the minimum wage afford a two-bedroom apartment for his or her family. The one-bedroom housing wage also exceeds the federal minimum wage in each state across the country. In fact, with the exception of a handful of counties in Washington and Oregon (where the state minimum wage is \$9.19 and \$8.95, respectively), there is no county in the U.S. where even a one-bedroom unit at the FMR is affordable to someone working full-time at the minimum wage.

Today, nineteen states and the District of Columbia have established minimum wage rates above the federal level. Ten states increased their minimum wage effective January 1, 2013. Yet, despite these upward adjustments, many minimum-wage workers still cannot afford to cover basic expenses such as rent.

According to an analysis from the Economic Policy Institute, 78% of minimum-wage workers work at least 20 hours per week and 80% are at least 20 years old, dispelling the myth that the majority of minimum-wage workers are teenagers working part-time after school.²⁶ Increasingly, more workers in their prime are working low-wage jobs that do not pay much more than the minimum wage. In 1979, workers aged 25-64 made up about 48% of the low wage workforce, but by 2011 60% of all workers earning \$10 an hour or less were in this age group.²⁷

AFFORDABILITY IS A NATIONAL CONCERN

Housing costs vary across the nation, but the lack of affordable housing affects low-wage workers in all corners of the country. Nationally, the Housing Wage is highest in Hawaii, DC, California and New York, states known for high costs of living. Unsurprisingly, low income renters in these high-cost metropolitan regions are not earning anywhere near enough to afford a market-rate unit.

The lack of decent, affordable housing is not solely an urban issue. Inadequate and substandard affordable housing is an issue that remains all too common in low income rural communities. And in spite of lower housing costs, rural Americans are increasingly facing a cost burden. Between 2000 and 2010, the number of cost burdened rural renter households increased by ten percentage points, largely caused by the lack of affordable rental units in rural areas. Many rural and tribal communities have minimal resources devoted to the development of new rental housing. And rural affordable housing developers face unique challenges, such as limited access to capital financing.²⁸

For each state, *Out of Reach* combines data for counties outside metropolitan areas and calculates the Housing Wage for the rural communities within a state. Our findings this year demonstrate that while housing costs are lower in rural areas, these areas also generally have lower wages than metropolitan areas. To illustrate, *Out of Reach 2013* indicates that the Housing Wage, on average across nonmetropolitan America, is \$13.19, still exceeding the nonmetropolitan renter wage of \$10.01 by about \$3. At the state level, the nonmetropolitan two-bedroom housing wage exceeds the renter wage in all but one state.

Low income renters continue to struggle to overcome poverty and limited economic opportunities, while encountering rents that are likely to continue to rise in the coming years as demand grows. In both rural and urban America, renters are affected by the affordable housing shortage: over half of all renters (53%) are cost burdened, paying over 30% of their income for housing. The total number of cost-burdened households increased by about 600,000 since 2010.²⁹ Only 25% of renters faced such a burden in 1960.³⁰

In order to close the gap between the demand for affordable housing and the supply, we would need to add 4.5 million units affordable to ELI households. This is not an unattainable goal. Once funded, the National Housing Trust Fund (NHTF) would provide states with the dollars they need to expand the stock of housing that is affordable to ELI households.

²⁵ National Employment Law Project. (2012, July). Big Business, corporate profits, and the minimum wage. Washington, D.C.: Author. www.nelp.org

²⁶ Cooper, D. (2012, January 4). *Most minimum-wage workers are not teenagers*. Washington, D.C.: Economic Policy Institute. <http://bit.ly/vvWv4>

²⁷ Schmitt, J. and Jones, J. (2012, April 2). *Low-wage workers are older and better educated than ever*. Washington, D.C.: Center for Economic and Policy Research. <http://bit.ly/YVW7Kk>

²⁸ Housing Assistance Council. (2012). *Taking stock: Rural people, poverty and housing in the 21st century*. Washington, D.C.: Author.

