Rental Assistance Program (Section 515, Instruction 1944-E). This rental assistance program provides a subsidy to rural households with incomes too low to pay the Housing and Community Facilities Program (HCFP) subsidized (basic) rent. This rental assistance is available to tenants in existing and newly constructed Section 515 Rural Rental Housing and Section 514 Farm Labor Housing.

Conclusion

Overall, the Rural Housing Service of USDA has fulfilled a very important role in the provision of safe, sanitary housing in rural America. Shelter is critical for the well-being of farm and ranch families and those living in rural areas that support the generation of food, fuel, fiber, and timber to meet our national needs for housing, clothing, nutrition, and energy, among others.

Jorge Horacio Atiles

See also Rural Housing

Further Readings


Code of Federal Regulations

7 CFR 2.49—Administrator, Rural Housing Service.
7 CFR Part 3560, Section 515 Direct Loan Program.

Income Limits by State for Single Family Housing Direct Loan


Income Limits by State for Single Family Housing Guaranteed Loan


Rural Development Regulations and Guidance


USDA Property Eligibility Site


FEDERAL GOVERNMENT

In the United States, the federal government has performed at least three major functions in the housing market. One has been to foster the capital markets necessary for individuals and businesses to finance the building or purchasing of housing. Another major function has been to limit the ability of private actors in the housing market to discriminate against individuals based on their membership in a suspect class, such as race. A third major function has been to help low-income families find “safe, decent, and affordable” rental housing. The U.S. government has performed these functions through an enormously complex web of programs, agencies, and policy instruments over time. Although a complete account of these is outside the scope of this article, it will offer a brief overview of some of the more important of these programs.

While the three functions of facilitating financing, fighting discrimination, and assisting low-income renters can be gleaned clearly from the morass of housing-related government policies, it would be a mistake to assume that the stakeholders involved in their creation and operation have always shared common goals. Rather, housing policies are more accurately described as bringing together a variety of stakeholders and policy entrepreneurs who use various programs to pursue a variety of different, and sometimes conflicting, goals. For example, public housing has been variously described by its supporters as a public health intervention to avoid disease, as a cultural intervention to break the cycle of poverty, or simply as a solution to overcrowding. This “goal divergence” complicates any assessment of the success...
or failure of U.S. housing policies, for often success or failure depends on whose goals are being considered. Moreover, goals shift over time as administrators and politicians cycle out of power. This partially explains why housing policy, particularly low-income housing policy, has been so contentious.

**The Federal Role in Promoting Housing Finance**

In the wake of the Great Depression, the federal government began enacting a series of programs aimed at promoting homeownership among middle-income families, the most important of which was the creation of the Federal Housing Administration and its mortgage insurance program in 1934. The Depression had resulted in widespread home foreclosures, throwing into relief the dangers and weaknesses of the existing housing finance system. Prior to the mortgage insurance program, families wanting to purchase a home on credit faced large down payment requirements, relatively short repayment schedules, and large balloon payments at the end of their terms. This made homeownership prohibitively expensive and risky for most families. FHA mortgage insurance allowed lenders to soften their terms, in exchange for federal acceptance of responsibility in the case of default. FHA-backed loans required a smaller down payment, had a much longer repayment period (30 years was common), and were fully amortized. The Veterans Administration would later begin a similar program specifically for veterans. Together, these programs played a central role in the post–World War II emergence of the suburbs, the ubiquity of single-family homes, and the establishment of homeownership as a widely shared cultural norm.

The FHA's early efforts have been criticized for their role in crystallizing patterns of racial neighborhood segregation. FHA refused to back mortgages in many "segregated" neighborhoods, which essentially cut off many central city poor and minority neighborhoods from access to homeownership. When combined with the restrictive covenants and other blatantly hostile policies intrinsic to many White and middle-class suburbs, these FHA policies effectively relegated poor and minority families to economically distressed central city neighborhoods and prevented the economic empowerment that accompanies homeownership. The hypersegregated ghettos that emerged in many cities in the 20th century can be blamed partially on FHA's discriminatory lending policies.

