

Chapter 1 : Subprime mortgage crisis - Wikipedia

The United States housing bubble was a real estate bubble affecting over half of the U.S. calendrierdelascience.com prices peaked in early , started to decline in and , and reached new lows in

By , it had jumped to seventh place. It is Boise, Idaho. And it is a preview of the next chapter in the housing crisis. Last year, according to an Apartment List survey, the fastest-rising rents in the country were in Orlando, Florida; Reno, Nevada; and Sacramento, California. Small cities are starting to face the same challenges as larger ones. In Tacoma, Washington pop. Rising rents in small and midsize cities are a humanitarian crisis Boise is, by some measures, the fastest-growing city in America. This should be good news. The impact is devastating. HUD recalculates the value of the vouchers every year. But some Boise landlords are raising rents every 60 days. One voucher recipient lives in an old hotel converted into apartments. He uses a motorized wheelchair and needs live-in care. With the apartment vacancy rate at 1 percent , and landlords refusing to rent to Boiseans who receive housing assistance which is legal under Idaho law , it can take months for low-income residents to find anywhere that will take them. To federal administrators, though, every unused rental voucher looks like unspent funding. If the agency underspends, HUD will cut its budget. If it overspends, the city will have to make up the difference. In Orlando, where rents rose by almost 8 percent last year, the median rent already takes up 71 percent of the median income. According to Apartment List, Memphis, Tennessee, had the highest per capita eviction rate in the country between and Montana has seen a 33 percent rise in homelessness in the last decade. Smaller cities have lower rents, but they also have lower wages, less diverse economies and fewer social services. Everything that makes it easier to get onto the housing ladder in places like Boise also makes it easier to fall off. But in the last 10 years, the American economy has transformed in ways that are going to make it even harder for smaller cities to respond to growth. Between and , Boise home prices fell by 40 percent. With homebuilding stalled, thousands of construction workers took other jobs or left for North Dakota or Alaska. By , once all the low-cost and foreclosed homes had been scooped up and the city needed new housing again, there was no one left to build it. Construction workers, even in high-paid jobs and booming cities, are in short supply. Plus, thanks to increasing international demand, prices for timber, steel and concrete are going up nationwide. The higher costs of materials, financing and labor, combined with the years-long lag in homebuilding, have made construction unbearably expensive. This, Cornforth says, is the fundamental challenge of the housing crisis in Boise and everywhere else: The only way make prices fall is to overbuild. You need vacancy rates of 8 percent or more before rents start to come down. Every year, he says, as the backlog grows, the costs go up and the challenge of meeting the need gets worse. Red states make solving the housing crisis harder Then there are all the challenges of being located in a red state. The city is barred, for example, from forcing developers to reserve a percentage of their units for affordable housing. Plus, Idaho law prevents Boise from taxing itself to provide better city services. Even carpool lanes are forbidden by state law. And yet, here we are. At the federal level, too, help is decidedly not on the way. That has implications far beyond Boise. Even in small towns, housing costs were the No. Neighbors are fighting growth Ultimately, the housing crisis is not about housing. It is about the inability of American cities to grow. Let them pay for it when they get here. Opposition to growth comes from homeowners and voters, entrenched interests who already have the ear of local politicians. This means, says Zoe Olsen, the executive director of the Intermountain Fair Housing Council, that local opposition is often focused on preventing growth rather than managing it. Cedar Rapids, Iowa, spent years debating whether to build a single low-income housing complex. Franklin, Tennessee, changed its zoning to allow less density after a developer put 20 houses on a acre plot. But there are shoots of hope, too. Hanes, the retired HUD administrator, points out that Boise is building dedicated housing for its chronically homeless population. Of the 1, housing units under construction downtown, more than are reserved for low-income residents. Hanes started a group, Love Your Neighbor, that shows up at City Council meetings and argues for more growth. And Hanes, who lived in San Francisco during its early boom years, sees one significant difference between the new housing crisis in smaller cities and the decades-old one in bigger metropolises. A

previous version of this story indicated Boise is projected to add another , people to its population by In fact, that is the estimated population growth for the state of Idaho.

Chapter 2 : The Giant Pool of Money - This American Life

Several new advocacy groups have sprung up to push for better housing policies at the state and national level. Their first job: Communicating how significant the problem really is.

