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Housing Cost Burden as a Civil Rights Issue: Revisiting the 2005 American Community Survey Data

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INTRODUCTION

High housing costs continue to plague the majority of low income households, exacerbating the financial challenges that low income families face. Recently, housing researchers have examined the phenomenon of housing inequality in terms of housing cost burden. Housing cost burden refers to the proportion of monthly income household devote to housing related expenses. Households usually expect to devote 30 percent of their income to housing costs. Such households are understood to have a low housing cost burden. When housing expenses amount to more than 30 percent of income, households face a moderate housing cost burden. Whenever 50 percent or more of a given household's income is spent on housing costs, that household faces a severe housing cost burden.

Most American households do not face moderately or severely burdensome housing costs. Severe housing cost burden tends to be greatest among those households with the lowest incomes.

In October 2006, the National Low Income Housing Coalition (NLIHC) released its annual assessment of housing cost burden using the most up-to-date data available from the American Community Survey (ACS) Public Use Microdata Sample (PUMS). Their analysis offers a compelling look into severe housing cost burden among low income households (Pelletiere and Wardrip 2006). Yet the NLIHC report largely overlooks the impact of these figures on different racial and ethnic groups.

In light of the historic and systemic racism that racial minorities—African Americans in particular—have faced in the housing market (Wilson 1987; Oliver and Shapiro 2006), we reviewed the ACS data to asses whether minority headed households experience disproportionately high rates of moderate and severe housing cost burden. We conclude that Blacks experience highly disproportionate housing cost burdens overall, and that significant differences in housing burden persist between poor Whites and Blacks even within similar income groupings.

METHOD

This paper revisits the housing cost burden data tabulated by the NLIHC, which was taken from the 2005 American Community Survey (ACS) Public Use Microdata Sample (PUMS). The NLIHC used the 2005 ACS data to create three distinct categorical variables: housing cost burden, income, and race.

Housing cost burden was calculated using the housing cost-to-income ratio for each household. For renters, this meant looking at the sum of contract rent and utilities (i.e. gross rent) relative to income. For owners, the cost-to-income ratio reflected the gross sum of monthly housing costs including: first and second mortgagees, utilities, taxes, insurance, and mobile home and homeowner association fees, as compared to income.¹ Based on these calculations, households were identified as either: Not Burdened, Moderately Burdened, or Severely Burdened.

Households were assigned to a particular income bracket based on reported income relative to the median size-adjusted family income for each household by state of residency. Five categorizations were used: Extremely Low Income (ELI) for households with incomes less than or equal to 30 percent of the median, Very Low Income (VLI) for households with incomes between 31 and 50 percent of the median, Low Income (LI) for households with incomes between 51 and 80 percent of the median, Moderate Income (MI) for households with incomes between 81 and 120 percent of the median, and Upper Income (UI) for households with incomes greater than 120 percent of the median.

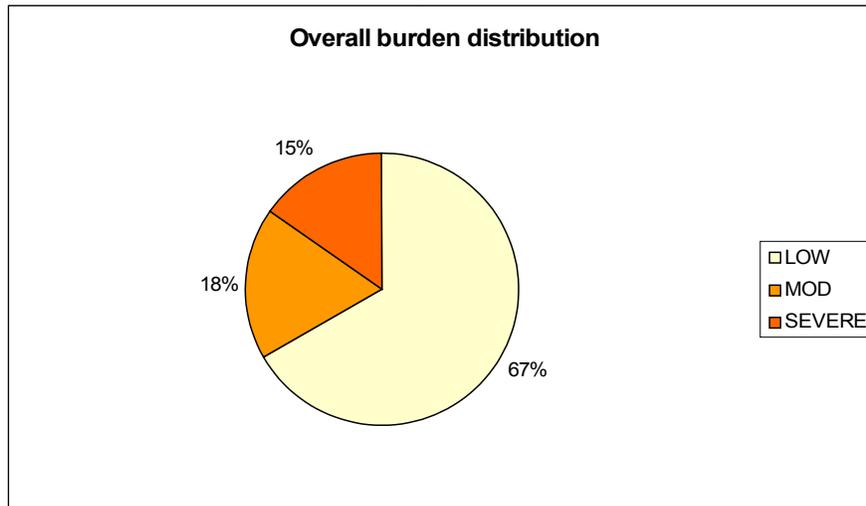
Racial categorizations for each household were based on the race of the person identified as head of the household (i.e. the “reference person”). Using this information each household was placed into one of four categories: White (non-Hispanic), Black (non-Hispanic), Hispanic (any race), or Other (for all other households not fitting into one of the three previous groupings—mostly Asian, Native American, and multiracial households).

