

## **Housing Policy in the United States: A Contemporary Analysis**

Joan R. McFadden and Jeanette A. Brandt

### **Abstract**

*Housing policy in the United States is reviewed in this paper. Limited to the 21st century, federal legislation has encouraged, funded, subsidized, provided access to, and restricted U.S. housing. During the past 50 years, a number of laws have been passed and policies implemented purely as experimental actions. Some policies were discontinued when they became too costly or failed to produce intended outcomes. In response, new policies enacted to illuminate deficiencies often introduced other flaws. This paper discusses legislation and its intended outcomes and comes to the conclusion that contemporary housing legislation has evolved largely from trial and error rather than research or a theoretical model.*

*The American Association of Housing Educators (AAHE) has an opportunity to contribute to improved housing policy. During its 25-year history, AAHE has made only cursory and peripheral contributions to such policy. AAHE's one important contribution made to the housing literature describes housing policy. AAHE supported the development of the book, The Story of Housing, by Fish (1979) and sponsored by the Federal National Mortgage Association.*

*Federal housing legislation during the twentieth century has affected the availability and affordability of housing. For example, the reduction of housing program support at the federal level during the 1980s increased the responsibility for housing support at the state and local levels, with the results in most states being fewer units at increased costs. Alternatives, such as public/private partnerships have been introduced to try to ameliorate the gap created by the reduction in federal housing support.*

*In order to understand the current housing policies and/or propose other alternatives, it is important to understand the history of housing legislation and how it has impacted housing. This paper will review and provide analysis of housing legislation in the United States during the twentieth century, identify other references useful for persons studying housing policy, and identify policy issues that merit investigation.*

### **History of Housing Legislation**

#### **State and Federal Involvement**

Prior to the 1900s, several state laws, including a law passed in 1857 in New York, introduced tenement regulations. These laws influenced the development of federal legislation and were the beginnings of all tenement and housing codes. Following these nineteenth century laws, the United States Housing Corporation was created in the 1920s to meet housing demands during the war. Although the public housing built during the war was sold immediately thereafter, many housing experts had become convinced of the need for direct governmental intervention in order to house the poor and to set basic housing standards.

---

Joan R. McFadden is Professor of Housing, College of Family Life, Utah State University, Logan. Jeanette A. Brandt is Associate Professor in Apparel, Interiors, Housing, and Merchandising, College of Home Economics, Oregon State University, Corvallis.

### ***Subsidized Housing***

Housing legislation that provided subsidies began under President Hoover during the depression of the 1930s. In 1932, the Reconstruction Finance Corporation (RFC) was authorized to make loans to private corporations whose purpose was to provide housing for low-income families. Rents and the rate of return to the corporation were regulated. President Roosevelt transferred this activity to the Public Works Administration (PWA) as a part of their housing and public works activities. The program was terminated in 1934 because the rents were higher than low-income families could afford (Weicher, 1980).

### ***Financial Support vs. Construction***

After the PWA housing program was cancelled, the RFC began to buy land and build rather than contracting; the focus was on providing jobs rather than on improving housing for low-income families. Though experiencing limited success, these first two programs have influenced the subsequent programs, especially in such areas as division between construction and finance. For the most part, the government has continued to try to formulate programs in which financial support was provided, rather than providing construction, operation, or management.

The National Housing Act (NHA) of 1934 was designed to relieve the credit problems for housing caused by the Great Depression. The NHA established the Federal Housing Administration (FHA), which was designed to serve a very specific function.

The FHA operations were based on two fundamental concepts aimed at providing mortgage credit on terms which borrowers could afford. The first was mortgage insurance, provided by the federal government and supported by premiums paid by the borrowers. The second was the self-amortizing, long-term mortgage, eliminating the costly balloon payments and the need to refinance the loan every five years. (Jacobs, Harney, Edson, and Lane, 1986, p. 131)

### ***Federal Mortgages***

The Federal Home Loan Bank System (FHLBS) was established during 1932-1934; and the Federal Housing Administration (FHA) was created in 1934 to increase homeownership among middle-income households in particular. FHA introduced the "new type of mortgage: long-term, high loan-to-value ratio (and therefore low down payment), and self-amortizing, with repayment of both principal and interest at a fixed amount each month over the life of the loan" (Weicher, 1980, p. 111). This program was known as Section 203 of the National Housing Act (NHA), established in 1934. In addition to the single-family programs under Section 203 of the Act, the one-to-four family program is authorized by Section 203(b). Other categories under Section 203 authorize such things as special insurance programs for disaster victims, 203(h); single-family home purchases in outlying areas, 203(i); housing rehabilitation, 203(k); financing the purchasing of vacation or seasonal homes, 203(m); or financing the purchase of a unit in a cooperative housing development, 203(n). In 1938, the Federal National Mortgage Association was created to foster the development of a secondary mortgage market for FHA insured loans (Report of the President's Committee, 1969).

The debates of 1935-1937, when the legislation that established the first public housing program was passed, are summarized by Weicher (1980) as follows:

Builders and labor unions advocated housing construction as a means of providing employment and stimulating the economy, while public health officials and urban reformers were concerned with the health and social benefits to be derived from slum clearance. Some housing analysts argued that subsidies were necessary to enable low-income families to live in new housing because private enterprise would not build homes for the poor. Opposition to subsidized construction was voiced by the U.S. Chamber of Commerce and the savings and loan associations, which

advocated a program of rent subsidies to individual families, who would use them to pay the cost of living in housing of their own choice—presumably privately owned existing apartments (p.33).