Abstract For many poor Americans, having a decent home and suitable living environment remains a dream. This lack of adequate housing is not only a burden for many of the poor, but it is harmful to the larger society as well, because of the adverse effects of inadequate housing on public health. Not only is the failure to provide adequate housing shortsighted from a policy perspective, but it is also a failure to live up to societal obligations. There is a societal obligation to meet the housing needs of everyone, including the most disadvantaged. Housing assistance must become a federally-funded entitlement. To date, this is a contract whose obligations remain unfulfilled. Evidence of this failure abounds in the vast numbers of homeless families on city streets, in the large numbers of families that have to live doubled and even tripled up with other families, and in the crushingly high rent burdens that many low-income families have to endure. Less transparent but no less important are the pernicious effects of this unfulfilled contract on the health of the disadvantaged, as has been described elsewhere. One could argue that this contract is no longer binding. Yet there is substantial evidence that the American polity still views a decent home as a minimal right in America. This is evidenced by the numerous state and local policies that mandate a minimal level of housing. As will be shown below, however, these mandates are insufficient to meet the housing needs of our most disadvantaged citizens. Through the enactment of building codes and other regulations, we have deemed that housing below minimal standards is unacceptable and unfit for human occupation. The cost of producing housing that meets even minimal standards, however, is above what many low-income households can afford. Of course, most housing occupied by the poor, and by most other people, for that matter, is not new but previously occupied housing. But in many expensive urban centers even used housing is beyond the means of many low-income households. If maintenance costs required to keep housing from falling below standards exceed what low-income families can afford to pay, landlords may try to upgrade their units to attract more affluent and profitable tenants, or they may simply walk away from the property. Both gentrification and abandonment may occur in low-income neighborhoods if low-income families lack the purchasing power to make the provision of affordable housing profitable to landlords. Owing to transformations in technology, overseas competition, and other factors that are not completely understood, the American economy over the past few decades has increasingly bifurcated into a highly skilled and well-paid sector and a low-paying service sector. A growing proportion of the populace simply earn too little to afford what society deems decent housing. Further exacerbating the affordable housing shortage is the enactment of exclusionary zoning policies by many suburban communities. These policies typically exclude multifamily units or require large parcels of land for each unit, driving up the price of housing and making it virtually impossible for affordable housing to be located in the community. Entire swaths of communities are off limits to the poor because of local land use policies. The enactment of building codes and zoning policies is prima facie evidence that America has deemed a certain standard of housing a basic requirement of a civilized society. If this were not so, we would allow the poor and homeless to build shantytowns, as is done in many cities of the Third World. Yet simply legislating out of existence housing deemed unacceptable does nothing to ensure everyone access to housing. If we are going to mandate a certain quality of housing, we are obligated to provide everyone with the means to obtain that housing. Although great progress has been made in improving the physical condition of housing, significant problems remain. Affordability is an intransigent problem that we have not come close to solving. Because housing is the single largest expenditure for most households, housing affordability has the potential to affect all domains of life that are subject to cost constraints, including health. Thus, households lacking affordable housing are vulnerable to diseases and illness associated with malnutrition and inadequate health care. Doubling or tripling up lead to overcrowding and having to navigate relationships with other families, which is stressful. In extreme cases, a lack of affordable housing can result in homelessness. As a substantial body of research attests, these types of psychological stressors can have a negative impact on health. Even if

we use a less stringent measure of affordability, the picture remains the same. Thus, during the period of the longest economic boom in history scarcely any progress was made in the arena of affordable housing.

Chapter 3 : The American Housing Crisis Might Be Our Next Big Political Issue | Up for Growth

This title explores the seriousness of the American housing crisis, the impacts, causes and solutions, including: the threat to families and neighborhoods, homeownership as a wealth-building strategy, lending reform, and mortgage interest deduction.

