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A Review of HUD's Worse Case Housing Needs: 2021 Report to Congress

Executive Summary

HUD's Office of Policy Development and Research (PD&R) provides a report, Worse Case Housing Needs 2021, to Congress every two years on the severity of worst case needs for affordable rental housing, as collected in the biennial American Housing Survey. Households that can have worst case needs are defined as households that are renters, have very low incomes, or incomes of no more than 50 percent of the area median income (as adjusted for family size) and who do not receive any form of housing assistance. Severe problems trigger worst case needs, and there are two types of problems that determine whether households have worst case needs. The first is severe rent burden, which means that a renter household is paying more than one-half of its income for gross rent (rent and utilities). The second is severely inadequate housing, which typically refers to units having one or more serious physical problems related to hearting, plumbing, and electrical systems, or maintenance.

Extent of Worse Case Needs

Since 2009, worst case housing needs have been increasing, fluctuating between 7 and 9 million renters. In 2019, there were 18.39 million very low-income renter households (households with incomes of no more than 50 percent of the area median income), a 1.8 percent increase from 2017. Almost 43 percent, or approximately 7.77 million very low-income renter households had reported worst case housing needs in 2019, an increase of 0.06 million renters from 2017. From this amount, 2.54 million households were single adults, 2.27 million households were families with children, and 2.24 million households were led by an older adult. Slightly more than 1 million households had someone who was younger than 62 years old and had a disability.

Of the 18.39 million very low-income renter households in 2019, almost 64 percent represented extremely low-income renter households (households with incomes of no more than 30 percent of area median income and usually below the poverty line). Extremely low-income renter households increased between 2017 and 2019, by 1.7 percent. Of the 11.7 million extremely low-income renter households, 6 million reported not experiencing worst case needs. But out of those 6 million, 4 million received some form of rental assistance from HUD or other federal, state, or local programs. This means that only 2 million extremely low-income renters did not experience housing problems in the unassisted private market in 2019.

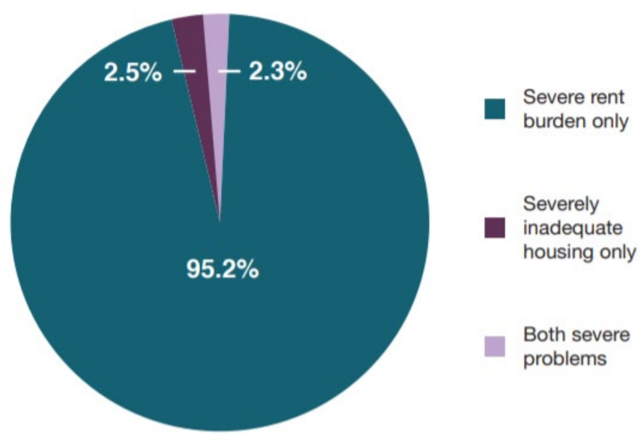
Households of color accounted for more than half (53.3 percent) of worst case needs in 2019. While Non-Hispanic Whites represented the largest single group experiencing worst case needs, Hispanics (24.7 percent), Blacks (20.4 percent), and renters of all other races and ethnicities (8.2 percent) represented more than half of households with worst case housing needs.

The geographical location of renter households with worst case needs also differed. The Midwest, Northeast and South saw an overall decline of households with worst case housing needs while the West saw an increase of about 7%. In the suburbs and non-metropolitan areas, households with worst case housing needs also decreased, especially in rural suburbs. However, there was no decrease of these households in cities.

Impact of Rent Burdens and Inadequate Housing

The main cause for renters experiencing worst case needs was due to severe rent burdens resulting from insufficient incomes relative to rent, followed by severely inadequate housing (see graph to the right). In fact, 97.5 percent of all worst case needs renters (7.57 million households) reported having severe rent burdens in 2019. In contrast, 4.8 percent of worst case needs renters (374,000 households) reported having severely inadequate housing, either alone or in combination with severe rent burdens. A minor increase in the rental stock that occurred between 2017 and 2019 mostly benefited higher-income households, with fewer new units affordable to very low-income renter households. Therefore, worst case needs resulted from the limited quantity and availability of adequate, affordable rental units compared to the number of very low-income renter households who need them.

Exhibit 1-2. Severe Rent Burdens Drove Worst Case Needs in 2019



N = 7.766 million renters with worst case needs.
Source: HUD PD&R tabulations of American Housing Survey data

Rental Supply

The supply of rental units that was affordable to very low-income and extremely low-income households remained low in 2019 and this shortage was further exasperated by the preference of higher-income renters to seek out more affordable units and by the physical inadequacy of some of the stock. For every 100 low-income renter households there was 62 available affordable units and for every 100 extremely low-income households there was only 40 available affordable units (see graph below).

Exhibit 2-9. Fewer Affordable Units Were Available to Very Low-Income Renters in 2019

Income Category	2015 Rental Units per 100 Renters	2017 Rental Units per 100 Renters	2019 Rental Units per 100 Renters	2015 to 2017 Change	2017 to 2019 Change
Extremely low-income renter households (0–30% AMI)					
Affordable	66.0	69.1	70.3	3.1	1.1
Affordable and available	37.7	39.8	40.3	2.1	0.5
Very low-income renter households (0–50% AMI)					
Affordable	92.9	90.7	96.0	– 2.2	5.3
Affordable and available	62.0	59.0	62.2	– 3.0	3.2

AMI = area median income.
Source: HUD-PD&R tabulations of American Housing Survey data

For renters who could afford rents no greater than the fair market rate, the number of available units in each section of the country was enough to house only 76 to 85 percent of those renters. Additionally, fewer affordable units were actually available to renters with the lowest incomes because vacancy rates were lowest for the lowest rent units, and many affordable units were rented to higher-income families.

