

Select Committee on Economic Disparity and Fairness in Growth Written Testimony
Hearing Entitled: *Promoting Economic Prosperity and Fair Growth*
Through Access to Affordable and Stable Housing
Shaun Donovan
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Chairman Himes, Ranking Member Steil, and members of the committee, thank you for the invitation to testify before you to discuss the critical role affordable and stable housing plays in promoting prosperity, reducing economic disparity and ensuring fairness in growth.

Every American deserves to have a place they can call home. But decent, affordable, stable housing plays a central role in our shared economic success as well. If our children can't grow up in homes that allow them to reach their full potential as our future workforce, we will never build an economy that provides the prosperity and fair growth our nation deserves.

This hearing comes at a unique moment as the COVID pandemic has demonstrated in the starkest terms the importance of home to our health and prosperity. Overcrowding and poor air quality in housing drove the spread of the disease. And the pandemic fueled dramatic increases in rents and home prices that have fallen particularly hard on the lowest income Americans. But this acute crisis only compounds a chronic crisis of unaffordable and unstable housing that had been growing for decades in our country.

Increasing economic inequality has contributed to this growing housing crisis, but housing is also a key driver of slower growth and rising inequality in three primary ways:

- First, housing has become increasingly unaffordable across the country, squeezing out spending that is critical to families' health and economic mobility, while leading to poor housing conditions and instability that further disrupt their chances of success.
- Second, homeownership has been the primary wealth-building tool in our country. Staggering and growing disparities in homeownership rates along racial and economic lines have deepened inequality and cut off pathways to prosperity.
- Third, housing is unique in its link to neighborhoods. Persistent racial and economic segregation has been exacerbated by rising rents and home prices, cutting off access to neighborhoods that offer more opportunity to families.

What's more, our government has a historical responsibility to remedy these challenges because it helped to create them. In all three of these areas, government-sponsored discrimination and segregation contributed to the wide disparities in housing quality, wealth creation and neighborhood opportunity between Black and white households.

However, recent decades have not only seen a deepening of our affordable housing crisis, they have also seen new and innovative solutions emerge that should give us hope that Congress can promote economic prosperity and fair growth through more affordable and stable housing.

During my career of public service as Housing Commissioner in New York City and Housing Secretary and Budget Director for President Obama, I have seen that we can make progress, and the remarkable work of my fellow witnesses today confirms that hope. In my testimony today, I will make the case for key solutions, including:

- To make housing more affordable, significantly increase investments in our proven rental assistance and housing construction and preservation programs.
- To expand homeownership, especially for people of color, ramp up investments in downpayment assistance and housing counseling while reforming tax incentives and mortgage lending and strengthening fair housing and fair lending efforts.
- To help families live in neighborhoods of opportunity, invest in improving disadvantaged neighborhoods, build more affordable housing in high-opportunity communities and help families move there, and accelerate fair housing efforts that ensure every American has the freedom to live where they choose.

Affordable and Stable Housing:

Decent, affordable, stable housing is a basic necessity for building a life of opportunity and success. Yet it is increasingly out of reach for more and more Americans. Before the pandemic, almost 600,000 people experienced homelessness on any given night¹ and more than 20 million households paid more than 30 percent of their income on rent². This challenge has been growing for decades, as the share of “rent-burdened” households has more than doubled since the 1960’s.³

The COVID pandemic accelerated America’s homeless and housing crisis. Low wage workers have been particularly hard hit by COVID-19, as many of the job losses were heavily concentrated in industries that pay low average wages. Many of these workers were struggling with high housing costs and low incomes before the crisis hit, but rents jumped more than 10% in 2021, and home prices shot up even more.⁴ As a result, more than 15% of renters and almost 10% of homeowners fell behind on their payments.⁵

With housing the single largest expense in family budgets, this has increased hardship, diverting spending from food, health, and other critical items that ensure all Americans can reach their full

¹ <https://files.hudexchange.info/resources/documents/2019-AHAR-Part-1.pdf>

² https://www.jchs.harvard.edu/sites/default/files/interactive-item/files/Harvard_JCHS_Americas_Rental_Housing_2022_Press_Kit.pdf

³ https://www.jchs.harvard.edu/sites/default/files/jchs_americas_rental_housing_2013_1_0.pdf

⁴ <https://www.jchs.harvard.edu/rents-and-home-prices>

⁵ <https://www.jchs.harvard.edu/son-2021-unequal-impact-pandemic>

potential. It also leads to instability through evictions and other moves that disrupt jobs, schooling and community networks. And the most extreme housing instability — homelessness — shatters the ability of families to build stable, productive lives. These challenges fall particularly hard on children and their chances for a good education and strong job prospects.