DATA ANALYSIS:

In the ACS sample Whites made up approximately 71 percent of all households, with Blacks, Hispanics and members of other racial groups respectively forming the remaining 12, 11, and 6 percent respectively (data used for calculation of all statistics included in this report are provided in Appendix Table 1). Approximately 69 percent of households earn moderate or upper-level incomes while 24 percent earn extremely or very low incomes.

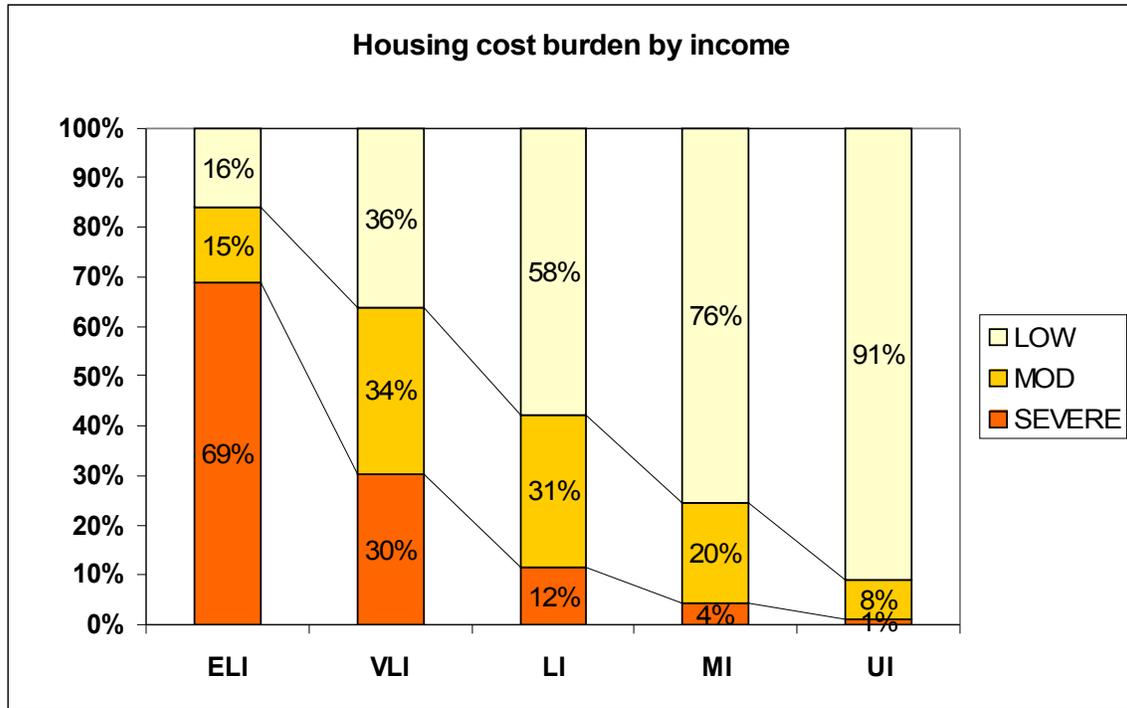
¹ The NLIHC provides thorough analysis on housing cost burden by tenure (Pelletiere et al. 2005; Pelletiere and Wardrip 2006; Pelletiere 2007). The question of tenure merits further consideration as related to systemic disparities in the distribution of wealth among African Americans and other minority populations compared with Whites in the U.S. to the extent that such disparities further contribute to unequal distribution of housing cost burden across racial lines.

Figure 1.



