

A Home in the Country: Shelter Poverty in Rural America

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As a Woodrow Wilson visiting fellow, this is the first time I've been invited to a college that is actually located in a rural area, even though rural housing is the focus of my professional work. Let me tell you briefly what my organization – the California Coalition for Rural Housing – does to confront the need for decent housing. Formed in 1976, CCRH is a statewide coalition of community-based nonprofit developers and advocates of affordable rural housing. Our principal mission is to achieve state funding and other supports necessary to enable the production and preservation of housing for rent and ownership by rural and low-income Californians, including large families, farm workers, and the elderly.

In my presentation, I hope to: describe key housing trends and problems facing rural towns and places in the U.S., discuss the federal response to this problem, and identify some of the uniquely rural obstacles and corresponding solutions that have had success in alleviating rural shelter poverty.

THE MEANING OF RURAL

One of the most difficult questions in any discussion of rural housing is defining *rural*. The term 'rural' is elusive. It is often misunderstood and, in some cases, lampooned. One of my colleagues

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suggested, half in jest, that I check the web under “redneck jokes.” These so-called jokes are grossly stereotypic and insulting. But, to my surprise, half of the proffered definitions have to do with images of poor quality housing.

Transpose the word ‘rural’ and you have a pretty good description of the housing problems of the rural poor. For example, you might be rural and poor if...

“The directions to your house include ‘turn off the paved road’.” Yes, there is often a severe lack of roads and other infrastructure.

“Every electrical outlet in your house is a fire hazard.” Yes, the housing is often at risk of fire damage.

“Your screen door has no screen.” Yes, the housing is often drafty and in disrepair.

“You have a house that’s mobile and five cars that aren’t.” Yes, mobile homes are a major source of low-cost housing for the rural poor.

The best definitions of rural are, however, based on population size and density. The Census defines rural, generally, as towns and places with a population of 2,500 or less and open, sparsely settled country. The U.S. Department of Agriculture (USDA) defines rural as towns and places with population of 10,000 or less, or 20,000 or less if located in non-metropolitan areas with a shortage of mortgage credit.¹

KEY RURAL HOUSING TRENDS AND CONDITIONS²

To understand shelter poverty in rural housing, it is first important to understand current demographic and economic trends and conditions:

Demographics

For much of our nation’s history, most Americans lived in rural places. In 1800, more than 9 of 10 persons were rural, with only 6% living in cities. By 1900, the rural population had fallen to about two-thirds. By 1920, it had dropped to 50%. Even in 1940, 43.5% of the population was rural. Today, rural residents make up only one-fifth of the total population.

From 1990 to 2000, the U.S. added 32.7 million new people, increasing to 281.4 million (an increase of 13.2%). Roughly, 55.4 million people, or 20%, live in non-metro areas. Since 1990, the non-metro population grew 10%, while the metro population grew by

14%. Rural population growth has been most profound in the western U.S., which has seen non-metro growth more than twice the national average.

In stark contrast, the Plains states east of the Rockies experienced minimal population growth and, in some cases, lost population. Depopulation continues a trend that has been occurring for decades as small family farms and rural towns decline. However, the Midwest still has the highest percentage of non-metro residents of any region – 26% – followed closely by the South with 25%. The South also has the greatest number of rural residents. In fact, 44% of non-metro persons in the U.S. live in the sixteen southern states.

Among states, Texas has the greatest number of non-metro residents (3.1 million) and twelve states have more residents in non-metro areas than metro. With this shift in population distribution and growth has come an increasingly diverse population. The 2000 Census reveals the most racially and ethnically diverse nation in our history.

Non-metro areas, however, tend to be more homogeneous than the nation as a whole. Nationwide, 69% of the population is white and non-Hispanic; in non-metro areas, 82% is white. This is partly explained by the exodus of African Americans from the rural South to large cities and the tendency of new immigrants to settle in cities. In non-metro areas, African Americans are still the largest minority group, accounting for 9% of the total. Nine of every ten non-metro African Americans lives in the South.