The Nation But as their family grew, they remained stuck in place. Eventually, six people—Rosalina, her husband, and their four children—were sharing the one main room, a small kitchen, and a bathroom. Today, the tidy living room is also the dining room and bedroom; the bathroom serves as a makeshift closet. Her second-oldest son has always had a particular dream: A three-bedroom apartment in LA easily goes for more than triple that. All of the residents in their building are being evicted. The owner has decided to sell it, and a developer plans to raze it and build a new complex in its place. Many families have already left, plywood nailed over their doors to mark their departure. Mommy, am I going to have my same teacher? Four walls have a history. Bayliss, director of organizing at Strategic Actions for a Just Economy, which is working with Rosalina and her family. Many families have two or even three people living in a single room to bring down costs. More than half of the most heavily crowded areas in the country, where the homes have more than one person per room, are located in Los Angeles and Orange counties, according to US Census data spanning from to Still, many working people make that trade-off. Nationwide, there are just 35 affordable and available rental homes for every extremely low-income families—those who either live in poverty or earn less than 30 percent of the median income in their area. Nationally, nearly half of renters spend more than 30 percent of their income on housing. But in , only about a quarter of renters spent more than 30 percent of their income on housing. In , a unit surplus of affordable rental homes meant that nearly every American could find a place to live. The minute we see people flooding in from the countryside in search of work to cities, we see housing inequality emerging. But despite the efforts of Progressive Era reformers, the idea failed to take root in the United States. The federal government never developed a national plan to coordinate the construction of affordable housing where it was needed or required any city to construct it, and it never successfully challenged the notion that housing was a commodity, not a right. For a brief period of time, a different approach to housing—and a completely different way of thinking about poverty—seemed possible. From to , President Franklin Roosevelt launched a range of employment programs, including the Public Works Administration, which he tasked with building model homes, among other major construction projects, thus addressing the twin crises of unemployment and unaffordable housing. PWA-built homes, which housed both the poor and the middle class, were often attractive, equipped with laundry facilities, meeting rooms, playgrounds, even libraries. It also inaugurated the long history of racial segregation in public housing, as most of the PWA-built developments were either divided by race or open only to whites. It would have provided public housing for both the poor and the middle class, as well as give the federal government more power to determine where that housing would be built. The National Association of Real Estate Boards proved to be a powerful enemy of high-quality, widely accessible public housing, and succeeded in profoundly weakening the bill. Ultimately, the law provided housing only for the poor and allowed communities to opt out of constructing any affordable housing at all. Southern Democrats ensured that the housing could be racially segregated. Perhaps most counterproductive, the legislation included a requirement forcing public-housing authorities to demolish one unit of substandard housing for every new one built, raising costs and keeping the supply capped. Though public housing still supplies more than 2 million people with permanently affordable homes, it provides housing for only a fraction of the 40 million Americans in poverty, and it leaves the private housing market almost entirely intact. The legacy of the law is clearly seen in Los Angeles today. There are just 14 public-housing facilities, with just over 6, units, in a city of about 4 million people, an estimated Around the same time, California voters approved a referendum requiring city or county approval for public-housing site selection, hamstringing development. For its part, New York City runs facilities—23 times as many as LA—though it has double the population and a lower poverty rate. Southern Democrats, joined by some of their Northern counterparts, again prevented the law from prohibiting

segregation. As a result, many were demolished. Starting in , the Department of Housing and Urban Development HUD doled out grants that cities used to tear down abandoned or dilapidated housing. The country has lost , public-housing units since the mids alone. The symbolism was clear: Yet obtaining housing with a voucher in the private market can be fraught with challenges; not only are there few affordable units, but in many parts of the country, it is legal for landlords to reject voucher-holders. And as with public housing, Congress has never given Section 8 enough funds to meet the demand: Today, just one in four families who are eligible for federal rental assistance actually gets it. When Ronald Reagan assumed the presidency, public housing became one of the biggest targets of his anti-government, pro-market worldview. Federal spending on housing assistance hemorrhaged by 50 percent during the same period. In his landmark tax package, he included a measure that is still the main source of federal funding for affordable housing today: Developers gain access to the credit by pledging to build affordable housing. Leaders and lawmakers, including Democratic presidents, have by and large failed to challenge this status quo. From to the mids, 1 million single-room-occupancy SRO apartments—modest units that people could rent by the day or week—disappeared as cities cleared them out and developers tore the buildings down to build commercial properties or luxury housing. Multifamily housing was converted into co-ops and condominiums. Meanwhile, market-rate development boomed. In , over 80 percent of new apartments were luxury units. The tents that line almost every inch of the sidewalk are makeshift homes, connected to one another with ropes, tarps, poles, and umbrellas. The air hums with quarrels and boom-box music and smells of bodies and trash. He tried to get into a housing program but was always told that the waiting lists were full. For those six years, Smith was woken up in the early hours of the morning every day by the police and told to pack up his stuff and move along, only to have to set everything back up that evening. There are few water fountains or public bathrooms, let alone showers or laundry facilities. The scant trash cans fill up quickly and are rarely emptied by the city. Jojo Smith spent six years living in a tent on Skid Row. Bryce Covert Most of those living in tents would prefer four solid walls. Some people with mental-health issues struggle to sleep in the crowded rooms. About three-quarters of these people are unsheltered, living in tents or cars. Even as the city moves more people into housing, many others are getting pushed out of it and into homelessness. Anything that makes a poor person less able to compete for housing—mental illness, a disability, or just being black and a victim of discrimination—makes them more likely to fall into homelessness. The city does little to prevent affordable housing from being demolished. LA also has few robust rent-control laws, which played a role in rents rising 20 percent between and , even as incomes dropped. And decades of failing to construct new affordable units have resulted in a situation in which the demand for single-room apartments is so acute that there is virtually nothing available. If modern mass homelessness began in the s, the foreclosure and housing crises at the end of the s represented a second wave that redoubled the problem. Nearly 3 million homes were foreclosed on in both and ; those homeowners sank back into the rental market, competing for cheap units with the low-income people who were already renting. Roughly 10 million more families rented in compared with the decade prior. The vacancy rate for rental units has fallen since the end of the recession and is lower today than it was in Newsome had been hired as a teller by a bank in and was promoted soon after. For the first time, she was living in her own place. But by March , she was living in her car. Her boss eventually found out, and she lost her job in June over concerns that customers would see her sleeping in her vehicle. She lived briefly with a childhood friend in , working during that time to earn her certification as a pharmacy technician. She struggled with mental-health issues. Eventually, her friend asked her to leave, and she had to give up her car. She still remembers her first night there: So she chose an isolated spot to set up camp. An outreach team eventually helped her get into temporary housing and then an SRO, but both felt unsafe and unsanitary. Finally, she had a stroke of luck: Newsome was approved for a housing voucher, and an organization called Brilliant Corners connected her with a case manager who helped her look for an apartment. That help was needed: She also suspects that she was being discriminated against because she was black. Bryce Covert Newsome looked for a place for nearly a year. Finally, with her case manager making calls on her behalf, she found an efficiency studio in Highland Park, close to Pasadena, in April of last year. I was able to focus on my mental health—because I had a safe place to go home to. Eventually, she wants to leave the voucher program