²⁹ U.S. Census Bureau (2011). *2011 American Community Survey*. Washington, D.C.: Author.

³⁰ Joint Center for Housing Studies. (2011).

HOUSING IS ALSO “OUT OF REACH” FOR MANY VETERANS

There are more than 21 million veterans in the United States and unfortunately, many of these men and women face difficulties such as disabilities, homelessness and unemployment. The federal government is making a concerted effort to end homelessness among veterans by 2015, but high rents across the country continue to pose problems for those veterans who might have difficulty working due to their disabilities or other complications.

The latest report to Congress from the U.S. Interagency Council on Homelessness (USICH) found that the number of veterans experiencing homelessness fell by 12% between January 2010 and January 2011.¹ USICH attributed the drop in homelessness directly to an increase in HUD-Veterans Affairs Supportive Housing (VASH) housing vouchers. Between 2008 and 2012, the number of VASH vouchers increased by 38,250. However, a total of 67,495 homeless veterans were identified during the Point-In-Time homelessness count in January of 2011.² Veterans make up just 9% of the total U.S. population, but continue to be disproportionately represented in the homeless population, with 13% of all homeless adults identifying as a veteran.³

All veterans who are 65 or older, or who are totally and permanently disabled, with at least 90 days of active duty service, at least one day of which was during a wartime period, are eligible for an annual pension.⁴ For single veterans without a spouse or child, the maximum annual pension rate (MAPR) is \$12,465, and veterans receive the MAPR less any earned income.⁵ A veteran relying on a pension, with no additional income, can only afford rent of \$311 a month. This is far below the one-bedroom FMR of \$783. A veteran with one dependent can receive an annual pension of up to \$16,324. With this income they could afford to spend no more than \$408 a month. This is \$569 below the two-bedroom FMR of \$977.

Nearly 3.4 million veterans are eligible for disability benefits as a result of disease or injury incurred during active military service.⁶ Each eligible veteran is evaluated by the Department of Veteran Affairs, and given a disability rating on a 0 to 100% scale, in increments of 10%. More than 750,000 (22%) of all veterans that have received a rating are considered at least 70% disabled. Only those veterans who are 100% disabled receive a monthly benefit that would allow them to afford the one-bedroom FMR (See Table 1). Monthly benefits to veterans vary depending on their disability rating and number of dependents.

Fifty-four percent of all veterans with a service-related disability do not earn wages or income from an annual salary.⁷ This number jumps to 78% for those veterans with a disability rating of 70% or more.⁸

For disabled veterans, filing a claim for disability benefits can take many months, leaving veterans in limbo as they await a resolution. As of February 9, 2013, there was a backlog of 230,823 cases of service-related disability claims pending for at least 125 days.⁹

Finding affordable housing can also be difficult for veterans who receive an Educational Allowance Assistance payment under the Montgomery GI Bill (often referred to as Chapter 30). As of October 1, 2012 this education benefit is \$1,564 per month for a full-time student.¹⁰ The benefit is less for part-time students, and it does not go up if you have dependents. This benefit is paid directly to the veteran and can be used for tuition expenses, or living costs. Many veterans will supplement this funding with student loans or part-time employment, but some rely upon this income source exclusively. For those with no other source of income, the rent they can reasonably afford is \$469.

Table 1: The Gap between Veteran Disability Compensation Rates and Housing Costs

2012 VA Disability Compensation Rates for Veterans (single, without dependents)	Benefit (monthly)	Amount Able to Afford	1 BR FMR	Difference Between 1 BR FMR and Amount a Veteran Can Afford
50%	\$810	\$243	\$783	(\$540.00)
60%	\$1,026	\$307.80	\$783	(\$475.20)
70%	\$1,293	\$387.90	\$783	(\$395.10)
80%	\$1,503	\$450.90	\$783	(\$332.10)
90%	\$1,689	\$506.70	\$783	(\$276.30)
100%	\$2,816	\$844.80	\$783	\$61.80

Source: http://benefits.va.gov/COMPENSATION/resources_comp01.asp

¹ U.S. Interagency Council on Homelessness. (2012, December). Report to Congress on Homeless Veterans. Washington DC; Author. <http://1.usa.gov/WsfpEi>

² Ibid.