Fortunately, Congress has proven tools to provide decent, affordable, stable housing. Rental assistance programs such as Section 8 directly attack the problem, helping families afford healthier, more stable housing, avoid homelessness, and spend more on other critical items such as food, clothing and health care. This is especially true for the lowest income families, who often cannot afford to cover even the operating costs and utilities for a modest apartment. In fact, rental assistance lifted more than 2.4 million people above the poverty line in 2020 under the federal government’s Supplemental Poverty Measure, which counts non-cash benefits (like rental assistance) as well as cash income. Those lifted above the poverty line included 468,000 seniors and 785,000 children.⁶

Capital investments for construction and preservation of affordable housing such as the Low-Income Housing Tax Credit and the National Housing Trust Fund are also critical because they ensure we build more affordable housing to counter the shrinking number of affordable homes across the country. They also ensure rents are reduced enough to reach low- and moderate-income households, and also provide units that can be rented by extremely low-income households using rental assistance as well.

The benefits of these housing programs are particularly powerful for children, given the lifelong effects inflicted by overcrowding, poor nutrition and environmental health, frequent moves between schools and even homelessness in their formative years. Children in families who received Section 8 vouchers are less likely to be placed in foster care, switch schools less frequently, experience fewer sleep disruptions and behavioral problems, and are likelier to exhibit positive social behaviors such as offering to help others or treating younger children kindly.⁷

While too recent to understand longer-term impacts, the important aid provided by the American Rescue Plan and other COVID relief showed that rental assistance and other tools can quickly improve the lives of families. Over 3.2 million households received emergency rental assistance from January to November 2021, and this assistance helped ensure that evictions didn’t surge when the national eviction moratorium ended in August 2021.⁸

⁶ <https://www.cbpp.org/research/housing/housing-investments-in-build-back-better-would-address-pressing-unmet-needs>

⁷ <https://www.cbpp.org/research/housing/housing-investments-in-build-back-better-would-address-pressing-unmet-needs>

⁸ <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/emergency-rental-assistance-program>

Despite the clear success of these housing programs, they remain dramatically underfunded compared to the scale of the problem, leading to the decades-long increase in the number of American families struggling to pay the rent or a mortgage. Only 1 out of every 4 eligible households receives rental assistance⁹, while every state in the nation has lost low-rent housing units since 2011.¹⁰ Even those families lucky enough to finally benefit from the programs typically spend years on waiting lists while struggling to make ends meet.

To make progress on our country's housing affordability crisis, Congress should substantially increase investment in the critical programs we know work:

- Section 8 vouchers and project-based assistance
- Public Housing
- Emergency Solutions Grants to prevent and end homelessness
- National Housing Trust Fund
- Low-Income Housing Tax Credits

Homeownership:

While our nation's most severe housing challenges face low-income renters, homeownership also has a key role to play in promoting economic prosperity and fair growth. In part, high costs and poor housing conditions for homeowners mirror the economic impacts discussed above of high rent burdens and dilapidated rental apartments, although they affect fewer people. Almost 17 million households who owned their home spent more than 30 percent of their income for housing before the pandemic, lower than the more than 20 million renter households with high rent burdens, despite the country having about twice as many homeowners as renters.¹¹

For these homeowners, the burden of high housing costs and struggle to pay for upkeep still limits the food they put on the table, clothing they buy, and health care they can afford. These challenges also make it harder to hold down a job and ensure their children have the education and opportunity they need to succeed in our economy. And while homeownership usually provides more stability than rental housing by limiting involuntary moves, the recent foreclosure crisis demonstrated that the benefits of homeownership are not guaranteed.

What gives homeownership a unique economic role in our country, however, is the pathway it provides to building wealth, which can decide whether a family starts a business, sends their

⁹ <https://www.cbpp.org/research/housing/housing-investments-in-build-back-better-would-address-pressing-unmet-needs>

¹⁰ <https://www.jchs.harvard.edu/loss-low-rent-units>

¹¹ https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_State_Nations_Housing_2021.pdf

children to college, or survives the economic shock of a sudden illness or other calamity. Homeownership represents the most important wealth-building tool for American families, yet it remains out of reach for far too many who are ready to buy a home.

Even as mortgage rates have stayed historically low in recent years, rising home prices have made homeownership unaffordable for too many families, especially because of the savings required for growing down payments. Increasing economic inequality has exacerbated this, with rising incomes at the top driving home prices higher while stagnating wages and dwindling savings at the bottom push a home purchase farther out of reach. In turn, this vicious cycle furthers economic disparity by cutting these families off from the potential to build wealth.

