Historical Overview

Historically, federal housing policy increased housing stability for Whites while increasing instability and displacement for people of color. Federal policies and programs, such as the Federal Housing Authority (FHA) established in 1934 and the GI Bill passed in 1944, were instrumental in expanding homeownership opportunities to middle class households. However, lending practices such as redlining (see Segregation section) precluded many middle class African Americans and other people of color from realizing the American Dream. The Housing Act of 1949 provided federal funding to cities to acquire and redevelop areas perceived as slums. In practice, this displaced whole communities of color and, without affordable alternatives, they were relegated to public housing, thereby reinforcing segregation.1 Finally, FHA-backed loans through the 1960s were biased toward funding suburban housing, facilitating “White flight” from cities to the suburbs, while under-funding loans for construction of rental units for low-wage workers.2

The Fair Housing Act of 1968 outlawed discrimination in housing practices, and the Home Mortgage Disclosure Act of 1975 mandated bank disclosure of lending practices by race and location of loan applications for home purchasing, refinancing, or improvements. Despite the passage of these laws, the legacy of decades of unfair and inequitable housing policies persists. These historical factors, combined with diminishing federal funding for affordable housing, have contributed to situations in which low-income people and people of color continue to suffer from housing instability and displacement, and the associated health consequences.
What Research Tells Us

Affordable Housing and Links to Health and Stability

Housing is considered affordable when monthly housing costs, including utilities, are no more than 30% of total household income. Across the United States, housing-related costs are the largest household expenditure for most households. The Bay Area housing market, both rental and ownership, is unaffordable to many households for a variety of reasons. Rents, home sales prices, and the cost of living in general are increasing faster than wages. Market-rate housing production far outpaces production of affordable units just as the existing affordable housing stock in many places is decreasing. As a result, there is a mismatch between household income and the cost of housing—a mismatch between the need for and supply of housing that is affordable to low-income people. This housing crisis is characterized by renters and homeowners struggling and sometimes failing to meet monthly housing costs, as well as diminishing homeownership opportunities.

A lack of affordable housing has serious health consequences. The stress due to a lack of affordable housing is associated with a greater likelihood of developing hypertension, lower levels of psychological well-being, and increased visits to the doctor. Many households unable to secure affordable housing are forced to dedicate more than 30% of monthly income to housing, a situation known as cost-burden. Cost-burdened households have less disposable income for the prerequisites for good health—health insurance, nutritious food, childcare, and other important goods and services. Research shows that overpayment on housing is linked to inadequate nutrition, especially among children.

A lack of affordable housing forces many to live in overcrowded conditions or substandard housing. Overcrowding is linked to tuberculosis, respiratory infections, poorer self-rated health, and increased stress. Common substandard housing conditions, such as drafts, dampness, mold, old carpeting, lead paint, and pest infestations, are linked to recurrent headaches, fever, nausea, skin disease, sore throats, and respiratory illness such as asthma. Without affordable housing alternatives and with code compliance systems often either too overwhelmed or unresponsive to tenants’ needs, many tenants endure deplorable conditions.

When costs of housing are too high, people are often forced to move, a situation known as displacement. Displacement can result in the breaking of health protective social connections, posing a threat to health. Moving frequently is associated with higher rates of stress, mental health issues and child abuse and neglect. Housing stability is also associated with self-rated health status; as housing stability decreases, so does self-rated health status. Finally, the long commutes of workers who are forced to move away from their jobs to more affordable suburbs encroach on quality family time, as well as contribute to increases in greenhouse gases, both of which have health implications for generations to come.

The ultimate result of a lack of affordable housing options and the accompanying risk of displacement is homelessness. Homelessness is linked to higher rates of mortality and increased morbidity due to respiratory infections and poor nutrition. In addition, home-
lessness and living in temporary housing have been linked to behavioral problems and depression among children.7

**Housing Assistance Can Make a Difference**

A variety of government and non-profit led efforts are aimed at increasing the stock of affordable housing in the Bay Area. The majority of affordable housing funding is directed toward increasing access to rental housing because more high need and low-income people can be served. Homeownership programs are very expensive and, as a result, serve fewer people and usually target moderate income households. Housing assistance programs include: housing vouchers, known as Section VIII; public housing; supportive housing with employment, medical, or counseling services included; and a variety of programs and developments supported by non-profit agencies.