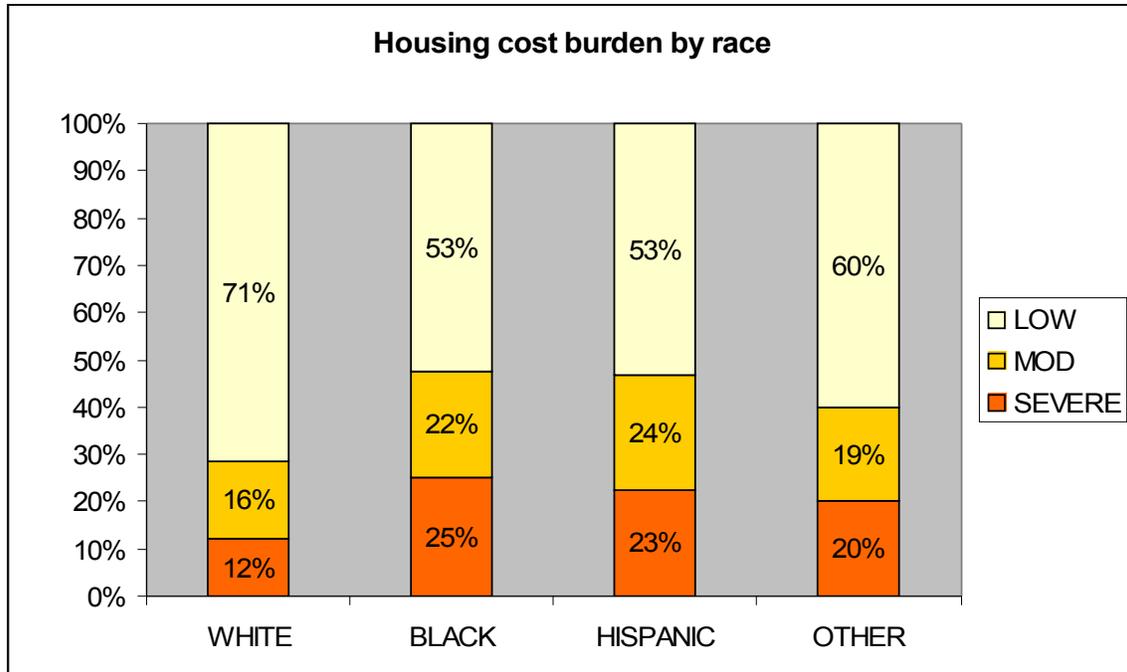
Although most households are not notably burdened by housing costs (see Figure 1), the extent of this burden is largely dependent upon income level. In households with moderate or upper incomes, 12 percent experienced moderate housing cost burden, while only 2 percent experienced severe housing cost burden. Though 24 percent of extremely and very low income households experienced moderate housing cost burden, most incidences of housing cost burden among these households were severe in nature (51 percent). See Figure 2 for a thorough breakdown of the distribution of housing cost burden by income.

Figure 2.



Overall, the ACS sample indicated that 67 percent of households experienced low housing cost burden, 18 percent experienced moderate housing cost burden, and 15 percent experienced a severe housing cost burden. Racial tabulations (see Figure 3) reveal an unequal distribution of this housing cost burden along racial lines.

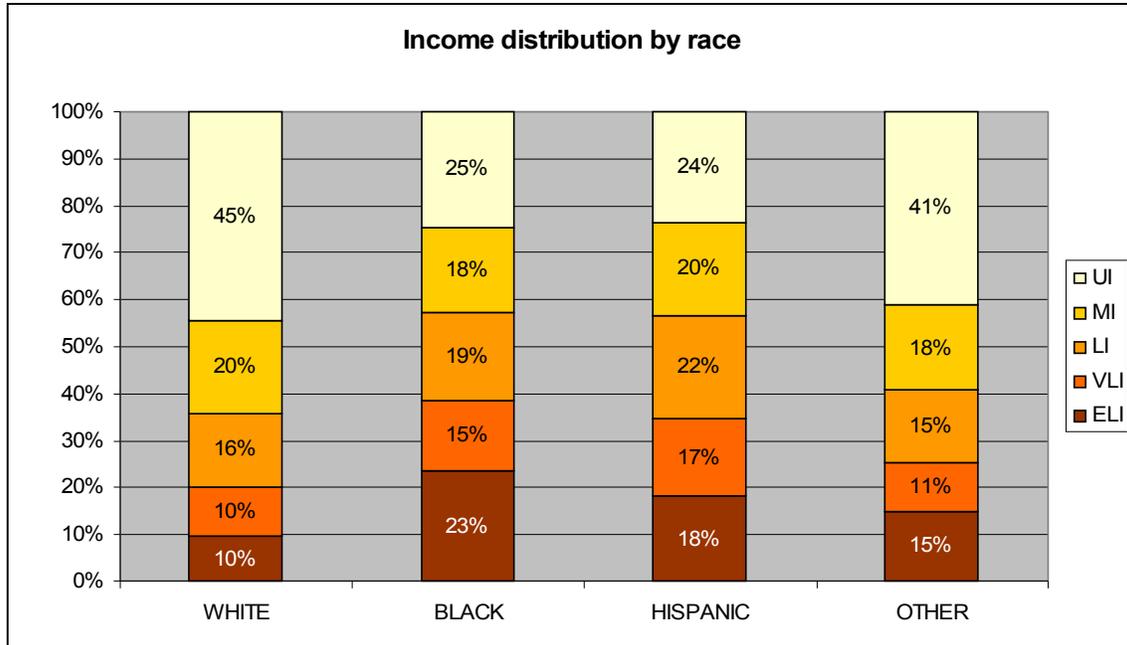
Figure 3.