In 1937, Congress approved the U.S. Housing Act. This legislation provided for federal payment, not to exceed 15,000 per unit, for the construction of new apartments for low-income families. Occupants would pay for operating costs and utilities; local public housing authorities would operate the projects after they were built (Jacobs, et al., 1986). In 1942, the National Housing Agency was established to centralize housing programs for wartime needs; it had responsibility for all non-farm housing programs of the federal government (Report of the President's Committee, 1969). During most of the 1940s, due to World War II, public housing production was disrupted, but got back onto the federal agenda in 1949.

The whole area of housing finance was enhanced not only by the Housing and Urban Development (HUD) Act of 1968 and the National Housing Act of 1970, but also by the Emergency Home Finance Act of 1970, the extension of Federal National Mortgage association FNMA/Fannie Mae, and the creation of the Federal Home Loan Mortgage Corporation (FHLMC or Freddy Mac). Fannie Mae was authorized to purchase conventional as well as federally insured mortgages, and Freddy Mac relieved the pressure on the secondary mortgage market of Savings and Loan Associations (Newmark and Thompson, 1977).

The FHA program, originally authorized by the NHA of 1934, continued to operate. FHA promoted the home loan program that changed the percent of homeowners from 44 percent in 1940 to 55 percent in 1975. In addition, "FHA mortgage insurance proved to be actuarially sound: the premiums more than covered the losses and administrative costs, and the mutual mortgage insurance fund steadily accumulated reserves which by 1979 totaled about \$2.4 billion" (Weicher, 1980, p. 112).

#### ***Veterans' and Servicemens' Aid***

The Servicemen's Readjustment Act of 1944 created the Veterans' Administration (VA) mortgage guarantee program in 1945. They were established for veteran's aid and were followed by the creation in 1945 of the Farmers Home Administration for farmer's aid, and in 1947 of the Housing and Home Finance Agency, which was the predecessor of the Department of Housing and Urban Development (Ficek, Henderson, and Johnson, 1990).

#### ***A National Goal***

The National Housing Act (NHA) of 1949, which some have called the beginning of the modern era of federal housing and development programs, set for the first time a national goal of safe and decent housing for every American. It declared that

the general welfare and security of the Nation and the health and living standards of its people require housing production and related community development sufficient to remedy the serious housing shortage, the elimination of substandard and other inadequate housing through the clearance of slums and blighted areas, and the realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family (Jacobs, et al., 1986, p. 12).

This led to the program known as urban renewal, mentioned earlier.

Between 1949 and 1959, nearly 50 percent more public housing units were built compared with the previous decade. In total, about 1.1 million units were built in the first forty years of the urban renewal program (Jacobs, et al., 1986). During that period public housing provided homes to predominantly White, "working poor" households, but by the 1960s the public housing population became predominantly very low income and non-white. As the public housing stock grew older, operating and repair costs rose, and much

McFadden and Brandt

of the poor image of public housing can be traced to the lack of adequate operating funds and to its often easily distinguished appearance (Bratt, 1990).

### ***Urban Renewal***

Section 220 of the NHA of 1949 provided the financing for the urban renewal program. Part of this program would reduce the cost of building new housing by demolishing slums, especially in cities, and making the land available to builders who submitted plans for replacement structures that would house low-income urban families in more suitable housing consistent with the goals stated by Hubert H. Humphrey (1949): "One of the privileges which they should have as American citizens is at least the privilege of living in reasonable decent accommodations. I do not think anyone is asking for palaces or for beautiful big apartments; but we are asking for sanitary, safe dwelling units, with adequate space in which to take care of a family" (p. 9). The law explicitly stated that "a decent home and a suitable living environment for every American family" (Lindamood and Hanna, 1979, p. 370) was a goal of the NHA of 1949. In 1954, during the Johnson years, Section 312, a rehabilitation loan program that provided three percent financing for housing in urban renewal areas was enacted. Urban renewal was folded into the community development block grant program in 1974 and since that time has been declining in importance because the urban renewal areas are being closed out.

### ***Rural Housing***

Title V of the Housing Act of 1949 created the basic rural housing structure of the Farmers Home Administration (FmHA). FmHA provides thousands of homes and apartments to low and moderate income families in rural areas and small towns. Later in the 1960s the rural housing program was expanded under the Johnson administration (Jacobs, et al., 1986).

### ***Housing for the Elderly***

The federal government became actively involved in the provision of housing for all age groups under the U.S. Housing Act of 1937. Legislation that supports housing subsidies specifically for the elderly was first passed in 1959 (Turner, 1986). The Housing Act of 1959 created the Section 202 program to stimulate new construction of units for the elderly and the handicapped. Section 231 of the 1959 NHA provided liberal insured loans, not subsidized mortgage insurance, to nursing homes and trailer courts. Housing for the elderly was further expanded by the Section 312 of the 1954 Rehabilitation Loan Program, the Older Americans Act of 1965, and other legislative initiatives granting authority to the Department of Housing and Urban Development (HUD). Section 23 of the Older Americans Act of 1965 approved a leased turnkey housing program for the housing authority whereby private developers could contract with local housing authorities to construct property at predetermined cost. Huttman and Gurewitsch (1988) identify the portion of the federal housing program directed to support housing for the elderly:

Elderly tenants compose over one-third of those on the Section 8 housing assistance program, one-fourth in Section 235 housing, one-sixth in Section 221(d)(3), and almost half of the households in Section 515 Farmers Home Administration (FmHA) (National Institute of Senior Housing [NISH], 1983-84). The elderly occupy over 80 percent of Section 202 units and have been major recipients of rehabilitation and repair funds through Section 312 and Community Development Block Grants (CDBG, p. 347).