Affordable housing programs can positively affect health. Low-income families in subsidized housing, either receiving housing vouchers or living in public housing are more likely to obtain necessary medical care than those with comparable incomes living in unsubsidized and unaffordable housing.12 Children in low-income families that lack housing subsidies are more likely to have iron deficiencies and to be underweight than children in similar families receiving housing subsidies.13,14 Special needs populations (those exiting foster care, the homeless, those suffering from serious mental illness, the differently abled, seniors, and individuals with HIV/AIDS) who have subsidized housing are more likely to be consistent users of necessary services, including medical care than those not receiving subsidies. Subsidized affordable housing for special needs populations has also been shown to partially or even fully pay for itself through reduced utilization of emergency services.15,16 For poor people who have recently moved from low-income neighborhoods to higher income neighborhoods, use of housing vouchers is linked to better mental health outcomes relative to the mental health of persons using vouchers but remaining in poor neighborhoods.17

**Housing Discrimination, Sub-Prime Lending and Health**

People of color, particularly African Americans and Latinos, continue to experience discrimination in the housing market, and are thus denied access to the health benefits that are associated with homeownership. African Americans and Latinos are less likely to receive prime—or regular rate—loans for home purchase, refinancing, and repair than Whites.18 These differences are not adequately explained by differences in characteristics such as income, education, wealth, marital status, or household size.18 Ironically, discrimination against borrowers of color has been so pervasive that the sub-prime lending market was initially welcomed because it promised to increase access to mortgage credit and homeownership.18

Sub-prime loans are those offered at a higher interest rate—or with more unfavorable terms—than regular (or prime) loans. Many sub-prime loans were distributed to borrowers who had little chance of completing repayment. Such loans are called predatory because borrowers often are not completely aware of the conditions of the loans unless they read all the fine print or ask complex clarifying questions.19

African Americans and Latinos were targeted to receive sub-prime loans for home purchase, as well as for home improvement and home refinancing.19-21 Overall, sub-prime loans were aggressively marketed to people of color, including those who should have qualified for prime loans.20 High-cost home purchase loans account for 52.9% of loans to African Americans, 47.3% of Latinos, 24.3% of Asians, and only 17.0% of loans to Whites.22 Even controlling for income, people of color tended to receive the most expensive sub-prime loans, and the disparities by race were worse at higher income levels.22 Such borrowers may have taken sub-prime loans because of discrimination in the prime market. Sub-prime loans have been more likely than...
prime loans to end in foreclosure, and since sub-prime
loans were disproportionately distributed in low-in-
come communities of color, such communities are
particularly affected.

Homeownership ending in foreclosure increases
displacement and instability, exposing households
and communities to a variety of health risk factors.
For households facing foreclosure—when a bank or
creditor reclaims a property for which the mortgage
holder failed to make payments—the sudden loss of
lifetime investments, savings, and stability is devastat-
ing. Foreclosures are a source of stress that can result
in mental health problems.7 Foreclosures can also
lead to community decline. One study found that an
increase of 2.8 foreclosures for every 100 owner-oc-
cupied properties was associated with a 6.7% increase
in violent crimes in those neighborhoods.20 Along the
same lines, a single family home left vacant because of
foreclosure depressed the home values within one-
eighth of a mile by 1.4% in low- to moderate-income
communities.20 Foreclosures cost cities in the form of
lost revenue from unpaid property taxes and falling
property values.20 Finally, foreclosures displace house-
holds, exposing them to the same health risks as those
displaced for other reasons as described above.

Benefits and Additional Risks of
Homeownership

For those able to access mortgage credit at a good rate,
investment in homeownership can be a long-term
investment in health. In the short term, the wealth ac-
cumulation associated with homeownership improves
access to neighborhoods with more health promot-
ing assets, such as grocery stores, places to exercise,
good schools, and so on, as well as to higher quality
housing.23 More long-term, homeownership sup-
ports inter-generational wealth—wealth that is passed
from parents to children, helping to ensure stability
and continued improved access to opportunities (see
Income and Employment section).

Studies show that homeownership confers health ben-
efits on homeowners and on communities. Relative to
renters, for instance, homeowners have better physi-
cal health outcomes, lower child unintentional injury
rates, higher self-esteem and lower levels of distress,
and more positive mental health which is associated
with lower blood pressure.24-27 These benefits accrue
independent of socioeconomic status, such that poor
homeowners have better health outcomes than poor
renters.26 Positive health-related social outcomes are
also observed among the children of homeowners. For
instance, they are more likely to graduate from high
school and score higher on standardized tests than the
children of renters.28 Finally, high rates of homeown-
ership are associated with neighborhood well-being.
Homeowners are more likely to be active in commu-
nity associations and to vote than their renting coun-
terparts in a given geographic area.28 Civic engagement
is essential for securing the goods and services neigh-
brhoods and their residents need to thrive.

Despite the benefits, homeownership is not free
of health risks. Studies show that homeownership
increases stress as the size of the associated mortgage
increases.26 Furthermore, households facing large
mortgage payments may use risky housing strate-
gies, such as dedicating too much income to housing,
overcrowding, or neglecting needed repairs in order to
stay afloat financially. Those unable to keep up with the
mortgage payments face foreclosure.