Although representing 5.6% of the non-metro population, Hispanics are the fastest growing segment. From 1990 to 2000, the non-metro Hispanic population grew by 70%, especially in the Southeast and upper Midwest, and accounted for one-quarter of all non-metro population growth in the U.S.

During the next thirty years, the elderly population in the nation will more than double. This trend is especially true in rural areas. While the median age in the nation is thirty-five, in non-metro areas it is thirty-seven. Currently, 15% of the non-metro population is elderly, compared to 12% in metro areas. Baby boomers – 35 to 55 – make up 29% of the non-metro population and will move into the ranks of the elderly during the next few decades.

In contrast, only 19% of the non-metro population are young adults of twenty to thirty-four, while, nationwide, 21% of the population are young adults. This is because many young adults leave

for jobs, schools, and more opportunities in metro areas.

The structure of the rural household is also changing. Overall, the traditional nuclear family is more prevalent in non-metro areas than the nation as a whole. Seventy percent of rural households are families. Nearly 80% are headed by married couples and 46% include children under eighteen. Increasing numbers of non-metro families with children are headed by a grandparent. Also, the number of rural, non-family households is increasing rapidly. Among these households, 84% are persons living alone, of which a large portion is elderly.

Rural household sizes are also decreasing. Historically, rural household size has been greater than in cities due to higher marriage rates and use of children in farm families. Today, average household size in non-metro areas is lower than the nation as a whole.

Finally, another noticeable shift from 1990 was in rural education levels. The proportion of non-metro residents lacking a high school diploma fell by 7%. Yet, despite this progress, educational attainment levels in non-metro areas lag well behind those in the nation, as a whole.

Economics

The last decade of the twentieth century witnessed one of the most dramatic economic expansions in our nation's history. Generally, rural America's economy also benefited from this expansion as earnings increased and unemployment fell. But economic stagnation and poverty remain problems in many rural communities. Industries, such as agriculture, forestry, and mining, which dominated for a better part of the last century, have continued to decline. Manufacturing now accounts for only 18% of all jobs in non-metro areas. Service and retail industries, which tend to pay lower wages than manufacturing, experienced dramatic growth.

Poverty remains a huge problem in rural America: About 7.8 million persons in the non-metro U.S., including disproportionate numbers of minorities, are poor. While the poverty rate for the total rural population is 14.6%, the poverty rate for African Americans is 33%, Hispanics 27%, and Native Americans 30%. Nineteen percent of rural children are poor, compared to 13% of rural adults and 12% of rural seniors. All but eleven of the 200 poorest counties in the U.S. are non-metropolitan. Some non-

metro counties, particularly those with large Native American populations, have poverty rates above 40%.

Housing

Of the approximately 106 million occupied units in the nation, roughly twenty-three million, or 22%, are located in non-metro areas. As the population and economy of rural America have changed, so too have rural homes. For the most part, these changes have been positive, but problems persist:

- Affordability and credit problems have increased.
- Some physical inadequacies remain.
- Nearly 30% of non-metro households, or more than 6.2 million, have at least one major housing problem.
- Most rural homeowners or renters are cost-burdened (they pay more than 30% of their income for housing).

One area where rural America has done relatively well is in creating homeownership opportunities, particularly for minorities. Nationwide, the homeownership rate is 68%, the largest percentage ever. The rural ownership rate is even higher – 76%. As is true nationally, in non-metro areas homeownership rates for minorities are much less than for whites. But the ownership rate for rural minorities is 14% higher than the rate for minorities in metro areas. Moreover, rural minorities made significant progress during the 1990s. The number of minority non-metro owners increased by 35% compared to 16% for non-metro whites.

Despite the fact that America's rural renter households experience some of the country's worst housing problems, the importance of rural rental housing stock is oft-ignored. Rural renter households:

- Have lower incomes than owners.
- Are more likely to have affordability problems.
- Are twice as likely to live in substandard housing (12% compared to 6% of owners).