The federal government has also promoted homeownership vigorously through the tax code. Homeowners are allowed to deduct the interest they pay on their mortgages and portions of their local property tax bill from their federal income taxes. Combined, these tax expenditures amount to a massive subsidy for middle-class housing. In contrast to federal subsidies for low-income rental housing, these subsidies for middle-class homeownership have remained relatively uncontroversial.

The federal government has also promoted the availability of housing capital through the strengthening of secondary mortgage markets. The Federal National Mortgage Association (or Fannie Mae, as it came to be called) was created in 1938 to buy mortgages, package them together, and sell these packages to large investors. The purpose was to increase the liquidity of mortgages as an investment vehicle and thus facilitate the flow of capital into the housing market. Fannie Mae was joined by the General National Mortgage Association (Ginnie Mae) in 1968, and the Federal Home Loan Mortgage Corporation (Freddie Mac) in 1970. These three corporations are members of a very rare breed of institutions called government-sponsored enterprises, which are funded by Congress with a public purpose but are operated as private profit-making corporations. Despite official positions to the contrary, many investors assumed that Fannie and Freddie had the backing of the federal government, thus reducing the perceived risk of their investments. With Ginnie Mae, this backing was explicit. As the U.S. housing market exploded in the 1990s and 2000s, these three institutions became some of the largest corporations in the world and were central players in the domestic mortgage industry and even in the global financial markets. When the mortgage-backed securities market plummeted in 2008, the federal government's implicit backing became explicit, and Fannie and Freddie were taken over by the federal government.

**The Federal Role in Combating De Jure Discrimination in the Housing Market**

Residential segregation along racial and ethnic lines has long been a problem in the United States. While driven partially by market forces, residential segregation has also been heavily driven by discriminatory practices on the part of landlords, lenders, Realtors, and neighborhood groups. These practices
include blockbusting, redlining, racial steering, discriminatory advertising, differential mortgage interest rates, restrictive covenants, and simply the refusal to sell or rent to a person based on his or her demographic status. The federal government, recognizing the destructive power of segregation, responded by passing a number of pieces of legislation designed to end these discriminatory practices and promote “fair housing.”

The United States has had a fair housing provision for race on the books since the Civil Rights Act of 1866, which prohibited racial discrimination in housing and other contracts. Despite the fairly comprehensive language in the law, its weak enforcement mechanisms meant that it had little impact on discriminatory housing practices. The next major milestone was Title VIII of the Civil Rights Act of 1968, also called the Fair Housing Act. The act further clarified the prohibition on racial discrimination in the housing market while expanding the definition of protected classes to include religion, sex, and national origin. Again, the enforcement mechanisms for the act were weak; much of the compliance was explicitly voluntary, and victims had to bear much of the onus for lodging complaints and instigating lawsuits. The act was enhanced in 1988 when familial status and disability status were added to the list of protected classes, and the enforcement mechanisms were strengthened. The act made it easier for state and local fair housing agencies to enforce federal fair housing laws and for aggrieved parties to sue for damages in court. Another notable result of this legislation was to impose accessibility standards for people with disabilities on new multifamily construction of sufficient size. Despite these efforts, government-sponsored housing audits reveal a significant degree of discrimination in the housing market.

