**Trends, Patterns, and Problems.** Some see the building code enforcement and land use regulations during the 19th century by the federal government as the beginnings of a federal housing policy. Back then, housing policy was more concerned with eliminating substandard housing and improving the overall quality of the housing stock. Up until World War II, the vast majority of Americans were renters, city residents vastly outnumbered suburbanites, and federal housing policy focused more on the physical condition of housing than how affordable it was. Today, however, much of that has changed: only 1/3 of Americans are renters, suburbs house far more than cities, and housing affordability has supplanted housing stock quality as the chief concern of federal housing policy. Some key housing trends and patterns:

* Homeowners are more likely to be white, reside in the suburbs, be married, be elderly, less likely to be in poverty, and less likely to be cost burdened. Renters are more like to be cost burdened, live in cities, in poverty, less educated, and be a minority.
* Between the 1940s to 1960s, national homeownership rate grew from 44% to 62%. As of February, it is 64.8%.
* Today, 18% of all households spend more than ½ their income on housing expenses, including 27% of renters.
* From 1999 to 2011, the number of severely cost burdened households increased by 71% to nearly 21 million.

Traditionally, affordability is measured by whether a household spends less than 30% of their household income on housing costs. While there are different ways to measure affordability—area median income, “shelter poor,” affordability indices, and purchase power—the measure itself is not the concern but the sacrifices and deprivation that can result from not having enough income left over after paying for housing.

**Federal Housing Policy.** Current federal housing policy is dominated by two general themes, homeownership and income integration. While there are clear economic benefits to homeownership—it promotes household stability and helps families generate and accumulate wealth—some of the other salutary claims are less established—neighborhood stability, civic engagement, health benefits, and positive outcomes for children. For researchers, it is difficult to separate the unique effects of homeownership and to account for self-selection into homeownership. Nevertheless, the federal housing policy has promoted homeownership.

This can be traced back to around the roll out of the New Deal, when the federal government sought to stabilize the finance industry after the Great Depression. The **Federal Home Loan Bank Act of 1932** created a system that allowed saving and loans banks to borrow from regional depositories when demand for loans exceeded the local availability of funds. In 1933, the **Home Owners’ Loan Corporation (HOLC)** was created to purchase and refinance mortgage loan defaults. It helped millions of families keep their homes during the great depression while also introducing, perfecting, and proving the feasibility of the long term self-amortizing mortgage with uniform mortgage pays spread over life of the loan, which was key to expanding homeownership. With these advances, however, came instruments of structural racism: redlining, when HOLC drew red lines around neighborhoods which they deemed too unstable to grant home loans or mortgages.

In 1934, the **Federal Housing Administration (FHA)** was created to ensure that qualified lenders who issued mortgages were repaid when the borrowers defaulted. This greatly expanded homeownership, lowered mortgage rates by freeing lenders of risk, and served to increase loan-value ratios that eliminated need for second mortgages. The FHA also helped to standardize the industry by ensuring mortgages for longer periods of time (25-30 years) and creating construction standards and requiring inspections before sale. Additionally, the **Federal Housing National Mortgage Association (Fannie Mae)** was created in 1938 to purchase FHA-issued mortgages and securitize them as mortgage backed securities, thereby providing more funding for banks to issue more loans. The stabilization and expansion of housing finance in the United States led to a dramatic expansion of homeownership, from 44% to 66% between the 1940 to the 1960s.

Federal government spending with regard to homeownership can be characterized as either a direct subsidy or a tax expenditure. The first direct subsidy directed towards homeownership was created in the late 1960s. Section 235 covered the difference between 20% of a household’s income and whatever remained of their mortgage payments. Marked by fraud and abuse, the program was terminated in the early 1980s after a short-lived revival. While mortgage bonds have served as another direct subsidy to homebuyers, most spending on homeownership comes in the form of tax expenditures—revenue not collected because of deductions, exemptions, or tax credits. The second largest tax expenditure issued by federal after employer provided health care insurance, the **mortgage interest deduction** allows homeowners to deduct up to $1 million in mortgage interest per year for their primary and secondary residences. Homeowners also receive property tax exemptions and capital gain exemptions, among other things.