Minorities in rural areas are among the poorest and worst housed groups in the country. Non-white and Hispanic rural households are three times more likely to live in substandard units

than white rural households. Minorities are also more likely to live in inadequate housing in non-metro areas than in metro areas. Rural blacks have particularly high substandard housing rates, as nearly one in five lives in poor quality housing.

The number of households experiencing crowding in rural America grew slightly during the 1990s. Overcrowding is particularly a problem among Hispanics, who occupy one-quarter of all crowded housing units in non-metro areas. Unfortunately, housing cost, quality, and crowding are not mutually exclusive. An estimated 662,000 rural households have two or more of these problems. Not surprisingly, minority households are disproportionately among households with multiple problems.

While the housing market has remained relatively strong nationally, many rural housing markets still suffer from:

- Limited access to quality credit and affordable mortgage sources, which impacts the investment potential of many rural homes.
- Federal funding for rural housing has not kept pace with need.

In fact, funding for programs targeting very low-income households has been reduced in favor of funding for programs helping higher-income families.

Now, let's take a brief look at Huntingdon County. According to the National Low-Income Housing Coalition, even here, where housing is relatively affordable, there is an affordable housing problem for minimum wage workers earning \$5.15 an hour.³ A minimum wage worker, paying 30% of gross monthly income for rent, would have to work sixty-nine hours to afford the U.S. Department of Housing and Urban Development (HUD) Fair Market Rent (FMR) of \$462 for a 2-bedroom apartment, ninety hours for a 3-bedroom apartment renting at \$604, and 101 hours for a 4-bedroom apartment at \$674.

THE FEDERAL ROLE IN RURAL HOUSING

Now, let's talk briefly about the federal response to the need for rural housing. The federal role in rural housing can be said to date from the Homestead Act of 1862. The Act provided land grants –

free land – to families who agreed to settle on and develop family farms in the Great Plains and beyond. It contributed to the westward expansion of the U.S.

In the modern period, the earliest emergence of a federal role in rural housing is usually dated from the mid-1930s – the heart of the Great Depression. No doubt, many of you have read and seen the *Grapes of Wrath* – which reflects a time when many rural families were displaced because their homes and land were foreclosed and taken back by banks. In response, the federal government created the Resettlement Administration and the Farm Security Administration to help resettle families on viable family farms.

However, 1949 is when the rural housing program really emerged as a sustained commitment. That year, Congress passed perhaps the most important housing legislation in our history. The Housing Act of 1949 committed the nation, for the first time, to the goal of safe and decent housing for all Americans. For rural housing, the Act created two new programs and placed them within the U. S. Department of Agriculture's newly created Farmers Home Administration (FMHA). Both of these programs exist to this day and are mainstays of the rural housing effort. Section 502 provides mortgage loans down to 1% interest for first-time homebuyers living in contractor-built and self-help housing (housing built, in part, by families who will live in the homes). Section 504 provides grants and loans for home repair.

Since then, Congress has created other USDA programs targeted to low- and very-low income families living in rural areas. Section 515 offers loans down to 1% to encourage developers to build low-rent housing. Section 514/516 makes loans and grants to enable development of housing for permanent and migrant farm workers. Section 521 provides rental assistance to reduce rents paid by tenants in section 515 and section 514/516 housing to no more than 30% of tenant income. Section 523 authorizes grants to non-profit agencies to pay for construction supervision for families building their own homes under the section 502 homeownership program. In addition, USDA provides assistance to rural communities seeking to improve water and sewer facilities and economic opportunities.

The other federal agency providing assistance to rural areas is the U.S. Department of Housing and Urban Development. The

main HUD programs benefiting rural areas are:

- Community Development Block Grant (CDBG) – Grants to states and local governments for housing, economic development, and community facilities.
- Home Investment Partnership (HOME) – Grants to states and local governments for housing construction, rehabilitation, and acquisition.
- Public housing – Publicly owned and operated housing for rent to very low-income families.
- Section 8 – Rental assistance to cover the difference between unit rents and 30% of tenant income.