³ Ibid.

⁴ For a full list of eligibility criteria go to <http://1.usa.gov/Y8qcrC>.

⁵ U.S. Department of Veteran Affairs. (2012). Veterans Pension Rate Table. <http://1.usa.gov/Ya72Rt>

⁶ NLIHC tabulations of 2011 American Community Survey PUMS data.

⁷ Veterans receiving disability compensation are also eligible for Social Security Disability Insurance (SSDI) and Social Security.

⁸ NLIHC tabulations of 2011 American Community Survey PUMS data.

⁹ U.S. Department of Veteran Affairs. (2013). 2013 Monday Morning Workload Reports. www.vba.va.gov/REPORTS/mmwr/index.asp

¹⁰ U.S. Department of Veteran Affairs. (2012). Montgomery Bill Active Duty (Chapter 30) Increased Educational Benefit. <http://1.usa.gov/QFlz6J>

CONCLUSIONS

The lack of decent housing affordable to low income households remains a pervasive national issue, affecting every single community across the United States. Today, federal housing programs serve approximately five million low income households, but the needs of many more households go unmet. Low income, unassisted households often face housing instability, threats of eviction, poor housing conditions and homelessness.

Ensuring that all families have a safe and stable place to call home should be a public policy priority. It is also an achievable goal, if a serious commitment is made to investing in affordable housing. As the country continues its recovery from the recession, the time to focus on expanding the supply of affordable housing is now.

In 2008, the NHTF was established precisely to address the need for additional affordable housing to serve ELI households. Unlike other federal housing programs, the NHTF creates a dedicated pool of funding not subject to the uncertainty of the annual budget appropriations process. The NHTF is designed to serve the lowest income, most vulnerable households, with 90% of funding reserved for rental housing and 75% of the funds reserved solely for ELI households.

Today, the National Low Income Housing Coalition (NLIHC) is focused on securing funding for the NHTF. NLIHC has a proposal to fund the NHTF through the reform of the mortgage interest deduction (MID), converting the MID to a non-refundable 15% tax credit and reducing the cap on the maximum mortgage to receive a tax break from \$1 million to \$500,000. The savings estimated to be \$200 billion over ten years can be used to fund the NHTF, increasing access to affordable housing for the lowest income households.

The Numbers in This Report

As in past years, *Out of Reach 2013* relies on data from HUD, the U.S. Census Bureau, the Bureau of Labor Statistics, the Department of Labor, and the Social Security Administration to make its case. See Appendix A for a detailed explanation of data sources and methodologies.

The FMR on which the Housing Wage is based is HUD's best estimate of what a household seeking a modest rental unit in a short amount of time can expect to pay for *rent and utilities* in the current market. Thus, the FMR is an estimate of what a family moving today can expect to pay for a modest rental home, *not* what current renters are paying on average. See Appendix B for information on how HUD calculates the FMR.

Readers are cautioned against comparing statistics in one edition of *Out of Reach* with those in another. In recent years, HUD has changed its methodology for calculating FMRs and incomes. Since 2012, HUD has developed the FMR estimates using American Community Survey (ACS) data as base rents, rather than data from the Decennial Survey. The new methodology can introduce more year-to-year variability into the data. For this reason and others (e.g., changes to the metropolitan area definitions), readers should not compare this year's data to previous editions of *Out of Reach* and assume that differences reflect actual market dynamics. Please consult the appendices and NLIHC research staff for assistance interpreting changes in the data.

The data in this report and the additional materials and data can be found online at WWW.NLIHC.ORG/OOR/2013.

Ensuring that all families have a safe and stable place to call home should be a public policy priority. Today, the National Low Income Housing Coalition is focused on securing funding for the National Housing Trust Fund. [Learn more at www.nhtf.org](http://www.nhtf.org).