The elderly are not only an important constituent group in public and subsidized housing, but they also value homeownership and have taken advantage of financial programs to acquire it in substantial proportions. As evidence of the value of home ownership by the elderly, Stegman (1990) reported, "One-fifth of the housing stock in the United States is owned by households headed by an elderly person (13.4 million households in 1985)" (p. 347). Directed largely to the elderly, the ADA requirements went into effect in 1992 and obligate private employers to justify failures to make reasonable ac-

commodation for individuals with disabilities when these individuals are otherwise qualified for employment. Although this legislation does not regulate residential dwellings, it is expanding the awareness of the needs of individuals with disabilities.

#### ***A New Subsidy Method***

The National Housing Act of 1961 was the first piece of housing legislation enacted during the Kennedy years. This Act expanded the financial support for housing by broadening FHA Section 221 to cover all low- and moderate-income families; and 221(d)(3) created a new rent-subsidy means for below market interest rate programs, extended mortgage insurance to condominiums, and introduced the 234 reduced interest rate loans (Jacobs, et al., 1986).

#### ***Fair Housing***

In 1962, the Kennedy administration issued the first fair-housing orders containing limited prohibitions against discrimination in federally assisted housing projects. Title VIII of the 1968 Civil Rights Act contained broad prohibitions against discriminations in both private and public housing (Appelbaum and Drier, 1990).

In 1968, the Fair Access to Insurance Requirements (FAIR) plan was established so that properties insured under this plan in need of rehabilitation to meet insurance underwriting standards were made eligible for the program. "The FAIR plan, established under the Title XII of the National Housing Act, is designed to provide property insurance, through pool coverage, in areas which the private insurance industry considers too risky for regular coverage" (Jacobs, et al., 1986, p. 280). The Federal fair housing legislation passed as Title VIII of the civil rights bill, brought the U.S. closer to the goal of equal housing for all citizens. Blacks, more than any other minority, have been housed in functionally segregated areas, and in 1969 the Brooke Amendments made a conscious effort to diminish de facto segregation due to poverty by limiting rents in public housing to 25 percent of the tenant's gross income (Galster, 1990).

#### ***Involvement of the Real Estate Industry***

The Department of Housing and Urban Development (HUD) was created in 1965, with FHA under its authority. During 1965, two variations on the public housing program were created, both of which included central roles for the real estate industry. First, the Section 23 leased-housing program authorized local housing authorities to enter into long-term leases with private owners of apartments. Second, "turnkey" public housing enabled private developers to contract with local housing authorities to construct projects at a predetermined price (Bratt, 1990). The Model Cities program, Demonstration Cities and Metropolitan Development Act, created in 1966, brought together an abundance of federal grant programs and concentrated their resources in certain areas (Roske, 1983).

#### ***An Increase in Subsidized Housing***

In addition to involving the real estate industry in the housing programs, the most significant piece of housing legislation during the 1960s was the Housing and Urban Development Act of 1968 (Jacobs, et al., 1986). The HUD Act of 1968 reaffirmed the 1949 goal of a decent home in a suitable living environment for every American family and created Sections 235 and 236, mentioned earlier in sections on elderly and federal mortgage support.

Section 236 was a home purchase subsidy program where HUD made monthly payments to lenders to reduce the borrower's effective rate on a market-rate loan to as low as one percent interest. The borrower paid the subsidized rate or 20 percent of income, whichever was greater.

In the Section 236 rent-subsidy program, two rent schedules were established; one was a market rent, based on a market-rate mortgage, and the other was a basic rent, based on a one percent mortgage. The tenant paid the basic rent, or 25 percent of income, whichever was greater, but in no case to exceed the market rent.

## McFadden and Brandt

The share of all housing starts subsidized by the federal government jumped from 12 percent to 25 percent between 1969 and 1970 (Lilley, 1980). In the six-year period between 1958 and 1973 approximately as many public housing units were constructed as over the 19-year period between 1949 and 1967 (Bratt, 1986).

### ***Fannie and Ginnie Mae***

Income limits were established to restrict assistance to low- or moderate-income families under the 235 and 236 programs. The 1968 HUD Act also partitioned the Federal National Mortgage Association into a new FNMA (Fannie Mae), a privately owned corporation and the Government National Mortgage Association (GNMA/Ginnie Mae) that took over the special assistance functions that support the federal housing programs. "GNMA was also authorized to guarantee securities issued by private lenders which were backed by pools for FHA and VA mortgages. This additional security increased investments. The volume of mortgage-backed securities under this program has now topped \$100 billion" (Jacobs, et al., 1986, p. 20).