altogether. Without a subsidy, the only housing that private developers can afford to build is for high-end customers. Income inequality only fuels the rush for developers to cater to the top of the market with luxury housing, while ignoring the middle and bottom. But so far, the debate in Washington over housing is limited to helping veterans off the street or preserving the tax breaks enjoyed by wealthier homeowners. In the absence of assistance from the federal government, the city is attempting to patch together solutions. But now comes the test of whether the city can actually get the units built. To submit a correction for our consideration, [click here](#). For Reprints and Permissions, [click here](#).

Chapter 4 : United States housing bubble - Wikipedia

CAMBRIDGE - The bursting of America's housing bubble in the summer of triggered the global financial crisis and recession. The sharp fall in house prices that followed caused a dramatic downturn in household wealth, leading to lower consumer spending and an overall fall in GDP.

Communicating how significant the problem really is. Share May 16, Benjamin Schneider Reading time: The cause driving his latest campaign is a tricky one: He wants to bring housing policy—a topic that is now largely the purview of wonks, developers, big city activists, and a select few politicians—into the forefront of our national discourse. As soon as you start talking about the nuts and bolts of it, people glaze over. As home prices creep up everywhere from established tech hubs to traditionally inexpensive cities like Boise and Nashville—and as homelessness reaches epidemic proportions on the West Coast—a number of organizations from a diverse array of sectors have recently formed to push for housing policy changes at the highest levels of government. Another new PSA offers a brief, infographic-laden explainer on the affordability dilemma. In Wilkes-Barre, Pennsylvania, 40 out of 68 city firefighters need a second job to pay the rent, the film reports; in New York City, a once-homeless woman has to work 20 hours a day to afford an apartment. The nonprofit smart growth advocacy group Up For Growth has the data to at least partially explain why the nation has strayed so far from that goal. Out of the 23 states that under-produced, the worst culprit, unsurprisingly, was California, with a shortage of 3. But some low-cost states like Idaho and Michigan under-produced, too. There is also growing consensus on what should be done about the housing shortage: Ease density restrictions in high-opportunity areas near jobs and transit. The group is currently working to set up a legislative briefing on Capitol Hill. Their big talking point: Build up, not out. The study emphasizes the economic and environmental benefits of a smart-growth approach to the housing shortage. If American cities grow by densifying existing neighborhoods with mostly mid-rise apartment buildings, they would use just 25 percent of the land area required to build the same number of units using current growth patterns. This would also lead to a 28 percent reduction in vehicle miles travelled, and the cost of infrastructure installation would be seven times less. Up For Growth is also in talks with environmental and transit advocacy groups, Kingsella said. Another member of the Up For Growth coalition is Technet, a tech industry lobbying group. In virtually all cities where it has a major presence—from Pittsburgh to Seattle to nearly every big city in California—the tech industry has been closely associated with rising housing costs and gentrification. But the industry is starting to wise up to its impact: Increasingly, companies in high-cost cities are having trouble recruiting workers, driving them into the housing discussion. Nearly all companies reported that at least a quarter of their employees spend more than 45 minutes on a one-way commute. Nonprofits are also looking to make an impact on the housing issue, via a new consortium of charitable foundations called Funders for Housing and Opportunity. Education, healthcare, civil rights, and economic mobility are all profoundly affected by access to housing, the group argues, and by putting these issues at the fore, federal officials might finally begin to take it seriously. But this is far from the case. The mortgage interest deduction, which allows people to deduct a portion of their mortgage payments from federal taxes, is a larger subsidy than all tax breaks and government funds for low-income renters combined. That policy change could lead to , fewer affordable units being built or renovated over the next decade. Check out our full report detailing the 3.