The benefits associated with homeownership are
also tempered by the conditions of the neigh-
borhood where the house is located. Historical patterns
of segregation and the current location of the bulk of
affordable housing force many low- to moderate-income families to purchase homes in neighborhoods
that are distressed. Such neighborhoods pose many
risks to residents’ health (see Segregation and Income
and Employment sections). Furthermore, wealth ac-
cumulation related to home appreciation is slower in
distressed neighborhoods, delaying or reducing some
of the health benefits of homeownership.
A Look at Alameda County

The legacy of discriminatory housing policies, as well as present day rising rents, stagnating wages, and discrimination in lending practices have contributed to rising housing instability and the unequal distribution of unhealthy housing-related conditions among Alameda County residents.

Lack of Affordable Housing: Wages, Prices, and Production

Access to healthy housing conditions is largely determined by peoples’ ability to find affordable units. Unfortunately, many low-income residents are unable to afford the housing in the current market due to low wages and the high cost of living in the Bay Area. According to one study, 53% of Alameda County renters are unable to afford the fair market rent for a two-bedroom apartment. Given recent employment trends, this situation is likely to get worse if left unaddressed. For instance, head-of-household workers in Alameda County’s three fastest growing employment sectors would have to hold two full-time jobs (or more) in order to afford a fair market rent for a two-bedroom apartment (Table 6).

The current mismatch between wages and housing costs is part of a larger trend. As city living has become more popular and redevelopment has attracted new, higher income residents to downtown areas, lower rental vacancy rates have driven-up rental prices in many cities in Alameda County. Further complicating things, the flood of foreclosed owners into the rental market is driving up rental prices. In the absence of protective policies and available affordable housing, rising rents may displace or threaten to displace current renters.

In addition, the average median sales price of single-family homes in Alameda County increased at a much faster rate than median household income between 1999 and 2006 (Figure 30). During this time median sales prices increased by 131% while median household income increased by only 15%.

Table 6: Wages vs. Fair Market Rents

<table>
<thead>
<tr>
<th>Employment Type</th>
<th>Median Hourly Wage ($2007)</th>
<th>Fair Market Rent for 2-Bedroom Apartment (2007)</th>
<th>Housing Costs as % of Income</th>
<th>Work Hours/Week Required for Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail salesperson</td>
<td>$11.37</td>
<td>$1,250</td>
<td>30%</td>
<td>98</td>
</tr>
<tr>
<td>Cashiers</td>
<td>$10.42</td>
<td>$1,250</td>
<td>30%</td>
<td>108</td>
</tr>
<tr>
<td>Office clerks</td>
<td>$15.48</td>
<td>$1,250</td>
<td>30%</td>
<td>69</td>
</tr>
</tbody>
</table>

low-, and moderate-income households (Figure 31). Alameda County jurisdictions that issued building permits for less than 30% of their allocations for very low-income households include Albany, Hayward, Livermore, Oakland, Piedmont, Pleasanton, and the unincorporated areas. Low production of affordable housing can occur for a variety of reasons, including a shortage of discretionary funds and zoning restrictions for multi-family housing.

In 2006, 82% of all Alameda County households earning $50,000 or less were forced to spend more than 30% of their income on housing costs, while only 13.4% of households earning $50,000 or more did so. Furthermore, households earning between $20,000 and $35,000 spent an average of 39% of total income on housing costs, and those earning $20,000 or less spent an average of 65% of income on housing. Of particular concern is the number of households under severe cost burden, those dedicating more than 50% of household income to housing costs. As expected, as household income decreases, severe cost burden increases (Figure 32).

Renters, primarily those concentrated in low-income communities and communities of color, are more affected by severe cost burden than owners. Map 5 (page 71) shows the concentration of renter households experiencing severe cost burden (darker colors on the map indicate greater cost burden). The concentration of extremely low-income households under severe cost burden for housing is alarming because of the associated risks of displacement and increased instability in these areas. Jurisdictions often consider extremely low-income households under severe cost burden to be at high risk of homelessness. Homelessness combined with growing transience as families are displaced to more affordable areas contributes to community instability and decreased community power in decision-making arenas.

While the cause of homelessness is multifaceted, affordability is undeniably a factor. According to the Alameda Countywide Shelter and Services Survey conducted in 2003, the primary reason for homeless status given by users of homeless-related services was ‘total income not enough to afford housing.” The same survey reported that 4,460 homeless adults utilized services, accompanied by 1,755 children. While it is not possible to know homelessness rates among Alameda County’s different racial/ethnic groups, the race/ethnicity breakdown among the service users is displayed in Figure 33 (page 71).
distribution of service users differs from the general Alameda County population. African Americans constitute the majority of service users, followed by Whites and Latinos. Compared to the county population, service users are half as likely to be White, 3.6 times as likely to be African American, 7.7 times as likely to be American Indian or Alaska Native, and less likely to be Asian, Latino, or of another race/ethnic group (data not shown).^{34}

To avoid displacement or homelessness, many low-income families double up, resulting in overcrowded conditions that are a detriment to health. According to the 2003 California Health Interview Survey, 1 in 4 Alameda County households is crowded.^a^ Twenty-eight percent (28%) of households that are crowded are poor compared to 8% of those that are not crowded. Twenty-six percent (26%) of adults in crowded households report poor or fair health status, compared to 15% of those in households that are not crowded.^{35}

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a. In CHIS data, a crowded household is one in which there are more persons than rooms.