This disparity is particularly pronounced for Black households, who were historically excluded from buying homes and continue to face discrimination in the home-buying and lending markets. This discrimination, combined with increasing economic inequality, has widened the racial gap in homeownership over the last half century, leading to a disturbing increase in the difference between Black and white homeownership from 27 points in 1960 to 30 points in 2017.¹²

As with the challenge of rental housing affordability, Congress can look to and invest in proven solutions to make owning a home more affordable and close the racial and economic gaps in homeownership rates. These steps include:

- Invest in direct assistance such as the HOME program and tax credits to bridge the most important barrier to homeownership — the downpayment — with a focus on the homeownership gap for people of color. Housing counseling is also a critical component of ensuring sustainable homeownership for new homebuyers.
- Reform the mortgage interest deduction as a credit to ensure families that do not itemize their deductions can still take advantage of this tax benefit. It should also be better targeted to lower-priced primary residences with the savings reinvested in other solutions such as downpayment and rental assistance.
- Invest in fair housing and fair lending programs at HUD and other agencies to root out remaining discrimination in the home buying and lending process. With increased automation in the buying and lending process, particular focus needs to be paid to ensuring data and algorithms serve to remedy rather than perpetuate historical patterns of discrimination.
- Modify lending criteria and pricing to ensure greater access for first-time homebuyers while maintaining responsible lending. These steps should be taken as part of broader steps to continue reform of the GSEs to ensure they are fulfilling their mission and fiduciary purposes.

¹² <https://www.urban.org/policy-centers/housing-finance-policy-center/projects/reducing-racial-homeownership-gap>

Geographic Mobility:

In addition to affordability and homeownership, a third pathway for housing to promote economic prosperity and fair growth is through the unique connection housing has to neighborhoods, with all the powerful impact geographic mobility can have on economic mobility. When you choose a home, you choose so many other factors that contribute to prosperity and fair growth: access to jobs, quality education, good healthcare, physical safety, and many others.

This connection means that not just the quality, affordability and ownership of your home matter to your economic success, but where that home is located matters enormously as well. Growing up in a high-opportunity neighborhood has been shown to increase adult earnings by as much as a third compared to low-opportunity neighborhoods, a remarkable improvement compared to nearly any program or social policy we know of.¹³

Unfortunately, we have far too many low-opportunity communities across our country, in no small part because our neighborhoods remain deeply segregated by race and income. We have also seen fewer families move in recent decades, in part because of the rising cost of housing. The share of American families moving each year has dropped roughly in half since the 1940's, with especially rapid declines since the mid-1980's.¹⁴ This has threatened one of the traditional strengths of the American economy — the flexibility of our workforce to move to where the jobs are — and reduced output by more than \$1 trillion based on some estimates.¹⁵

And so it remains deeply unjust that in America, we can predict a child's health, wealth, and other life chances based on the zip code she is born in. But this injustice hurts all of us, not just those who grow up in our most disadvantaged neighborhoods. To right this wrong, Congress should:

- Increase investment in housing vouchers that allow families to move to higher opportunity neighborhoods. These moves have been shown to increase the chances that children attend college and increase their long-term earnings.¹⁶
- Invest in place-based programs such as the Community Development Block Grant, the Community Development Financial Institutions, and others that are targeted at

¹³ https://opportunityinsights.org/wp-content/uploads/2018/03/nbhds_exec_summary.pdf

¹⁴ <https://www.jchs.harvard.edu/blog/who-is-moving-and-why-seven-questions-about-residential-mobility>

¹⁵ <https://www.bloomberg.com/news/articles/2015-05-18/the-urban-housing-crunch-costs-the-u-s-economy-about-1-6-trillion-a-year>

¹⁶ <https://www.cbpp.org/research/housing/housing-investments-in-build-back-better-would-address-pressing-unmet-needs>

benefitting low-opportunity neighborhoods. This includes efforts to make communities more resilient to climate change and other risks that disproportionately affect disadvantaged communities.

- Support inclusionary zoning and other efforts to reduce the barriers to building affordable housing in high-opportunity neighborhoods.
- Strengthen Affirmatively Furthering Fair Housing standards and other fair housing efforts that reduce barriers for people of color and others whose freedom to live where they choose is restricted by discrimination.

Chairman Himes, Ranking Member Steil, and members of the Committee, thank you again for the invitation to testify before you. I urge you to use this moment of crisis to invest in housing assistance and other tools that can begin to remedy our nation's housing challenges that have been growing for decades and build a fairer, more inclusive and prosperous nation.