### ***Reevaluation of Housing Programs***

In 1973, the Nixon Administration imposed a moratorium on all subsidized housing programs, pending a reevaluation of the effectiveness of the programs. The outcome of the evaluation resulted in the shift of the bulk of the government's subsidized program to the Section 23 leased-housing program. In this program, private owners would lease new or existing units to low income tenants, who would pay 25 percent of their income for rent and the remainder would be subsidized by the federal program. The benefits of this program were thought to be twofold. This process would reduce the government's financial burden for public housing and increase the occupants' pride in the property.

### ***Community Development Block Grants***

The Housing and Community Development Act (HCDA) of 1974 rewrote the Housing Act of 1937 and substantially altered the course that federal housing policy had followed to that date by creating the block grant program. Community development block grants provided money for low-income housing rehabilitation to improve the housing stock and provided for more decision making by each community on the allocation of federal funds. Under this program communities had to develop a Housing Assistance Plan (HAP) which included a survey of housing conditions, a statement of the housing needs of lower-income households as well as goals for lower-income assistance, and an identification of target areas (Lindamood and Hanna, 1979).

### ***Towards More Rent Subsidies***

The HCDA of 1974 created Section 8, a new leased-housing program, patterned after the former program in Section 23. Under Section 8, low- and moderate-income families pay up to 30 percent of their income for rent, and HUD pays the difference between that amount and the market rent. "Fair market rent ceilings are established to control the cost of the program" (Jacobs, et al., 1986, p. 21). Thus, public assistance for low-income housing was shifted further away from new construction toward rent supplements for new, existing or renovated units (Feldman and Florida, 1990) and low- and moderate-income families may pay a higher percentage of their income for rent.

### ***Urban Homesteading***

Section 810 of HCDA 1974 reintroduced the concept of homesteading, first introduced in 1862 as our country was settled, but with an urban flavor, i.e. urban homesteading. This program put abandoned houses back into use for homesteaders who would repair them and reside in them for at least a certain minimum period (Roske, 1983). Technical assistance and home ownership skills classes were offered to homesteaders. This act also commissioned HUD to create mobile home standards for safety, quality, and durability, and the National Institute of Building Sciences was established to develop and evaluate criteria for housing and building codes (U.S. Department of Housing and Urban Development, 1983).

### ***Neighborhood Investment***

During the 1970s, Neighborhood Housing Services (NHS) was created. NHS represents partnerships of local lenders and community groups to provide mostly "conventional" private mortgage financing for housing in formerly red-lined neighborhoods. The Home Mortgage Disclosure Act (HMDA) of 1975 and the Community Reinvestment Act (CRA) of 1977 pressured lending institutions to invest in housing in older urban neighborhoods where Community Development Corporations formed.

The Housing and Community Development Act of 1977 modified the block grant apportionment formula and provided special multi-year Urban Development Action Grants (UDAGs) for neighborhood revitalization in severely distressed cities (Roske, 1983). This resulted in renewed investments in urban neighborhoods. This legislation was extended and strengthened by Congress in 1988 (Keating, Rasey, and Krumholz, 1990).

### ***Decreased Federal Involvement***

The Housing and Urban Development Amendments of 1981 reduced the direct cost of housing assistance programs by raising the share of income that subsidized tenants must pay for rent from 25 percent to 30 percent. Section 8 and public housing programs were directed to the neediest households, very low income. "Very low income," for a family of four, is 50 percent or less of area median income" (Jacobs, et al., 1986, p. 22). An interesting, if ironic, outcome resulted; the rent-income was intended to reduce government investment, but the targeting to the very low income actually increased the federal subsidy required.

The Housing and Urban-Rural Recovery Act (HURRA) of 1983 initiated additional steps to cut housing program costs. It repealed the new construction and substantial rehabilitation components of the Section 8 program, except the projects under HUD's Section 202, for elderly and handicapped. Section 8 also introduced an experimental voucher program for rent subsidy (Jacobs, et al., 1986).

### **Housing Legislation Since 1986**

Reduction of housing program support at the federal level has increased the responsibility at the state and local levels. Public/private partnerships are being encouraged to try to ameliorate the gap created by federal decisions.

### ***Homelessness***

During the Reagan years, homelessness emerged as a pressing national problem. The national estimates of the number of homeless range from the administration's estimate of 250,000 to 3 million asserted by advocates for homeless. Most federal support to shelter the homeless is emergency assistance from the Department of Health and Human Services. These emergency assistance funds cannot be used to build housing, only to provide temporary shelter. The view of homelessness as a temporary condition, together with federal cutbacks in permanent housing, has resulted in aggravating low-income housing problems and greater fiscal burdens on cities (Roistacher, 1990).

The Stewart B. McKinney Homeless Assistance Act (P.L. 10077) of 1987 established both a block grant program for services to homeless individuals who are chronically mentally ill and a demonstration project for community mental health services. Although these efforts are very important as statements of policy, they are not adequate to meet all the problems of the homeless. The 35-45 percent who are alcoholics or substance abusers are the most visible groups, but perhaps the least helped. About 1/3 of the homeless consist of single parents with young children, usually women and children (Gore, 1990; Schwartz, Ferlauto, and Hoffman, 1988). The number of families identified in the homeless population has shifted from 21 percent in 1984 to 28 percent in 1986 and 30 percent in 1987. Of the homeless in one sample population, 44 percent were minorities, 13 percent single women, and 33 percent had a history of mental or emotional problems (Schwartz, et al., 1988).