**The Federal Role in Subsidizing Low-Income Rental Housing**

Probably the most politically controversial of the federal government’s interventions in the private housing market has been its role in subsidizing low-income rental housing. The degree of political support and the resulting funding levels for housing subsidies have waxed and waned over time. Overall, compared with many Western European countries, the U.S. federal government has played a fairly modest role in the rental housing market, particularly when compared with its role in the mortgage finance market. It also employs a more complex service delivery system, with a variety of programs that include direct provision (public housing), producer subsidies (project-based Section 8 and tax credit housing), consumer subsidies (tenant-based Section 8), and intergovernmental grants. Not surprisingly, the political underpinnings of public rental housing vary from program to program, legislator to legislator, and era to era. Although public housing originally was seen as a mechanism for stimulating the construction industry and meeting the housing needs of an expanding low-income urban population, today the dominant discourse in federal housing policy has to do with its role in combating poverty concentration. In any case, supporters of public housing intervention have had to contend with an American political culture that responds warily to redistributive policies of all kinds. This general skepticism partially explains both the relatively modest size of the federal footprint in the rental housing market and the highly diffused and market-oriented nature of the policy instruments employed.

**Federally Owned and Operated Public Housing**

While federal public housing began during the New Deal, much work had already been done at the subnational levels of government to improve the conditions of central city housing. Early muckraking works, such as Jacob Riis’s *How the Other Half Lives*, helped focus the energy of Progressive-Era reformers and philanthropists on the problem of extreme urban poverty and its consequences. Much of the focus was on the crowded and shoddy tenement houses that sprang up to house the waves of new immigrants flooding central cities in the mid-19th century. These tenements were widely believed to be physically dangerous (as transmitters of disease and fire hazards) and morally, spiritually, and psychologically damaging. The progressive reformers helped push through building code regulations and even experimented with early efforts at “social entrepreneurship” by building profit-making housing developments that specifically targeted low-income residents. However, despite these local efforts, many realized that a more comprehensive effort would be necessary to meet the housing needs of rapidly expanding low-income urban populations.

Proponents of the Housing Act of 1937, which provided for slum clearance in central cities and the
construction of subsidized rental housing, touted it much more as an employment program than as a policy designed to house the poor. Even during the Depression era, when support for redistributive government policies was at a historic high, the political culture regarded housing for the poor as a secondary concern at best. Much of the political controversy surrounding the bill's passage came from concerned real estate and construction interests that did not want the federal government as a competitor in the housing market. The language laying out a standard of "safe and decent" housing for all Americans, for instance, was chosen carefully to ensure that public housing was not of a superior quality to private rental housing. Nevertheless, despite the trepidation of private real estate interests, the federal government began constructing low-income rental units in cities all across the country.

Most early public housing was built on the low-rise model, in three- or four-story buildings. However, the Housing Act of 1949, which created what would become known as "urban renewal," marked the beginning of a new era in public housing that would be characterized by the construction of large high-rise public housing "towers," largely in poor African American urban neighborhoods. From a design perspective, these projects were based on the modernist principles of the French architect Le Corbusier, who envisioned buildings that would be removed from the street grid and set apart from city commerce. Politically, the site selection for these projects was driven by the Federalist structure that had arisen to administer the public housing. The U.S. Supreme Court had declared unconstitutional the federal use of eminent domain for purposes of local housing development. As a response, most cities had created new local "housing authorities," which would be the proximate administrators of federal public housing funds. Ultimately, these local authorities were subject to local political pressures that sometimes overpowered the influence of federal policymakers. When urban renewal funding began flowing into local communities for central city "slum clearance," many poor and minority families were displaced. This mass displacement was supposed to be offset by the construction of new public housing towers, though in practice, more low-income housing was destroyed by slum clearance than was replaced by public or private development, exacerbating the already tight housing market for minorities, which was circumscribed by de jure and de facto racial opposition. White communities vigorously (and sometimes violently) opposed the presence of public housing for minorities in White neighborhoods. Responding to this political pressure, local housing authorities chose poor African American neighborhoods as the most politically expedient sites for new public housing. Moreover, the high-rise style reflected the need to avoid the expense of clearing large tracts of land for development. The cost per unit for high-rise development seemed at the time to offer significant advantages over low-rise development.