One recommendation that would address the lack of affordable and available housing for households with the lowest incomes and deal with the surplus of units available at fair market rent or above, is to expand housing vouchers. This would reduce worst case needs to the extent that property owners would be willing to participate in HUD's voucher program. Increasing the participation of property owners may improve access to units for very low-income households while also increasing voucher utilization rates in areas where vouchers are available but difficult to rent.

Rent Increases Outpaced Income Growth

In 2019, the national median was $32,250 for very low-income households and the extremely low-income median was $21,250 per year. These income levels are for a family of four and families may have less income if they have fewer than four members or live-in areas with lower median family incomes. Extremely low-income renters, however, face daunting challenges when looking at both their income growth rates and rental rate growth. These renter households experienced only a 4 percent increase in income during 2017 through 2019 compared to the 17 percent increase experienced by households with incomes at 120 percent of area median income. On the other hand, median housing costs for extremely low-income renters increased by 12 percent during the same period, resulting in a three-fold increase of rent compared to income. This financial hardship helped explain why extremely low-income renter households represented 74 percent of the share of worse case needs. This is also underscored by the fact that extremely low-income households increased in number between 2017 and 2019.

A shift in income limits helps explain a small part of the population change of very low- and extremely low-income renter households, and those with worst case needs, between 2017 and 2019 (see graph below). Specifically, "across the nation, the income limits defining each income category increased roughly in proportion to increases in AMI between 2017 and 2019. The greatest income qualifying as extremely low income increased by $1,530. The greatest income qualifying as very low income increased by $2,850. As a result of the higher thresholds, additional households were captured within the extremely low-income and very low-income categories in 2019.”[1]

Exhibit 3-2. Changes in Affordable Rental Housing Availability Were Driven by Income Gains Among Renters That Outpaced Rising Costs, 2017 to 2019 *(continued)*

	Extremely Low-Income (0–30% AMI)	Very Low-Income (0–50% AMI)	Low-Income (0–80% AMI)	Total[a]
Cumulative households (thousands)				
2017	11,548	18,067	26,704	43,993
2019	11,748	18,388	27,174	44,660
Percent change	+1.7	+1.8	+1.8	+1.5
Income limit (median, current dollars)				
2017	19,800	29,400	47,000	—
2019	21,330	32,250	51,600	—
Percent change	+7.7	+9.7	+9.8	—
Median household income (all renters, current dollars)				
2017	—	—	—	36,100
2019	—	—	—	40,000
Percent change	—	—	—	+10.8
Median monthly housing cost (all renters, current dollars)				
2017	—	—	—	991
2019	—	—	—	1,071
Percent change	—	—	—	+8.1

AMI = area median income.
[a] Total represents all units or renters, not the sum of the cumulative income categories.
Source: HUD PD&R tabulations of American Housing Survey data

Impact of Covid-19

The 2021 Report also included an addendum that presented an initial assessment of the impacts of COVID-19 on worst case housing needs (February 2020 through March 2021). At the start of 2021, homes sales (and homes prices) increased over the previous year due to pandemic related social distancing combined with low mortgage rates. During April 2020, unemployment increased to 14.3 percent, which was more than four times the rate 2 months prior (February 2020). The high unemployment rate made it difficult for renter households to make their rental payments. It also impacted property owners who lost rental income and could no longer make necessary improvements to their rental units or to pay their mortgage.

Additionally, wages and salaries in the second quarter of 2020 decreased by 7 percent from the first quarter, representing $617 billion of lost household income. In January 2021, 5.7 percent of the workforce was unable to work at some point (in the 4 weeks prior) because their employers closed or lost business due to the pandemic, and 87.3 percent of these workers received no pay to offset their inability to work. While some were able to receive unemployment benefits, it replaced only 45 percent of lost wages (on average). This resulted in many being unable to meet their housing obligations. The number of renter households who were behind on their housing payments was 7.8 million the end of January 2021.

[1] https://www.huduser.gov/portal/sites/default/files/pdf/Worst-Case-Housing-Needs-2021.pdf

The assessment also revealed that renters who live in single-family homes (representing about 50 percent of the occupied rental stock) are more likely to be behind on rent than those who live in multifamily buildings. The stimulus and rental relief payments that many received was generally used for their rent and utilities and worst case needs would have increased further without these payments. However, to gain further clarity on these matters, HUD will need additional data to determine the pandemic's impacts.

Summary Conclusion

The report did not find a statistically significant change from 2017 to 2019 because the growth in the number of households with worst case needs was due to the creation of more households resulting from an increasing population. The impact of slow growth in the rental housing supply combined with increasing pressure on prices for available rental units coming from higher-income renters, helps explain why the availability of units affordable to renters with incomes at and below 30 percent of area median income decreased. Between 2017 and 2019, as high vacancy rates were being felt at high-end or more expansive units, the number of rental units affordable and available to very low-income renter households increased by more than 7 percent (771,000 units) and the low-income renter household grew by 321,000 households. As renter housing costs continued to rise, the changes in renters' income where not uniform in terms of income distribution, with extremely low-income renters seeing marginal gains that were far outpaced by rising housing costs. The next report, which will be able to further determine the effects of the pandemic on worst case housing needs will come out in 2023 using 2021 data.