## McFadden and Brandt

The National Affordable Housing Act of 1990 is an attempt to provide decent, affordable housing by bringing together resources from public, private, and non-profit sources. This bill substantially revises the McKinney Act in an effort to help states and localities meet the needs of homeless people more effectively. The Act utilizes highly targeted formulas and gives states and localities the authority to make decisions to meet local needs. Another portion of the act is intended to move the federal government out of the housing subsidy business. This latter portion is known as HOPE: Home Ownership and Opportunity for People Everywhere. HOPE offers matching grants to housing agencies, resident management associations, and non-profit organizations to help tenants buy their homes (Rapp, 1991).

### ***Rent Vouchers***

Following the successful experimental voucher program introduced in Section 8 of the HURRA of 1983, the 1987 Housing and Community Development Act contributed to substantial changes in the public housing program by making vouchers for rent subsidy (an alternative to public owned housing) a permanent part of the program. The Act also allowed the sale of public housing to resident management corporations and authorized enterprise zones (U.S. Department of Housing and Urban Development, 1990).

### ***Delayed Housing Conversions***

The Emergency Low-Income Housing Preservation Act of 1987 had been described as ineffective, imposing a two-year moratorium on the conversion of subsidized housing properties that are eligible for conversion to market rate apartments or occupant ownership. This Act requires an owner to submit a plan of action before attempting to prepay an HUD mortgage on a property. HUD must determine that the request will not significantly increase economic hardship for residents of the property and that there is enough low income housing in the area to accommodate any tenants who are displaced. If the determination is negative, the plan will not be approved; in such cases HUD will not accept prepayment of the mortgage (Smith, 1989).

### ***Expanded Fair Housing***

The 1988 Fair Housing Amendments Act expanded the scope of fair housing provisions of the 1968 Civil Rights Act. Additionally, these amendments gave HUD responsibility to enforce these fair housing provisions (U.S. Department of Housing and Urban Development, 1990).

### ***HUD Reform***

The 1989 Housing and Urban Development Reform Act was written after questions related to ethical, financial, and/or management decisions were raised by HUD administration. The Act established over 50 legislative regulatory and administrative reforms to help ensure that the HUD programs are not compromised. Also, the Act authorized the establishment of a Chief Financial Officer (CFO) for HUD and a Comptroller for the Federal Housing Administration (FHA). These positions are for oversight of the financial management operations of HUD and FHA (U.S. Department of Housing and Urban Development, 1990).

### ***Related Legislation***

Many national issues and concerns ultimately impact housing. When studying housing legislation, it is important that one recognize that many laws impact housing. The federal deficit reduction legislation, environmental protection (the Clean Air Act, radon, indoor air quality, and the Wet Lands Act), HUD reform, and the combined issues raised by the Tax Reform Act of 1986 and the Revenue Act of 1987 have all impacted housing. Largely, these examples have been detrimental to housing growth by increasing construction and/or compliance costs, reducing tax advantages, and in other similar ways discouraging private investments in rental property.

**Tax Legislation.** The major impact of the Tax Reform Act (TRA) of 1986 resulted from the restriction on the use of tax exempt bonds for private activity purposes. The re-

striction limited the dollar volume of tax-exempt capital that could be used by state housing finance agencies in support of single family mortgage and home improvement loans, and mortgages and rehabilitation loans for multifamily rental developments. "For 1987 the limit is either \$75 per capita, or a \$250 million minimum, whichever is greater. For 1988 these amounts declined to \$50 per capita, or \$150 million minimum per state (Public Law 99514)" (Solem, 1987, p. 420).

The federal government provides billions of dollars in benefits to homeowners through deductions for mortgage interest payments and property taxes from taxable income. These deductions are referred to as tax expenditures. In 1988, they totaled \$53.9 billion while the federal spending on low income housing assistance programs equalled \$13.9 billion, according to Lazere, Leonard, and Kravitz (1989). Another comparison that emphasizes the total dollar investment in these two housing expenditure programs is the \$107.4 billion spent on tax expenditures for the last two years of the 1980s and the \$107.7 billion spent throughout the 1980s, on all low income subsidized housing programs (Lazere, et al., 1989). Dolbeare (1991) reported that for each dollar to the bottom income fifth in housing subsidies, the government provides 34 to the top income fifth.

Changes in developer incentives for rental housing, increased construction costs and the profit margin reduction, and limitations on the income mix of tenants in developments financed with tax-exempt bonds in the TRA of 1986 have resulted in a reduction of the multi-family rental housing since that time. Multi-family housing starts declined by 50 percent (from over 6 million to over 3 million) between 1985 and 1990 (Appelbaum and Drier, 1990; Rosenberry and Hartman, 1989).

**Banking and Finance Legislation.** Banking and finance decisions and regulations influence the private housing market as well as public housing stock. Legislated financial policy also influences private investment in housing, and thus, production and consumption opportunities. Disclosure and other laws designed to protect may unduly complicate the housing industry's effort to provide housing. The impact of pending new or revised legislation discussed in this paper includes tax reform, the VA home loan guarantee program, increased FHA mortgage limit, programs to preserve low- and moderate-income housing, the use of IRAs, tax on contribution-in-aid of construction, and energy efficiency in homes.