Chapter 5 : America's Housing Crisis Is A Ticking Time Bomb | HuffPost

The real causes of the housing and financial crisis were predatory private mortgage lending and unregulated markets. The mortgage market changed significantly during the early s with the.

Household debt relative to disposable income and GDP. Existing homes sales, inventory, and months supply, by quarter. Vicious cycles in the housing and financial markets. According to Robert J. Shiller and other economists, housing price increases beyond the general inflation rate are not sustainable in the long term. From the end of World War II to the beginning of the housing bubble in , housing prices in the US remained relatively stable. It was fueled by low interest rates and large inflows of foreign funds that created easy credit conditions. In it rose to 4. By , this figure had increased to Borrowers who would not be able to make the higher payments once the initial grace period ended, were planning to refinance their mortgages after a year or two of appreciation. As a result of the depreciating housing prices, borrowers ability to refinance became more difficult. Borrowers who found themselves unable to escape higher monthly payments by refinancing began to default. As more borrowers stopped making their mortgage payments, foreclosures and the supply of homes for sale increased. The decline in mortgage payments also reduced the value of mortgage-backed securities , which eroded the net worth and financial health of banks. This vicious cycle was at the heart of the crisis. As of March , an estimated 8. He concluded that the extent of equity in the home was the key factor in foreclosure, rather than the type of loan, credit worthiness of the borrower, or ability to pay. The number of new homes sold in was By January , the inventory of unsold new homes was 9. As prices declined, more homeowners were at risk of default or foreclosure. House prices are expected to continue declining until this inventory of unsold homes an instance of excess supply declines to normal levels. As of September , approximately 1. During September , 57, homes completed foreclosure; this is down from 83, the prior September but well above the " average of 21, completed foreclosures per month. Speculation Speculative borrowing in residential real estate has been cited as a contributing factor to the subprime mortgage crisis. While homes had not traditionally been treated as investments subject to speculation, this behavior changed during the housing boom. Media widely reported condominiums being purchased while under construction, then being "flipped" sold for a profit without the seller ever having lived in them. In part by apparently misreporting their intentions to occupy the property, investors took on more leverage, contributing to higher rates of default. The entire American public eventually was caught up in a belief that housing prices could not fall dramatically. In the years before the crisis, the behavior of lenders changed dramatically. Lenders offered more and more loans to higher-risk borrowers, [6] [92] including undocumented immigrants. Financial Crisis Inquiry Report , p. First, "stated income, verified assets" SIVA loans replaced proof of income with a "statement" of it. Then, "no income, verified assets" NIVA loans eliminated proof of employment requirements. Borrowers needed only to show proof of money in their bank accounts. All that was required for a mortgage was a credit score. The interest-only adjustable-rate mortgage ARM , allowed the homeowner to pay only the interest not principal of the mortgage during an initial "teaser" period. Even looser was the "payment option" loan, in which the homeowner has the option to make monthly payment that do not even cover the interest for the first two or three year initial period of the loan. After the initial period, monthly payments might double [95] or even triple. The use of automated loan approvals allowed loans to be made without appropriate review and documentation. Treasury bonds early in the decade. Further, this pool of money had roughly doubled in size from to , yet the supply of relatively safe, income generating investments had not grown as fast. Investment banks on Wall Street answered this demand with financial innovation such as the mortgage-backed security MBS and collateralized debt obligation CDO , which were assigned safe ratings by the credit rating agencies. In effect, Wall Street connected this pool of money to the mortgage market in the U. By approximately , the supply of mortgages originated at traditional lending standards had been exhausted. However, continued strong demand for MBS and CDO began to drive down lending standards, as long as mortgages could still be sold along the supply chain. Eventually, this speculative bubble proved unsustainable. NPR described it this way: From to , the median household income stayed flat. And so

the more prices rose, the more tenuous the whole thing became. By late , the average home cost nearly four times what the average family made. Historically it was between two and three times. People would close on a house, sign all the mortgage papers, and then default on their very first payment. No loss of a job, no medical emergency, they were underwater before they even started. And although no one could really hear it, that was probably the moment when one of the biggest speculative bubbles in American history popped. Subprime mortgage market[edit] Number of U. Subprime borrowers typically have weakened credit histories and reduced repayment capacity. Subprime loans have a higher risk of default than loans to prime borrowers. Nine states were above the national foreclosure rate average of 1.

