HOUSING AFFORDABILITY AND STABILITY: AN EPIC CHALLENGE

ABOUT EPIC

The Aspen Institute's Expanding Prosperity Impact Collaborative (EPIC) brings an innovative approach to understanding and addressing the most critical challenges to Americans' financial security. EPIC deeply explores one issue at a time with the goal of generating widely-informed analyses and forging consensus and broad support to implement solutions that can improve the financial lives of millions of people.

EPIC's three-phase process includes Learning and Discovery, Solutions Development, and Acceleration. This process involves extensive research that includes expert and consumer engagement; developing solutions to the most critical problems we identify in the research phase; and working to accelerate highly promising solutions through outreach and partnerships with stakeholders in a wide variety of sectors and industries. EPIC's past topics include Income Volatility and Consumer Debt, and we are now moving to our next topic.

HOUSING AFFORDABILITY AND STABILITY

Housing is the largest single expenditure for most households and, as such, is one of the most significant factors determining their level of financial security. Although research on housing is plentiful, there is little consensus on the drivers of and solutions to the lack of housing affordability and stability. EPIC is researching this issue in an effort to better understand the root causes and the impacts of these problems on individuals, families, and communities, with the ultimate goal of converging on solutions that can increase millions of Americans' capacity to secure and maintain safe, decent, dependable, and affordable places to live.

One widely recognized driver of the rising cost of housing is low supply. This emerged as a major challenge in the past decade, with construction of single-family homes remaining significantly below levels seen before the Great Recession[1] and construction of multifamily buildings unable to keep pace with rising demand.[2] Families' persistent financial fragility—seen in stagnant or volatile incomes, lack of savings, and high levels of debt—combined with this reduction of supply have made housing an increasingly serious challenge to the financial security of millions of households.

When housing is unaffordable or unstable families often struggle to make ends meet, are less able to save and invest, and may suffer reduced household earning potential due to an inability to live near higher-paid jobs. Additionally, the disproportionate effects on low- and moderate-income households are consequential for these households' health, their children's welfare, and communities' wellbeing.

DEFINING AFFORDABILITY AND STABILITY

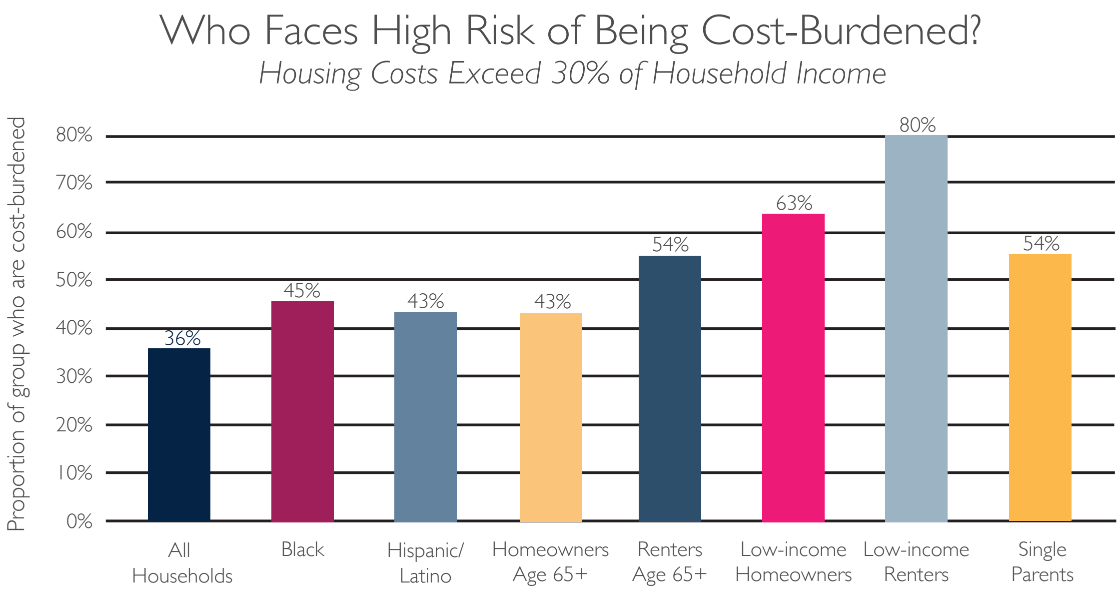
While related, housing affordability and stability are distinct concepts.