#### ***Current National Housing Deficiencies***

Federally subsidized housing supported a relatively small proportion of low income renters in 1987; 35.6 percent of households with incomes below \$5,000, 29.3 percent of those with incomes between \$5,000 and \$10,000, and 12.5 percent of those with incomes between \$10,000 and \$15,000 lived in federally subsidized housing (Dolbeare, 1991). The existing subsidized housing stock is increasingly threatened due to lack of funding to support maintenance needs, and the risk of market conversion (Cluster, 1989). The potential for HUD to increase its housing stock does not offer reassurance since its authority dropped from a high of \$31.7 billion in 1979 to \$7.8 billion in 1989, or approximately 25 percent (Ford Foundation, 1989). "The low-income housing tax credit is the only remaining tax incentive for providing rental housing to low- and moderate-income families" (National Association of Home Builders, 1991, p. 9).

The federal assistance expenditures on housing were cut more in the 1980s than any other federal expenditures. "The HUD budget has declined from 7 percent of the federal budget in 1978 to 1 percent in 1987" (Schwartz, et al., 1988, p. 47).

Schwartz, et al. (1988) suggest that national housing policies have exacerbated some of the housing problems (reduced home ownership rates, elevated interest rates and home prices; increased mortgage delinquency and default rates; reduced quality and quantity of rental units available; and increased rates of homelessness) and been irrelevant to others. These authors predict that "in the 1990s America will require more housing, better targeted to the life needs of an increasingly diverse population" (p. 61). For example, female householders have "a one-in-three chance of being cost-burdened

and a one-in-eight chance of living in an inadequate dwelling. If a woman is a single parent, she has more than a 50 percent chance of having a housing problem" (Birch, 1989, p. 99).

Hays (1988) presents an analytic discussion of the issues and alternatives that surround housing subsidies. He suggests that the United States has experimented with housing subsidies for 50 years and has learned that "no one strategy can serve the needs of all low-income persons and communities" (p. 196). Numerous housing bills have been passed in the latter part of the '80s decade and the early 1990s. The Fair Housing Amendments Act of 1988 extended protection to the handicapped and families with children. The Housing and Community Development Act of 1990 is one of the most promising pieces of legislation. It includes nine titles; the titles established new programs to enable increased homeownership and increased partnerships and federally subsidized housing and community development programs, and to provide support for rural housing assistance programs and programs to assist the homeless. Table 1 lists housing legislation chronologically since 1932.

### **Contemporary Housing Issues**

Some authors suggest that clear goals and housing theory are needed to guide more coherent housing policies (Mitchell, 1985; Pugh, 1986).

Consumer related public housing policy issues include affordable housing, consumer lawsuits/disputes, Fair Housing regulations, and home remodeling warranties. Integrated into federal legislation that influence housing are assumptions about the rights of citizens that include the value of human life; individual rights to housing and personal dignity; and the responsibility of the able in the majority to protect the disabled and minority. These rights result in legislation that provides support services for the homeless, disabled, and aging. They also influence and support the rural housing delivery system under FHA.

The American Association of Housing Educators (AAHE) has contributed to the understanding and evaluation of housing policy implementation to a limited degree during the last 25 years. Reaction papers and presentations have been focused on financing: variable rate mortgages for federally chartered Savings and Loan Associations (Fish, 1975), housing allowances (Hanna, 1974; Kimber 1974), an alternative method "...by which a housing authority can obtain mortgage money..." (Moyer, 1974, p. 8), and property taxes (Kee and Newmark, 1975). Kaiser had addressed the 1973 annual meeting with "Housing Policy--A Look Ahead." Stocker (1976), Professor of Economics at The Ohio State University, addressed the membership regarding "Equity in Property Taxation: Some Current Issues." Six research papers were identified in which housing policies in the U.S. have been directly evaluated; five of these were published prior to 1985. Goering and Melser (1978) focused on community participation in housing development through a case study approach; Retsinas (1981) investigated the impact of Section 8 Existing Housing on residential mobility; Fish (1981) evaluated the quality of FmHA Section 502 housing built in Maryland; Brandt and Kobayashi (1982) determined homeowners' evaluation of CDBG and Section 312 programs; and White (1984) assessed borrowers' knowledge of and experiences with Graduated Payment Mortgages.

Since 1984, only one research paper has appeared which directly addresses housing policy. Cook (1990) reported on "...a case study in which recommended strategies for improvement were fitted for one public housing development" (p.19).

The American Association of Housing Educators made an important contribution to housing literature when it encouraged the development of the book *The Story of Housing* by Fish (1979), which was sponsored by the Federal National Mortgage Association. This book not only contributed to the historic record, but also provided examples that explain the successes and failures of housing policy implementation during its first 40 years in the U.S. A sequel to this book is urgently needed, as is a greater contribution to the evaluation of housing policy.

Table 1. Federal housing and related legislation 1930s to 1990s.