These high-rise projects soon became notorious for deplorable and dangerous conditions. Some critics blamed the high-rise design and the use of superblocks for making these projects difficult to police, for inhibiting the growth of social capital and social control, for sapping the economic vibrancy of urban street life, and for exacerbating racial segregation. Other scholars have argued that these criticisms are overblown, and that high-rise communities actually had denser and more supportive social networks than critics gave them credit for. Regardless, the public perception conformed more closely to the former view, leading eventually to widespread demolition of high-rise public housing projects.

Today, HUD operates about 1.1 million public housing units in 7,300 public housing projects for a total cost in 2010 of about $6.5 billion. The number has stayed relatively stable since the late 1970s, when the government shifted away from direct provision of public housing to the use of rental vouchers and other policy instruments, such as tax credit housing.

Voucher Programs and Poverty Deconcentration Policies

The two Section 8 voucher programs, born from the Housing and Community Development Act of 1974, are HUD's largest rental assistance programs. Motivated in part by the perceived failures of high-rise public housing and the supposed negative consequences of poverty concentration, these programs assist low-income renters in finding housing in the private market. In both programs, benefit levels are based on a sliding scale, where participants are required to pay up to 30% of their income toward rent, while HUD pays whatever is left of the rent. Units generally must meet basic quality standards
and cannot exceed the 40th percentile of rents for comparable units in the area. The program is split into project-based vouchers and tenant-based vouchers. In the project-based program, which had a budget of $8.5 billion in 2010 and served about 1.5 million households, HUD contracted directly with a property owner to rent to a low-income family referred by the local housing authority. The voucher is tied to the unit, so if a family moves, the family cannot take the voucher with them. In tenant-based Section 8, which served about 2.1 million households in 2010 at cost of about $18 billion, the voucher is attached to the family. The family is allowed to use the voucher for any unit whose owner is willing to accept it. Moreover, families can even use the voucher to move out of their original jurisdiction.

In addition to its conforming to general political trends toward greater reliance on market mechanisms for delivering social policies, the tenant-based Section 8 program has been met with relative enthusiasm in housing policy circles because of the belief that it can help deconcentrate poverty. In recent years, academics and practitioners have been keenly interested in the role that neighborhoods play in determining life outcomes. While the pernicious effect of slum living has long been a theme in discussions of poverty, this “environmentalism” had fallen somewhat out of fashion in many academic circles in the 1970s and 1980s. However, with the publication of William Julius Wilson’s *The Truly Disadvantaged*, scholars began to turn their attention once again to the role that neighborhoods, and particularly poverty concentration, play in determining life outcomes for poor people.

In addition, there was growing recognition that racial segregation overlapped with poverty concentration in a particularly harmful fashion, creating large “ghettos” with high crime rates, high rates of out-of-wedlock births, and widespread unemployment. Two large-scale social experiments helped to bring these poverty concentration issues to the forefront of federal housing policy. The Gautreaux program (the result of a court order alleging racial discrimination by the Chicago Housing Authority) moved low-income African American public housing residents to low-poverty, racially integrated neighborhoods. These moves appeared to have significant positive impacts on their employment and income status. The Gautreaux findings helped motivate an even larger, multicity experiment called Moving to Opportunity (MTO), where public housing residents were given a voucher and required to move to a low-poverty neighborhood for at least 1 year. So far, the results from the MTO experiment have been mixed. There appear to be some modest improvements on subjective feelings of well-being and on behavior for girls, but there seem to be no significant impacts on employment outcomes, and there appear to be negative behavior consequences for young males.

Despite MTO’s mixed results, there still seems to be relative enthusiasm on the part of policymakers for market-based voucher programs and the poverty deconcentration ethos. The new HOPE VI program, for instance, is significantly motivated by poverty deconcentration aspirations, as well as by the principles of “new urbanism” that focus on integrated, multiuse, and sustainable urban development. HOPE VI has provided for the rehabilitation or demolition of public housing units, with sites being converted to mixed-income developments. These are low-rise developments designed to attract individuals of multiple income levels. Tenants who are not able to remain in the converted projects are given Section 8 vouchers to move to other sites. Similarly, many of the Low Income Housing Tax Credit (LIHTC) projects are designed to serve mixed-income populations.