Having *housing affordability* means that a household can afford to live in a home that is safe, decent quality, and located close to community resources, with enough income remaining after paying for housing to cover other basic needs. The US Department of Housing and Urban Development (HUD) has long considered households to have housing affordability when their total cost of housing—including utilities, maintenance, and related costs—amounts to 30 percent or less of their income.[3] Those who pay more than 30 percent of their income for housing are considered "cost-burdened." This metric has been adopted widely among developers, landlords, mortgage lenders, nonprofit service providers, researchers, and numerous federal, state, and local policy guidelines. Housing affordability has been declining for decades; median rent[4] and mortgage payments[5] have increased rapidly even as incomes have stagnated.[6]

Having *housing stability* means that the household currently has housing and does not face substantial risk of involuntary displacement for economic or non-economic reasons. Non-economic reasons can include burdensome rules and oversight by a landlord or property manager, displacement due to natural disaster or other reductions in the safety and adequacy of the housing unit. Affordability is an important component of stability but by itself it is insufficient; factors such as healthy environmental conditions and proximity to transportation and jobs also contribute to stability. Compared to housing affordability, there is less consensus among stakeholders regarding the definition of housing stability and the best metrics to understand the issue. Useful proxy measures include rent and mortgage delinquencies, as well as rates of frequent moves, evictions, homelessness, and neighborhood displacement. This lack of clarity makes it difficult to estimate the extent of the problem. Recent research on evictions, however, makes clear that low-income households and women of color are most likely to be forced from their homes.[7]

WHO LACKS AFFORDABILITY

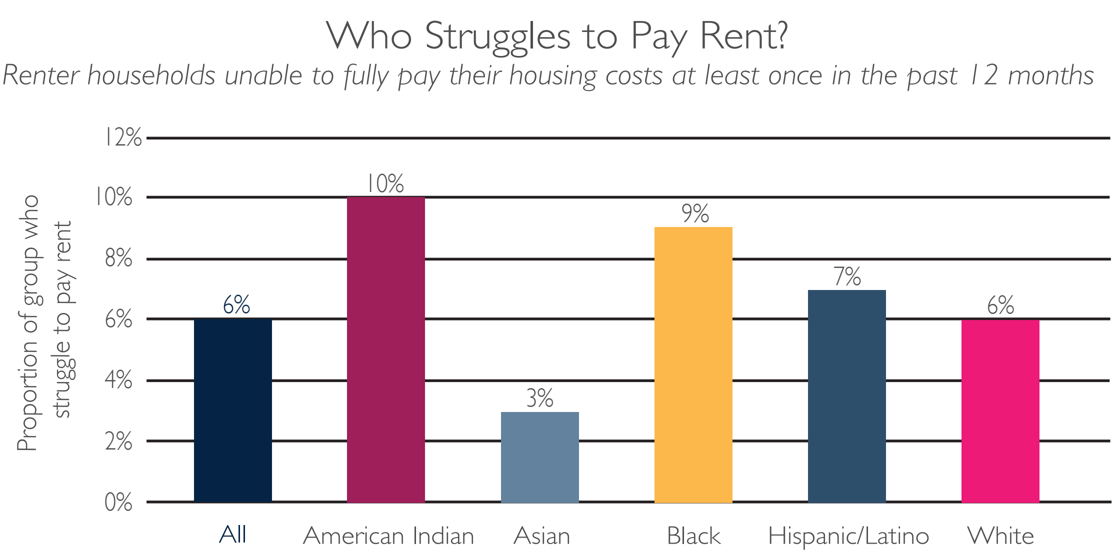
More than one-third (36 percent) of US households (38 million) are cost-burdened, including 48 percent (21 million) of renters and 23 percent (17 million) of homeowners.[8]



Source: Joint Center for Housing Studies, Harvard University. 2018 JCHS State of the Nation's Housing.

WHO LACKS STABILITY

Without established metrics it is impossible to precisely estimate how many households lack stable housing. One early warning sign for instability is difficulty making housing payments, and approximately six percent of renters and four percent of homeowners report being unable to pay all or part of their housing costs at least once in the past year.[10] Among renters, single parents face the highest level of instability, with 30.1 percent reporting difficulty paying rent.[11]



Source: United States Bureau of the Census. 2017 American Housing Survey.