Chapter 6 : The Global Impact of America's Housing Crisis by Martin Feldstein - Project Syndicate

*The American Housing Crisis (At Issue Series) [Susan C. Hunnicutt] on calendrierdelascience.com *FREE* shipping on qualifying offers. Discusses issues relating to the current housing and mortgage crisis in the United States, including if there should be more government regulation of mortgage lending.*

By Michael Hobbes 3. For decades, city, state and federal policies have contributed to rising rents, falling subsidies and the systematic shift of homeownership to older, richer and whiter Americans. The housing crisis is the ticking time bomb at the heart of the American economy, wiping out savings, increasing inequality and reducing the ability of workers to weather the next recession. It has been in front of us all along, but now, finally, it is impossible to ignore. This has obvious human costs. In , nearly half of renters were considered cost-burdened i. Rising rents also have indirect impacts. The Harvard study noted that the cities with the greatest increases in housing costs also have the greatest increases in homelessness. Displacement leads to sprawl, long commutes and workers spending more time away from their families. From cheap restaurants to affordable childcare to neighborhood community centers, rising rents are a tsunami that sweeps away support networks and social amenities critical to low-income residents. The Harvard study found that the fastest rise in home prices is at the low end of the market. The reason for this appears to be that low-cost housing is simply disappearing from the market. Since , more than 2. Between and , prices in poor urban neighborhoods rose 50 percent faster than in rich neighborhoods, forcing residents to choose between spending an ever-increasing share of their income on rent or moving away. The housing crisis has come to the suburbs. In its best year since, the country built just , This makes no sense. Though the American population has been growing steadily, there are now fewer homes on the market than in any year since Despite seemingly bottomless demand, the construction of apartment buildings fell by 10 percent last year. Americans move less now than they used to, meaning fewer are putting their homes up for sale. Construction costs are also booming due to higher material costs. And major cities have fewer plots available for development. America also has a nationwide shortage of construction workers. According to the Harvard report, building firms have , job openings, the highest number in a decade. And yet, despite persistent labor shortages, construction worker wages are rising slower than the rest of the private sector. Ken Davies via Getty Images America builds a lot of these. Madden said that all these costs, taken together, mean developers can only make a profit on high-end apartments and McMansions. Almost half the apartments built in were in large buildings of more than 50 units; nearly nine out of 10 had swimming pools. Rents and homebuilding vary wildly from city to city as populations move and sectors boom and bust. But here, too, the news is grim. In , just one city in America had homes that cost, on average, more than six times the annual median income. Today, 22 of them do. And this number is only going to grow. Rounding out the top five were Los Angeles 9. Almost three-quarters of Pittsburgh residents own a home, compared to fewer than half of Los Angeles residents. As prices continue to rise, high-cost cities will have a greater proportion of the population vulnerable to displacement and spending more of their paychecks on rent rather than savings, pensions or other forms of equity. Since , white homeownership rates have increased by 3. Black Americans are now nearly 30 percent less likely than whites to own a home. Hispanics and Asians, while increasing their homeownership rates faster than whites over this period, still trail by But the racial wealth gap goes much deeper. Even among homeowners, African-Americans and Latinos have less than half the net worth of whites. Among renters, blacks and Hispanics are more likely to be spending more than 30 percent of their income on rent even when they earn the same salaries as whites. In high-demand cities, homebuyers receiving housing assistance or nonconventional loans often lose out to cash offers or applicants with traditional loans. Black applicants are twice as likely to be denied home loans as white applicants. While many cities have programs to help veterans, minorities and low-income families with down payments, housing costs in many cities are now so high that even a 3 percent down payment is out of reach. By now, 51 percent of blacks and 44 percent of Hispanics live in these areas of concentrated poverty, compared to just 17 percent of whites. According to numerous studies, children who grow up in areas of concentrated poverty are disadvantaged on nearly every measure , from