Overall, Black and Hispanic households experienced 68 percent more moderate and severe housing cost burden than that White households experienced. Households headed by members of other racial minorities experience 39 percent more moderate and severe housing cost burden than that experienced by Whites.

Striking differences in income for different racial groups help explain these large disparities. African American and Hispanic households had disproportionately low earnings compared to White households. As noted in Figure 4 below, whereas the majority of White households had earnings in the upper income category, Black and Hispanic households were concentrated in the extremely and very low income categories.

Figure 4.



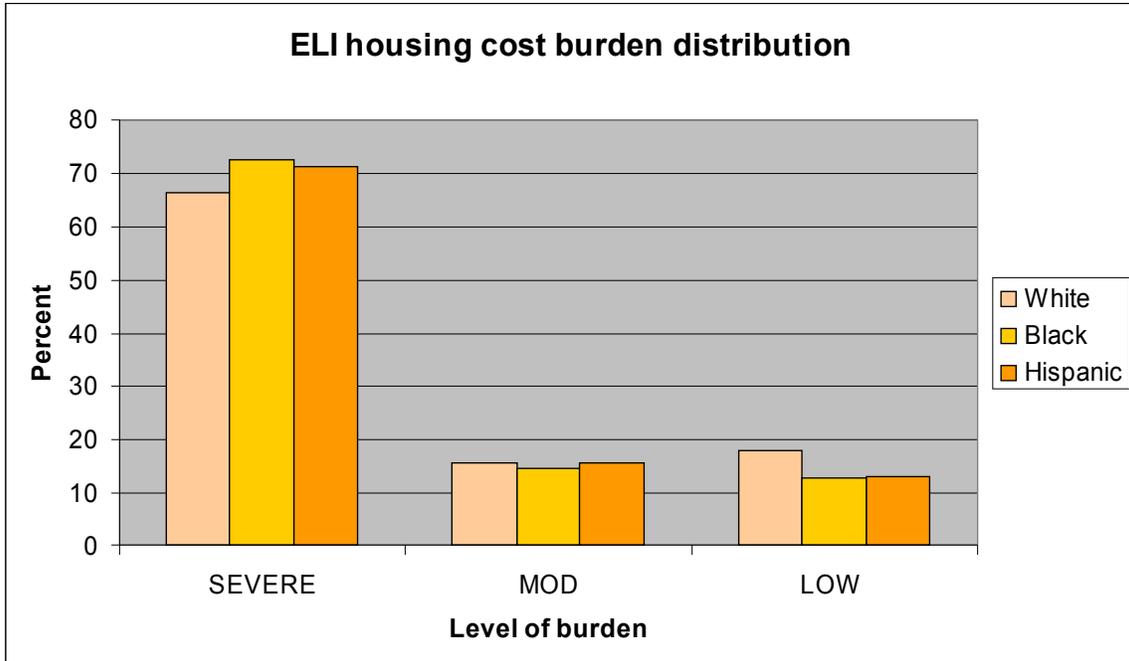
Racial Disparities in Housing Cost Burden among Very Low Income Households

High instances of poverty among Black and Hispanic are complicated by disproportionately high instances of severe housing cost burden among poor families of color. Eighty-two percent of extremely or very low income African American households faced a moderate or severe housing cost burden, as did 80 percent of Hispanics and 79 percent of other, non-white, households with very low incomes. These results underscore significant racial bias in the distribution of housing cost burden among poor families.