Some have criticized the deconcentration approach, particularly surrounding tenant-based Section 8 vouchers, for failing to take a realistic view of the rental housing markets in metropolitan areas. Even with the Section 8 voucher, many families are still constrained by incredibly tight housing markets. It may be unrealistic to expect them to be able to move to drastically different neighborhoods, and indeed, many of the MTO families moved back to high-poverty neighborhoods soon after they finished their required 1-year tenure. Other critics have noted unrealistic expectations regarding the development of voucher recipients’ social networks. Even if poor families are able to move into a nonpoor neighborhood, they are not necessarily going to befriend their new, affluent neighbors. Instead, deconcentration policies might actually be destroying long-established social networks in poor neighborhoods without replacing them, leaving residents worse off.

**Adequacy of Federal Low-Income Rental Housing Subsidies**

As of 2011, the federal government serves about 5.5 million households for a total cost of
approximately $40 billion (for comparison, the annual outlays for Social Security are about $700 billion). Because housing subsidies are not entitlements (i.e., the government is not required to provide them, even to people who meet the qualifications), only about one third of the households who would meet HUD’s eligibility criteria receive housing assistance. Housing experts estimate that stable housing should not cost more than one third of a family’s monthly income, but in 2008, over 8.7 million households paid more than 50% of their monthly income in rent. Rents have been increasing faster than inflation, while wages for renters, and for low-skilled workers generally, have remained flat or declined. The result is that more and more families are experiencing vulnerable housing conditions, even those whose incomes do not fall below the official government poverty threshold.

While the trend in rental housing has been toward higher rents and greater vulnerability, the trends in federal support for low-income housing have been mixed. Much of the public housing stock is vulnerable to eventual loss due to deterioration or to gentrification, as project-based Section 8 contracts expire and property owners choose to try their hand in the private market. The programs that are adding new units (Hope VI and LIHTC) are not replacing units fast enough to stem the decline. One estimate puts the net loss of subsidized housing between 1993 and 2003 at 1 million units. On the funding front, HUD faced significant budget cuts under the George W. Bush administration but bounced back somewhat under the Obama administration. However, the future of federal support for low-income rental housing remains uncertain. In any case, given the anti-redistributive political culture in the United States, support for public housing is unlikely to be strong enough to completely meet the housing needs of a growing population of precariously housed renters.

David Reingold and Joe Bolinger

See also Community Development Block Grant; Community Reinvestment Act; Discrimination; Fair Housing Act; Farmers Home Administration; Federal Housing Administration; Gautreaux Program; Government-Sponsored Enterprises; HOPE VI; Housing Act of 1949; Housing Act of 1954; Housing and Urban Development Act of 1968; HUD Minimum Property Standards; Low Income Housing Tax Credit; Neighborhood Stabilization Program; Public Housing; Real Estate Settlement Procedures Act of 1974; Resolution Trust Corporation; Tax Incentives; United States Census Bureau; United States Department of Housing and Urban Development; United States Department of Veterans Affairs

Further Readings


FEDERAL HOUSING ADMINISTRATION

The Federal Housing Administration (FHA) is an agency of the U.S. Department of Housing and Urban Development (HUD). FHA provides mortgage insurance for approved lenders. It is the largest insurer of mortgages in the world, providing insurance products for single-family homes, multifamily homes, manufactured homes, and hospitals throughout the United States and its territories. FHA operates entirely from self-generated income.

FHA mortgage insurance protects lenders against default by borrowers. The program limits the maximum amount of money that can be borrowed with an FHA-insured loan. These mortgage limits vary by area but are generally close to the average price of homes in the area and change with market conditions. In addition, homes insured by FHA must meet minimum property standards.