Altogether, these programs have made an enormous impact on rural housing conditions. They have helped increase the rate of rural homeownership to the highest level ever, reduced housing quality problems to the lowest level ever, and provided needed rental housing for large families, farm workers, the elderly, and other special-needs populations.

CURRENT PROBLEMS AND SOLUTIONS

In the past few decades, dramatic progress has been made in improving rural housing quality: 1.6 million or 6.9% of non-metro units are either moderately or severely substandard. That's the good news! The bad news is that we have a very long way to go to resolve rural housing needs. Current problems include:

- Lack of buildable sites – Rural areas lack sites that have sewer and water facilities, roads, and other basic infrastructure needed to support new affordable housing.
- Lack of capacity – Rural areas lack nonprofit development organizations and local governments that have the expertise and resources to make a significant impact on rural housing improvement.
- Lack of political will – Rural areas often are resistant to change, do not want federal and state involvement in local affairs, and have negative images of affordable housing.
- Lack of private credit and capital – Rural areas chronically lack private banks and investors willing to fund affordable

housing development and improvement.

- Lack of public funds – Federal and state funding for rural housing has not kept pace with the need.

In closing, I'd like to leave you with a couple of thoughts. First, solving the rural housing problem, in my view, means confronting head-on the problems I just listed with a sustained public and private commitment. Second, no solution to the rural housing problem will occur without significant involvement of the federal government.

On the second issue, one can legitimately ask: do we now – in fact, have we ever – really had a national commitment to solving the nation's housing problem, particularly for low- and very low-income households? Here are some thoughts on what a national housing policy committed to ending shelter poverty would look like. It would:

- Directly fund the production and preservation of affordable housing for rent and ownership through budget appropriations.
- Provide more opportunities for resident and community control of housing in order to ensure that it remains available and affordable in perpetuity.
- Eliminate or minimize reductions of affordable housing and the displacement effects resulting from redevelopment and revitalization efforts.
- Remove local land use barriers to affordable housing provision.
- Rigorously enforce anti-discrimination and fair housing laws.
- Have a lot more to do with solving the housing problems of the poor than creating profitable opportunities for developers, lenders, investors, and many others who benefit financially from housing assistance efforts.

One last point is particularly worth emphasizing. The stereotype of federal housing policy as a hand-out to the poor is misleading. In fact, the greatest beneficiaries of federal housing policy are middle- and upper-income households – and they don't even know it. According to the National Low-Income Housing Coalition, an estimated \$114 billion will not be collected by the federal government in 2002 because of deductions taken by mid-

dle- and upper-income homeowners and investors who offset taxable income against mortgage interest, property taxes, depreciation, and other benefits – an advantage not shared by renters.⁴ By comparison only about \$30 million was appropriated in 2002 for housing assistance to low- and very low-income families. In other words, for every four dollars in federal tax expenditures benefiting higher-income taxpayers, only one dollar flows from the federal budget to support the housing needs of the poor.

With that thought in mind, I want to thank you for coming and hope that you will take away a commitment to make a difference in helping to solve the housing problems you face locally and the poor face in the country as a whole.⁵



NOTES

¹ The term 'non-metropolitan' or 'non-metro' is often used interchangeably with rural, although there is a technical difference. In the interest of simplicity, however, I have collapsed the two terms into one.

² All of the data in this section are excerpted from *Why Housing Matters: HAC's 2000 Report on the State of the Nation's Rural Housing* (Washington, D.C.: Housing Assistance Council, December 2000).

³ See *Out of Reach: Rental Housing for Poor Families Farther Out of Reach than Ever* (Washington, D.C.: National Low-Income Housing Coalition, www.nlihc.org/pubs, September 2002).

⁴ See *Changing Priorities: The Federal Budget and Housing Assistance 1976-2007* (Washington, D.C.: National Low-Income Housing Coalition, www.nlihc.org/pubs, 2002).

⁵ For more analysis of the issues in this talk please see Joseph N. Belden and Robert J. Wiener, eds. *Housing in Rural America: Building Affordable and Inclusive Communities* (Thousand Oaks, CA: Sage Publications, 1999).