school quality to violence to social mobility. All of this adds up to one inescapable conclusion: For some Americans, housing is a way out of poverty. For others, it is the trap keeping them there. In nearly every way, rising home values and booming rents have benefitted older Americans while holding younger Americans back. Though every age bracket contains significant inequalities, Americans over 65 are the only cohort with higher homeownership rates now than in 1990. Homeownership for every other age group has fallen significantly. Joint Center for Housing Studies of Harvard University Older people have always had more net worth than younger people, of course, but never like this. Thirty years ago, families headed by someone over 62 had eight times the median wealth of families headed by someone under 30. By 2010, older families had 15 times the wealth of younger families. Though stocks and other forms of equity play a role in this divergence, homeownership is a significant factor. In high-cost cities like San Francisco, Boston and New York, millions of homeowners have doubled or tripled their net worth in the last decade thanks to the appreciation of their homes. This gives them easier access to credit and the option of selling their home for cash or renting it for retirement income. It also, crucially, gives them an incentive to prop up home values even further. This fundamental mismatch between renters, who want property prices to fall, and owners, who want them to rise, is already the defining political battle in many growing cities. Census surveys show that mobility, especially moving within the same city, has been declining for a decade now. If baby boomers stay put, that will put an even greater strain on the housing market, as many live in large homes where two, three or four bedrooms sit empty. Large swaths of growing cities are actually becoming less dense even as demand for housing explodes. Policies At Every Level Are Making It Worse The Harvard report noted that the only American cities where rent growth slowed down last year were those that added more new apartments than new renters. From 2000 to 2010, when the city was adding fewer units, rents went up 5 percent every year. But while building more homes in growing cities is a necessary condition for solving the housing crisis, it is not a sufficient one, Madden said. Rents are still unbearably high, and the costs of building show no sign of coming down. The only way to bridge that gap is for cities to deliberately build, fund, preserve and encourage affordable housing. Madden estimated that Seattle, like other cities, has dozens of affordable housing projects ready to be built, but no funding to build them. An injection of cash could put up to 3,000 units of affordable housing into the pipeline within a year, he said. Since 2000, as the number of low-income families has increased by 6 million nationally and the number of cheap apartments has fallen by 2. Other policies at the federal level also make this harder. Grants for public transportation are under constant threat. Public housing, too, continues its decades-long deflation, with the number of units falling by 32, last year, its lowest level since the early 1970s. The closest thing to good news in the Harvard report is that the housing crisis is man-made. Policies got the U.S.

Chapter 7 : America's Affordable Housing Crisis: A Contract Unfulfilled

The legislation, titled the American Housing and Economic Mobility Act, is perhaps the most far-reaching assault on housing segregation since the Fair Housing Act.

The book was published on 16th June, two days after the Grenfell Tower fire. The deaths of at least 80 people almost certainly more have exposed not just the historic failures of housing policy, but also deeper fissures in our urban social fabric. Grenfell symbolises the conflict between housing as a private commodity, or a social asset – a dichotomy personified by Donald Trump. Before Grenfell, I argued the UK was following in the housing footsteps of the US, with potentially disastrous consequences. After Grenfell, that warning feels even more pertinent. This cross-fertilisation has, at times, appeared to define the differences between the two nations, with attitudes to housing reflecting wider cultural and political divergence. But it has now reached a critical point of convergence reflected in a common housing crisis. I argue there are five broad features of this shared US-UK housing experience: Relentless government attacks on municipally-owned rented housing as part of a wider assault on public services. The unchecked rise of private landlordism as part of a broader advancement of private sector, profit-seeking interests. Growing corporate links between US and UK housing in the context of global speculative property investment. Socially-divided cities characterised by displacement and denigration of poor and working class people and communities. The ideological promotion of housing as a commodity, not a home. The common origins of US and UK housing policy lie in attempts to alleviate the conditions of the 19th century industrial city. When utopian, charitable and philanthropic measures proved inadequate, the American and British establishments, under mounting pressure from organised labour, reluctantly accepted the need for action. However, from this early stage, differences emerged. In the UK, the Housing of the Working Classes Act enabled newly-created UK public authorities to clear and rebuild slums, paving the way for council housing. Nine years later the Prince of Wales opened the thousand-home Boundary Estate, the first of its type and scale in the world, still standing as a testament to its enduring quality and still in public ownership. Faced with the same problem, the New York Tenement House Act concluded that improving the conduct of private developers and landlords, rather than replacing them, was the route to better conditions. As Peter Hall notes, American reformers feared that: From this fork in the road, both nations proceeded in a fashion reflecting their social characteristics. In the first quarter of the 20th century, the UK continued to build council housing against the backdrop of a strengthening labour movement and periodic rent strikes which gave added impetus to creating alternatives to private landlordism. It was not until the crisis of the Great Depression that the US began to explore the possibilities of large-scale State intervention on housing. From the outset, US public housing was treated as ancillary to various other policy objectives, particularly job creation, but never as a rival to the supremacy of home ownership, which has enjoyed continuous financial, political and ideological support from US governments. The same is true of the UK, but for most of the 20th century, council housing was also part of the social and policy mainstream, providing a home to 30 per cent of the UK population by the end of the 1950s. When the US Housing Act was introduced, it could only gain political endorsement on the basis that it would not impose Federal decree over local decision making, a tension that continues to shape US housing policy. From the beginning, there was also an absolute requirement that public housing would never be allowed to rival the private sector as the primary provider of new homes. There is something constant and fundamental in the relationship between America and property that needs to be recognised. The founding acts and principles of the nation were based on acquisition and enshrinement of land rights. These were exercised, most obviously and brutally, at the expense of Native Americans and established a commodification of land that has been ingrained in the European American psyche. But it would be wrong to regard US housing policy as monolithic. Initially made available to former servicemen, the scale of State support for private home ownership soon outstripped that for public housing. This spurred the development of the American suburbs and entrenched ethnic and skin colour divisions in US cities. Only white veterans were entitled to government-funded low-cost home ownership. African-Americans were effectively excluded from the expanding suburbs and consigned to neglected inner-city areas, often with appalling housing conditions.