Housing policy concerning renters has shifted from focusing on ensuring quality housing to providing affordable housing in the form of income integration. As public housing stock deteriorated because of rising maintenance costs, decreasing tenant incomes, and less federal money, concerns rose over the effects of concentrated poverty. Several programs and policies developed in response to these concerns. The **Low-Income Housing Tax Credit** allowed investors in qualified affordable housing to reduce their federal income taxes for 10 years by a fixed percentage. **Gautreaux**, a relocation program that resulted from a Supreme Court Decision, established that the Public Housing Authority of Chicago discriminated against residents by locating public housing in mostly minority tracts and by not admitting minorities to projects in less segregated tracts. It was ordered to help black public housing residents move to white suburbs. In 1992, the **Moving to Opportunity** program was fashioned in the likeness of Gautreaux. Rather than focusing on race, it instead focused on income. The program covered five cities—Baltimore, Boston, Chicago, Los Angeles, and New York—and, unlike Gautreaux, allowed low-income tenants to move anywhere they wanted. It has three groups: (1) the in-place group that did not receive vouchers but continued to receive project-based assistance; (2) the Section 8 group that received vouchers and could move anywhere without restrictions, and (3) the treatment group that received vouchers and had to move to neighborhoods with less than 10% poverty rates. Results have been mixed, but generally disappointing—movement to neighborhoods with lower poverty did not result in higher income, employment rates, or better educational attainment. Clark finds that by disaggregating the results by city and testing for a difference between MTO and Section 8 groups, there was no statistically significant difference between current MTO and Section 8 groups. He thus concluded that while MTO might have helped individuals, it did not succeed as a program.

The current **Section 8 Housing Choice Voucher** program, the largest housing subsidy program for low-income Americans, pays the difference between 30% of eligible renters’ income and the Fair Market Rent calculated for the housing they find in the private market. The program has had mixed success. While the housing of voucher holders is better housing than their public housing counterparts, the program does little to promote racial integration since most voucher holders move into neighborhoods that are dominated by their own race. Finally, **HOPE VI** is a program developed in 1993 to demolish and redevelop distressed public housing. Public housing authorities can participate in the program by demolishing their public housing units, building low-density and higher quality units while relocating current residents. From 1993 to 2010, the program demolished 150,000 units and invested $6.2 billion in redevelopment of 262 public housing projects in 34 states. While the new units are much nicer, many tenants are forced out of the public housing system because of the net loss of units. Only 24% of those originally living in public housing relocated to new units through the HOPE VI program. The Obama Administration’s **Choice Neighborhoods** program is similar to HOPE VI but calls for a 1-to-1 replacement of units.

In trying to understand the current federal housing policy, the fiscal austerity of the current times needs to be stressed. For example, before 1978, the budget for the Department of Housing and Urban Development (HUD), the federal agency that oversees nearly all housing policy, accounted for 8% of federal budget. It was subsequently cut by the Reagan administration by more than 70% and by 1983 accounted for only 2% of the federal budget. It now hovers between 1% and 2% but has seen funding for nearly every program decrease since 2005. There are many low-income households that will never be able to afford housing without subsidies, and this problem will only be exacerbated as funding continues to decrease and housing policy so drastically favors homeowners.

**Discrimination and Housing Policy.** From restrictive covenants and redlining to steering, segregation, and subprime lending practices, discrimination has been always been a big problem in housing policy. Discrimination is usually categorized in terms of **disparate treatment**, when individuals are treated differently because of their protected class status, or **disparate** **impact**, which occurs if a group fares worse from a universal application of an apparently neutral policy or practice that excludes a disproportionate share of individuals of a protected class. For example, a real estate agent showing black and white homebuyers different quality houses would qualify as disparate treatment, while an example of disparate impact would be when a bank refuses to consider loan applications for less than $400,000 and thus excludes disproportionate shares of specific classes or races.