At its most extreme, instability results in loss of housing. Each year, 6 percent of the nation's 38 million renter households receive an eviction notice, and more than a third of those go on to lose their housing.[13] Eviction data reveal troubling, significant racial disparities: 11.9 percent of black households reported facing an eviction threat in the previous year, compared to 5.4 percent of white households.[14]

THE HARMS OF UNAFFORDABLE AND UNSTABLE HOUSING

Households that contend with unaffordable and unstable housing face serious harms. Most directly, these challenges reduce residual income available for other basic needs and sap households' ability to save (including renters' ability to amass down payment funds that enable the wealth generated by homeownership). The struggle to afford shelter can force painful tradeoffs between making ends meet in the present and maximizing future employment opportunities (which are often concentrated where housing is least affordable).[15] For low-income households, paying for housing leaves so little leftover that they dramatically reduce spending on food, transportation, and healthcare,[16] all with significant implications for financial security and personal wellbeing.

Much of the research on the impact of housing instability focuses on children. Children who switch schools frequently due to instability or homelessness are more likely to struggle academically and display behavioral problems, less likely to graduate from high school, and earn less than their peers as adults.[17] Similarly, children of families that are behind on rent payments are more likely than their peers to be in poor health. Furthermore, children experiencing homelessness or housing insecurity are more likely to witness and be victims of sexual and domestic abuse.[18] For adults, frequent moves can create barriers to securing new leases, limit access to credit, reduce employment opportunities, and constrain ability to respond to unexpected expenses using savings, credit, or family and community resources.[19]

GOALS OF THE EPIC INITIATIVE ON HOUSING

EPIC seeks to clarify stakeholders' understanding of the problem by identifying and analyzing a set of distinct barriers to affordability and stability; identifying promising solutions to these challenges; and pursuing opportunities to move them forward, using the three-phase EPIC process:

- **Learning and Discovery:** During the Learning and Discovery phase, EPIC will synthesize published research, interview and survey experts, conduct research with consumers, publish reports, and convene leaders, all to build a more accurate understanding of how lack of housing affordability and stability impacts Americans across the income spectrum, with a focus on the harms to low- and moderate-income families, and how to identify a constellation of solutions to solve for it.

- **Solutions Development:** During the Solutions Development phase, EPIC will develop a framework for evaluating potential solutions, select a set of highly promising solutions to explore in depth, vet those solutions with a diverse group of cross-sector leaders and experts, and publish our findings and analyses.

- **Accelerator:** During the Accelerator phase, EPIC will engage in activities to ensure awareness, leadership, and action-taking around solutions. Over time, the Accelerator activities will lead to long-term engagement of a diverse cross-sector group of strategic partners and adoption of EPIC solution ideas by decision-makers and influencers.

RESEARCH QUESTIONS

During the Learning and Discovery phase of this project, we will develop a deep understanding of the root causes of these problems and the impacts they have on individuals, families, and communities through an interdisciplinary, multi-sector literature review, stakeholder interviews, expert surveys, and consumer engagement. Key research questions include:

- How do individuals and families experience unaffordability and instability?
- Are current measurements of housing affordability and housing stability sufficient to understand the problems?
- What are the primary drivers of plentiful affordable places to live and stable housing conditions?
- What are the barriers that prevent people from accessing affordable and stable housing?
- What are the long-term impacts of housing unaffordability and housing instability on household financial security, adults' and children's wellbeing, and the health of local/regional economies?
- What are the knowledge and data gaps that prevent stakeholders from developing a clearer understanding of these challenges?

The Learning and Discovery phase will take place in 2019, culminating in the publication of EPIC's primer on housing affordability and stability. Our learnings will inform efforts in 2020 to develop and accelerate the implementation of solutions.

FOR MORE INFORMATION

EPIC is an initiative of the Aspen Institute Financial Security Program (FSP), which works to illuminate and solve the most critical financial challenges facing American households and to make financial security for all a top national priority. You can learn more about FSP at AspenFSP.org, and more about EPIC at aspenEPIC.org.

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