Housing has been an instrument of racism in many times and places, but has gained prolonged legitimacy in America. Concerns, often expressed in moralistic, stigmatising and racialised terms, have been visited on public housing in particular. A series of stereotypes have politically, physically and socially marginalised public housing and the people who live in it. UK council housing has been the target of similar treatment since the s. In both countries, the winding-down of direct State housing investment and provision has been accompanied by a variety of devices for advancing the role of the private sector, with significant trans-Atlantic mimicry. Both US and UK governments have used the camouflage of so-called partnership and regeneration to achieve the privatisation of public and council housing respectively. This ideologically-driven assault has sought to create a more diverse range of housing providers and funding mechanisms, leading to increasingly complex and misleading definitions of affordable and social housing. While this book will focus on the growing resemblance between US and UK housing, there remain some fundamental differences. Perhaps the biggest of these is the extent of legal entitlements to housing. In the UK, certain categories of people – notably parents with children – can still present themselves as homeless to a local authority which then has a duty to house them however inadequately. No such protection exists in the US. Furthermore, a substantial part of access to low cost housing in the US is controlled and administered by a voucher system which enables eligible tenants to find housing in the public, or more likely, private rented sector. Access to public and other non-market housing in the US is rigorously controlled by means-testing, with rigid income limits and rent calculated as a proportion of income. Historically, the private rented sector has been far more sizeable in the US. This has changed dramatically in recent years. Private renting fell steadily in the UK during most of the 20th century – in inverse proportion to the rise of council housing – and settled at around eight per cent. That trend has now reversed. UK private renting has doubled in the last decade and is fast approaching US levels of 30 per cent, while social housing has fallen to 16 per cent, of which council homes make up only half. This book will describe and explore a host of local issues illustrating that US and UK housing are morphing. The transnational force driving them together is the increasing economic reliance of both countries on the so-called FIRE sector of finance, insurance and real estate or property. This in turn relates to structural economic changes over the last four decades through the deregulation of global investment markets. The result is the increasing commodification of housing, now a speculative investment vehicle for vast flows of global capital, the volatility of which brought repossession and homelessness for many in the sub-prime crisis of The grip of the international property machine has intensified since the great recession. Its primary targets are the high value areas of US and UK cities where over-heated housing markets are transforming, traumatising and trashing local neighbourhoods, particularly those with high concentrations of non-market housing. The cross-fertilisation of US-UK housing was graphically demonstrated in October at a London convention of global property developers. The US template of large-scale institutional investment in private renting was fawned over and illustrated in the conference brochure by a picture of the road to a house paved with dollar bills.

Chapter 8 : The Deep, Uniquely American Roots of Our Affordable-Housing Crisis | The Nation

The housing crisis is the ticking time bomb at the heart of the American economy, wiping out savings, increasing inequality and reducing the ability of workers to weather the next recession.

Chapter 9 : America's Housing Crisis Is Spreading To Smaller Cities | HuffPost

A decade after the subprime mortgage crisis, The Penny Hoarder looks back on how the American dream of homeownership became a nightmare for millions.