Three important pieces of legislation have been enacted to curb discrimination in the housing market. However, the first major step came in the courts when, in 1948, the Supreme Court outlawed restrictive covenants, agreements about to which race homeowners could sell or rent their properties. Just days after the assassination of Martin Luther King Jr., the **1968 Fair Housing Act** was passed, which made it illegal to refuse to sell a home based to someone based on their race, banned racially discriminatory advertising, banned agents from lying about availability of units, and made specific injunctions against blockbusting or racial composition of neighbors. Important amendments were passed in 1988 that extended the statute of limitations on filing complaints of housing discrimination, eliminated limits on damages in civil suits, expanded protected classes, and gave HUD more authority to pursue cases. While a step in the right direction, critiques have been numerous: the onus is on the individual, HUD has little authority to systematically root out housing discrimination, likelihood of conviction is low, and penalties are negligible.

The **Home Mortgage Disclosure Act (HMDA) of 1975** was a response to redlining and a perceived failure to banks to provide credit to inner cities communities. HMDA requires banks to disclose total volume of mortgage originations by census tract, and in later years has been expanded to include individual borrower’s characteristics, interest rate of mortgage, and mortgage banks and other non-depository lending institutions. Finally, the **Community Reinvestment Act (CRA) of 1977,** requires depository intuitions above a minimum size to serve the credit needs of all communities from which they draw deposits. The FDIC, the Federal Reserve, and the Office of Comptroller of the Currency are tasked with investigating institutions that fail to adequately provide financing for their respective communities. While CRA has grown over time, banks with assets below 250 million and are not affiliated with companies with assets greater than 1 billion are less frequently valued and mortgages are increasingly originated by institutions not covered by CRA.

HUD has conducted four systematic housing audits of real estate agents in 1977, 1989, 2000, and 2012 to combat housing discrimination. The most recent, HDS2012, found that minorities received inferior treatment when compared to whites, but argued that the most blatant form of discrimination are now less common while more subtle forms of discrimination have become more common. No similar, systematic evaluation of lending practices has been adopted.

**Public Housing Policy.** Edward Goetz (2012) has argued that a combination of political, economic, and architectural shifts facilitated a larger policy context shift away from New Deal public housing policy that promoted preservation to the current policy that favors demolition or conversion. During the 1980s and 1990s, urban poverty became increasingly framed as an issue of concentrated poverty, specifically relating to the debate raised by the work by William Julius Wilson. From there, the development of mixed income neighborhoods and mobility emerged as the key ways to combat concentrated poverty. Politically, President Bill Clinton worked to move social policy away from the New Deal and towards a neoliberal approach, which incorporated market incentives, market discipline, and a reduced role of government. This political movement was seen as academically supported by the work of William Julius Wilson and the liberating effects that mobility and mixed income developments could have for those living in concentrated poverty. Economically, the economy was recovering from the 1991 recession, downtowns were repopulating, and local governments realized there were fiscal gains for them and financial gains for developers in gentrification and downtown reinvestment. Finally, the new urbanism architectural movement was born that focused on low density, small-scale rowhouses or apartment development as opposed to the traditionally large-scale public housing developments. HOPE VI embodied these ideals and was therefore championed in the late 1990s.

**The Foreclosure Crisis: Response and Policy.** Beginning in 2007, more than 7 million families lost their homes and more than 4 trillion was lost in home equity as a result of the foreclosure crisis. Interestingly, 10 states accounted for nearly 66% of all mortgage foreclosures. The primary source of the foreclosure crisis was subprime mortgage loans, which were loans lent to borrowers with worse credit, at high interest rates, and usually on bad terms. The complexity of subprime mortgages, the obscure process of securitization, and the development of new financial tools further facilitated the collapse of the housing financial industry.