<b>Year</b>	<b>Legislation</b>
1932	Reconstruction Finance Corporation Federal Home Loan Bank System
1933	Public Works Administration
1934	National Housing Act Federal Housing Administration
1937	U.S. Housing Act U.S. Housing Authority
1942	National Housing Agency
1944	Servicemen's Readjustment Act
1945	Veterans Administration
1946	Farmers Home Administration (FmHA)
1949	Housing Act
1954	Housing Act
1956	Public Housing: Elderly & renewal displaced
1959	Housing Act
1961	Housing Act
1964	Rehabilitation Loan Program, Section 312
1965	Department of Housing and Urban Development (HUD) Older Americans Act FHA placed under HUD
1966	Model Cities Program
1968	Civil Rights Act Title VIII: Fair housing Housing and Urban Development Act Section 235: Home purchase subsidy program Section 236: Rent subsidy program Section 237: High risk loans with counseling
1968	Fair Access to Insurance Requirements (FAIR)
1969	Brooke Amendments
1970	Emergency Home Finance Act Housing Act Neighborhood Housing Services
1973	Moratorium of most subsidy & grant programs
1974	Housing and Community Development Act
1975	Home Mortgage Disclosure Act (HMDA)
1977	Community Reinvestment Act (CRA)
1981	HUD Amendments of 1981
1983	Housing and Urban-Rural Recovery Act
1986	Tax Reform Act (TRA)
1987	Homeless Assistance Act
1990	National Affordable Housing Act Americans with Disabilities Act (ADA)

### Conclusions and Implications

The role of government and what is reasonable for subsidy influences housing policy. The government's role has swung like a pendulum during the decade of the 80s, from providing major support for an increasing portion of the population and management of subsidized housing units to divestiture of public housing holdings, to resident cooperatives or private providers.

Activities and functions of state and local governmental entities strongly influence available housing. For example, energy efficiency standards under consideration will pose a heavier burden on remodeling costs than on new construction. State land use ordinances or permits influence housing locations. Substantial support exists to keep zoning regulations such as buffer strips, setbacks, and density restrictions the prerogative of the local level. In addition to state and local influence on housing policy, direction is needed on a national level.

The role of the American Association of Housing Educators (AAHE) members in this milieu of public policy has not always been perceived as straightforward. AAHE, as a neutral entity, has the potential to stand somewhere in the center of the housing arena. AAHE should be strategically located in the center of a triangle between the national, state, and local policy makers on one side; the builder, developer, and managers on another side; and the consumer on the other side. AAHE has the opportunity to assume a leadership role in developing effective public policy for housing, and the responsibility to provide education to the public on the consequences of proposed legislation. Is this a position AAHE wants to pursue? Time will enable us to evaluate AAHE's response to this question.

### References

- Appelbaum, R. P., & Drier, P. (1990). Recent developments in rental housing in the United States. In W. van Vliet & J. Van Weesep (Eds.), *Government and housing: Developments in seven countries* (pp. 31-46). London: Sage Publications.
- Birch, E. L. (1989). Women and shelter: Needs and issues. In S. Rosenberry & C. Hartman (Eds.), *Housing issues of the 1990s*. New York: Praeger.
- Brandt, J., & Kobayashi, N. S. (1982, August). Homeowners' satisfaction with Corvallis' community development block grant housing rehabilitation program. *American Association of Housing Educators Conference Papers*, 54-60.
- Bratt, R. G. (1986). Public housing: The controversy and contribution. In R. G. Bratt, C. Hartman, & A. Meyerson (Eds.), *Critical perspectives on housing* (pp. 335-361). Philadelphia: Temple University Press.
- Bratt, R. G. (1990). Public housing: Introduction. In W. van Vliet & J. Van Weesep (Eds.), *Government and housing: Developments in seven countries* (pp. 31-46). London: Sage Publications.
- Cluster, D. (1989). *The right to housing - a blueprint for housing the nation*. Washington, DC: Institute for Policy Studies.
- Cook, C. (1990, October). Directing change in public housing. *American Association of Housing Educators Conference Papers*, 18-32.
- Dolbeare, C. N. (1991, February). *Key facts on low income housing needs*. Washington, DC: National Low Income Housing Coalition.

- Feldman, M. M. A., & Florida, R. L. (1990). Economic restructuring and the changing role of the state in U.S. housing. In W. van Vliet & J. Van Weesep (Eds.), *Government and housing: Developments in seven countries* (pp. 31-46). London: Sage Publications.
- Ficek, E. F., Henderson, T. P., & Johnson, R. H. (1990). *Real estate Principles and Practices*. Columbus, OH: Merrill Publishing.
- Fish, G. S. (1975). Proposed changes in home finance. *Housing Educators Journal*, 2(1), 9-10.
- Fish, G. S. (1979). *The story of housing*. New York: Macmillan.
- Fish, G. S. (1981). The role of the lender in housing quality: An evaluation of FmHA section 502 housing in Maryland. *Housing and Society*, 8(3), 24-31.
- Ford Foundation. (1989). *Affordable housing: The years ahead*. A program paper for Ford Foundation. New York: Author.
- Galster, G. C. (1990). Federal fair housing policy: The great misapprehension. In D. DiPasquale & L. C. Keyes (Eds.), *Building Foundations* (pp. 137-155). Philadelphia: University of Pennsylvania Press.
- Goering, J. M., & Melsner, P. (1978). Housing and urban redevelopment: Two case studies of community involvement. *Housing and Society*, 5(3), 2-13.
- Gore, A. (1990, August). Public policy and the homeless. *American Psychologist*, 45(8), 960-962.
- Hanna, S. (1974). Housing allowances in the context of government social welfare programs. *Housing Educators Journal*, 1(1), 8-10.
- Hays, A. (1988). Housing subsidy strategies in the United States: A typology. In E. Huttman & W. van Vliet (Eds.), *Handbook of housing and the built environment in the United States* (pp.183-198). New York: Greenwood Press.
- Housing and Community Development Act of 1990*. (1990). House of Representatives (Report 101-559). 101st Cong., 2nd Sess., June 21, 1990, p. 1-10.
- Humphrey, H. H. (1949). *Housing study and investigation: Final majority report* (Part 1). Washington, DC: U.S. Congress, Joint Committee on Housing.
- Huttman, E., & Gurewitsch, E. (1988). The elderly and housing. In E. Huttman & W. van Vliet (Eds.), *Handbook of housing and the built environment in the United States* (pp. 347-376). New York: Greenwood Press.
- Jacobs, B. G., Harney, K. R., Edson, C. L., & Lane, B. S. (1986). *Guide to federal housing programs* (2nd ed.). Washington, DC: The Bureau of National Affairs.
- Kaiser, R. A. (1973). Housing policy - a look ahead. *Proceedings of the Eighth Annual Meetings of the American Association of Housing Educators*, 46-50.
- Keating, W. D., Rasey, K. P., & Krumholz, N. (1990). Community development corporations in the United States: Their role in housing and urban redevelopment. In W. van Vliet & J. Van Weesep (Eds.), *Government and housing: Developments in seven countries* (pp. 31-46). London: Sage Publications.