The overrepresentation of minority households experiencing severe housing cost burden held even when controlling for income. Figures 5 and 6 below highlight racial patterning in housing cost burden distribution within those households classified as extremely and very income. They show patterns of disproportionate housing cost burden by race persisted even among households in the same income categories, albeit to a lesser degree.

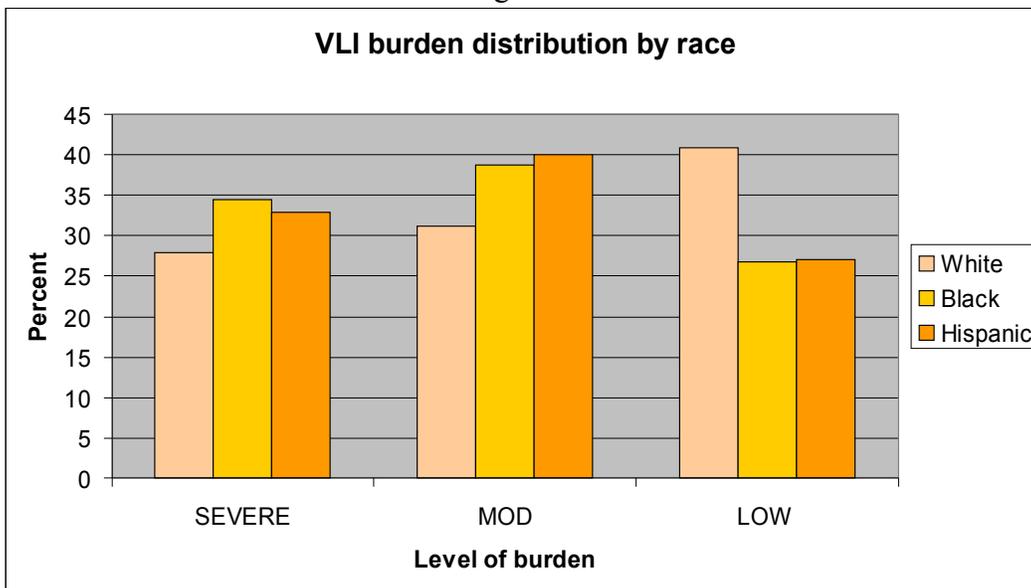
Among extremely low income households, 73 percent of African Americans and 71 percent of Hispanics experienced a severe housing cost burden, compared to a 66 percent instance of such burden among extremely low income White households. For extremely low income families the ACS data showed that Black and Hispanic households experience a proportion of severe housing cost burden roughly 10 percent larger than that experienced by Whites at this income level.

Figure 5.



Similarly disproportionate experiences of housing cost burden were found among very low income households, where African Americans and Hispanics saw severe housing cost burden at rates of 34 and 33 percent respectively compared with the 28 percent severe housing cost burden rate for Whites. In the very low income category, ACS data indicated that Black and Hispanic households experience about 21 and 17 percent, respectively, more severe housing burden than Whites. Additionally Black and Hispanic households experience roughly 25 and 29 percent more moderate housing cost burden than Whites experienced in this income range.

Figure 6.



Similar patterning was found among middle and upper income households. Here the burden distribution was 86 percent low, 12 percent moderate, and 2 percent severe without taking into account the race variable. As seen among extremely and very low income households, in the middle and upper income categories, Whites had fewer instances of moderate or severe housing cost burden than expected given their proportion in the sample, while Black, Hispanic, and households headed by members of other racial groups all saw over-instances of moderate or severe housing cost burden at 16, 19, and 20 percent respectively.

DISCUSSION

Though not unexpected, the findings of this report remain unsettling. Rates of housing cost burden were highly disproportionate by race. These striking racial inequalities primarily reflect the high concentrations of racial minorities in extremely and very low income households, but they persist even within similar income groupings.

Previous NLIHC reports have noted how the preponderance of low income households facing a severe housing cost burdens underscores an urgent need to provide affordable housing to poor families (Pelletiere et al. 2005; Pelletiere and Wardrip 2006). Yet our analysis further suggests that policymakers, who address the housing affordability concerns of low income families, must also consider how these policy efforts will work to ameliorate observed racial bias in severe housing cost burden among low income households.