The literature generally cites several factors as having contributed to the foreclosure crisis: predatory lending, financial deregulation, government lending quotas for Fannie Mae and Freddie Mac, overbuilding, housing price inflation, and a general failure to evaluate creditworthiness of lenders. Interestingly, Rugh and Massey (2010) argue that racial segregation created a natural market for subprime mortgages and structured the causes of the crisis by concentrating foreclosures in the metro areas with high racial differentials in subprime lending rates. The higher degree of segregation, the more foreclosures, with foreclosures creating more foreclosures as more houses became worth less than what was owed on them. Rugh and Massey argue that segregation was the strongest predictor of foreclosures and that there is less evidence for some of the other generally accepted: i.e., underwriting standards actually improved leading up to the crisis and most subprime loans were Alt-A not lower rated loans like B’s or C’s. The literature has been clear in one sense, however, there was absolutely no evidence that CRA contributed to the crisis, as lending activity increased everywhere and CRA accounted for a small share of the total loans and subsequent foreclosures.

The response by the government has generally been characterized as slow and timid. The Bush Administration did very little to address the problem. For example, the **Housing and Economic Recovery Act of 2008 [HERA]** created a $300 billion FHA loan program that allowed distressed borrowers to refinance subprime adjustable rate mortgages into 30-year fixed rate that covered 90% of home value. However, this amounted to a refinancing program and only serviced 94 loans. The Obama Administration was much more successful, but still failed to meet their own goals. They created the **Home Affordable Modification Program** (HAMP), which targeted homeowners who took out subprime or other high-risk loans and were paying more than 31% of their income on first mortgage. It negotiated with lenders to reduce payments to 38% of borrower’s income and the government would pay the difference to get it down to 31%. The **Home Affordable Refinancing Program** (HARP) helped eligible homeowners refinance their mortgages under more affordable terms through Fannie Mae and Freddie Mac. In total, these programs saved some 3 million families from foreclosures. However, they were criticized for a few reasons: millions who had underwater mortgages were ineligible, these programs did little to address job loss which was a major problem stemming from the financial crisis, and many still had high debt burdens even after program participation.

J**ane Jacobs and Urban Planning.** Returning to the discussion about the shift in public housing policy, we can see the roots of this shift in the writings of Jane Jacobs in the early 1960s. Considered by some to be a founder of the new urbanist movement*,* Jacobs attacks the traditional urban planning cannon in her landmark text *Death and Life of Great American Cities*. In critiquing the urban schools of the past that included the modernist architectural visions that were public housing, she faults planners and inadequate design as the source of the ills facing urban residents. She sees diversity as the solution to urban problems and the key to making cities livable, safe, and healthy. For example, she argues that cities are safest when there are “more eyes on the street,” when cities blocks are small, when neighborhoods have mixed aged buildings and mixed income tenants. Therefore, urban planners are to create mixed use buildings to attract people to spaces throughout the day, to make blocks shorter so that pedestrians are more likely to travel different routes, and to make sure there are old and new buildings side-by-side which will ensure that neighborhoods will have both low- and middle-income tenants. Like public housing policy in the 1990s, mixed-income neighborhoods were viewed as the fix to concentrated poverty. Similarly, this vision of harmony and income diversity stems from a middle-class reading of the city that fails to see the ways in which minority and low-income communities are excluded from the what Jacobs calls the “ballet of the street.” While her ideas about design are quite remarkable and worthy of serious consideration, they fail to address the larger structural problems that cause concentrated poverty and disinvestment in the first place. Rather than deal with these larger structural issues, diversity and mobility are sexy “silver bullets” to seemingly address these larger issues, much in the way that neoliberal public housing policy doesn’t address the structural problems of the poverty that faces their tenants. Jacobs’ diversity-by-design vision is therefore a band-aid the same way that diversi ty-by-demolition is for public housing officials.