McFadden and Brandt

- Kee, J. E., & Newmark, N. L. (1975). To reduce housing costs we must reform the property tax. *Housing Educators Journal*, 2(1), 4-8.
- Kimber, A. F. (1974). Housing allowance program. *Proceedings of the Ninth Annual Meetings of the American Association of Housing Educators*, 21-25.
- Lazere, E. B., Leonard, P. A., & Kravitz, L. L. (1989, December). *The other housing crisis: Sheltering the poor in rural America*. Washington, DC: Center on Budget and Policy Priorities and Housing Assistance Council.
- Lilley, W. (1980). The homebuilders' lobby. In J. Pynoos, R. Soccer, & C. W. Hartman (Eds.), *Housing urban America* (2nd ed.). New York: Aldine.
- Lindamood, S., & Hanna, S. D. (1979). *Housing, society, and consumers*. St. Paul, MN: West Publishing Company.
- Mitchell, J. P. (1985). The historical context for housing policy. In J. P. Mitchell (Ed.), *Federal housing policy & programs* (pp. 3-17). New Brunswick, NJ: Center for Urban Policy Research.
- Moyer, K. (1974). Alternative to state and federal financing of housing. *Housing Educators Journal*, 1(2), 16-18.
- National Association of Home Builders. (1991, Fall). *Legislative issues*. Washington, DC: Government Affairs Division.
- Newmark, N. L., & Thompson, P. J. (1977). *Self, space, and shelter*. San Francisco, CA: Canfield Press.
- Pugh, C. (1986). Housing theory and policy. *National Journal of Social Economics*, 13(4/5), 2-104.
- Rapp, D. (1991, February). The latest word on housing: One law, two programs, no policy. *Governing*, 73.
- Report of the President's Committee on Urban Housing. (1969). *A decent home* (0-313-937). Washington, DC: U.S. Government Printing Office.
- Retsinas, J. (1981). Section 8: A promise of mobility. *Housing Educators Journal*, 1(1), 4-7.
- Roistacher, E. A. (1990). Housing finance and housing policy in the United States: Legacies of the Reagan era. In W. van Vliet & J. Van Weesep (Eds.), *Government and housings: Developments in seven countries* (pp. 31-46). London: Sage Publications.
- Rosenberry, S., & Hartman, C. (Eds.). (1989). *Housing issues of the 1990s*. New York: Praeger Publishers.
- Roske, M. D. (1983). *Housing in transition*. New York: Holt, Rinehart, and Winston.
- Schwartz, D. C., Ferlauto, R. C., & Hoffman, D. N. (1988). *A new housing policy for America: Recapturing the American dream*. Philadelphia: Temple University Press.
- Smith, D. A. (1989, Spring). The emergency low-income housing preservation act of 1987: Good intentions, terrible law. *Real Estate Review*, 19(1), 16-19.

- Solem, J. J. (1987). Housing provisions of the 1986 tax reform act: Can the states make them work? *National Tax Journal*, 40(3), 419-429.
- Stegman, M. A. (1990). The role of public housing in a revitalized national housing policy. In D. DiPasquale & L. C. Keyes (Eds.), *Buildings Foundations* (pp. 333-364). Philadelphia: University of Pennsylvania Press.
- Stocker, F. D. (1976). Equity in property taxation: Some current issues. *Proceedings of the Eleventh Annual Conference of the American Association of Housing Educators*, 20-24.
- Turner, L. (1986). Public policies and individual housing choices. In R. J. Newcomer, M.P. Lawton, & T. O. Byerts (Eds.), *Housing an aging society: Issues, alternatives and policy* (pp. 42-51). New York: Van Nostrand Reinhold Company.
- U.S. Department of Housing and Urban Development. (1983, August). *Programs of HUD* (HU0-214-7-PA). Washington DC: Author.
- U.S. Department of Housing and Urban Development. (1990, September). *Profile of HUD*. Washington DC: Author.
- Weicher, J. C. (1980). *Housing: Federal policies and programs*. Washington, DC: American Enterprise Institute for Public Policy Research.
- White, B. J. (1984). A review and preliminary survey of graduated payment mortgagors. *Housing and Society*, 11(2). 48-61.