How do we explain the racial differences in cost burden within similar income groups? One possibility is an uneven distribution of incomes by race even within the VLI and ELI groups. However it is likely that racial discrimination also plays a role. Massey and Lundy (2001) underscored how outright racial discrimination exacerbates housing shortages for poor African Americans. Their study demonstrated how landlords make inferences from vocal patterning to assess a would-be tenant's racial background and class status over the phone. Similarly, a 2000 national audit of housing discrimination found evidence of significant racial steering in rental markets (Zhao 2006).

The pervasiveness of moderate housing cost burden among middle and upper income households points to more than a pattern of living beyond one's means among middle class and wealthy households. Even at higher levels of income, the disparities in housing cost burden cannot be overlooked. Legal scholar Elizabeth Warren (2004), notes how minority middle class households are particularly susceptible to financial ruin through bankruptcy. Contrary to patterns seen among White households, Black and Hispanic homeowners were more likely than Blacks and Hispanics who did not own homes to file for bankruptcy. Warren posited that the relatively large proportion of Black and Hispanic homeowners who had been victimized by predatory lending and subprime mortgage rates while still struggling to make ends meet (See also Calhoun and Bailey 2006; Davis 2007). Against this background one sees how even for middle and upper income

minority households greater earnings do not ensure financial stability. Indeed, such instabilities are only exacerbated by moderate and severe housing cost burdens.

Regardless of income, all households benefit when families do not have to worry about the burdens of high housing costs. A low housing cost burden frees families to do other things with their income. Importantly, families with low housing cost burden are able to meet other needs that may have been prohibitively expensive in moderately and severely burdened households. Families may use the money to meet transportation needs, which Waller (2005) notes can facilitate access to higher paying jobs for poor families. Greater disposable income also allows families with children to secure childcare, and focus on health-related needs.²

CONCLUSION

The effects of structural inequality are compounded by a shortage of affordable and available housing for low income households. Recent research from National Low Income Housing Coalition points to a national shortage in the availability of affordable housing for extremely low income households such that in each state less than half of extremely low income renters could secure affordable housing (Pelletiere 2007). The crisis of housing cost burden for low income families is really an issue of the human right to decent, affordable housing. That the effects of housing cost burden are so divided along racial lines also implicates our domestic and international civil rights obligations. Housing cost burden must ultimately be resolved for all poor families, but in the meantime there is no excuse for continuing to impose harsher cost burdens on low income Black and Hispanic families.

² On August 28, 2007, U.S. Census bureau released the 2006 ACS data, which indicates that the number of un-insured African American is on the rise. The full press release is available at http://www.census.gov/Press-Release/www/releases/archives/income_wealth/010583.html.

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APPENDIX

Table 1. Housing cost burden tabulations from NLIHC

	WHITE, NOT HISPANIC					AFRICAN AMERICAN, NOT HISPANIC				
	ELI	VLI	LI	MOD	UPPER	ELI	VLI	LI	MOD	UPPER
Not burdened (0-30%)	1425590	3322745	7700948	12102203	32734583	390388	520243	1237906	1786280	2872498
Moderate burden (31-50%)	1244890	2538095	3553537	3055642	2668903	444902	751061	930353	482733	274306
Severe burden (>50%)	5263353	2268194	1389214	650620	336910	2209078	668013	272074	88698	27760
TOTAL HOUSEHOLDS	7933833	8129034	12643699	15808465	35740396	3044368	1939317	2440333	2357711	3174564

	HISPANIC, ANY RACE					OTHER RACE, NOT HISPANIC				
	ELI	VLI	LI	MOD	UPPER	ELI	VLI	LI	MOD	UPPER
Not burdened (0-30%)	275554	531921	1305102	1664001	2460472	137891	184136	453034	739524	2186167
Moderate burden (31-50%)	330005	787633	918214	511003	287333	103276	206455	314871	265227	306992
Severe burden (>50%)	1506687	647727	327098	126129	36971	666566	263522	172323	90248	51357
TOTAL HOUSEHOLDS	2112246	1967281	2550414	2301133	2784776	907733	654113	940228	1094999	2544516

Source: National Low Income Housing Coalition tabulations of 2005 American Community Survey PUMS data.