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**Figure 33: Homeless Service Users by Race/Ethnicity, Alameda County, 2003**

- **African American:** 54.3%
- **White:** 20.3%
- **American Indian:** 4.9%
- **Latino:** 15.4%
- **Asian:** 3.1%
- **Other:** 2.1%

Homeownership and Discrimination in Lending in Low-Income Communities of Color

Rising housing costs combined with stagnating wages have contributed to diminishing opportunities for homeownership among Alameda County residents. The housing opportunity index measures the percentage of homes sold that are affordable to people earning the median income and above (by definition, half of county households earn above the median income and half below). Figure 34 shows that the percentage of homes affordable to median income residents dropped from 50% in 1996 to less than 10% in 2006. As of the fourth quarter of 2006, only 1 in 10 homes sold was affordable to those earning at least the median income, which was $83,800 for a family of 4. With falling home prices in 2007, the opportunity index trended upward, reaching 17.4% in the fourth quarter of 2007.

Given that Alameda County’s residents of color are more likely than White residents to have incomes below the county’s median, the diminishing opportunity for homeownership particularly affects low-income communities of color. As seen in Figure 35, homeownership rates among African American and Latino households have been much lower than for Asians and Whites. Moreover, between 1980 and 2000, homeownership substantially increased overall for Asians and Whites, but not for African Americans and Latinos.

Differences in homeownership rates by race are not sufficiently explained by income inequality between races. For instance, Alameda County’s White residents, regardless of income, have higher rates of homeownership than African American and Latino residents across all incomes. One explanation is discrimination in home mortgage lending. In 2006, 34% of African American loan applicants in the highest income category were denied, while only 29% of White applicants in the lowest income category were denied. Latinos were also much more likely than Whites or Asians to be denied home purchase loans, regardless of income (Figure 36 on page 73). Home purchase loan applications from low-income (less than 50% of the median income) Asians are also more likely to be denied than those from Whites and Latinos in the same income group.

Finally, despite the legal end to the discriminatory practices of redlining and racial steering, homeownership opportunities for people of color, especially for those with low incomes, are often in segregated, distressed communities that lack access to many health protective goods and services (see Segregation section).
Searching for Stability: Foreclosure in Communities of Color

Although African Americans and Latinos had high denial rates for home purchase loans, they were targeted to receive sub-prime loans for home purchase, as well as for home improvement and home refinancing. Since sub-prime loans are more likely than prime loans to end in foreclosure, the current foreclosure crisis is particularly affecting these communities. As demonstrated in Map 6, the areas of Alameda County with the highest concentrations of African Americans and Latinos are the areas experiencing the highest rates of foreclosure. Nationally, foreclosures due to sub-prime loans are expected to result in a loss of wealth for people of color amounting to between $164 billion and $213 billion. This is considered the greatest loss of wealth to communities of color in modern U.S. history. While a similar analysis for communities throughout Alameda County does not exist, one study expects that the high-cost loans made in 2006 will cost Oakland almost $875 million.

Map 6: Foreclosure Rate, Alameda County, 2007

Sources: Census 2000; DataQuick 2007.
Data to Action:
Policy Implications

There is ample evidence documenting the links between housing problems and poor health outcomes. Evidence also clearly shows that Alameda County’s low-income households of color are experiencing high rates of housing problems, such as severe cost burden, overcrowding, homelessness, foreclosure and displacement. Homeownership rates for Latino and African American households have stagnated, while Asian and White homeownership rates have increased overall between 1980 and 2000. As a result, some households are denied the health benefits associated with homeownership. This situation is traced to the legacy of segregation and the result of continued discrimination in the housing market and employment sectors, as well as of predatory lending.

Increased federal funding is essential to alleviate the affordable housing crisis by creating more affordable rental housing, and enforceable federal policies are necessary to eliminate discriminatory lending. Local level strategies are also important, however. Those policy goals and strategies that would contribute to a more stable, healthy housing environment include:

*Increase housing affordability and stability*
- At a minimum, meet ABAG requirements for the development of affordable units for very low-, low- and moderate income people. Doing so will require jurisdictions to be creative in their efforts to generate more revenue for affordable housing production. Strategies include increasing the redevelopment tax increment set-aside for affordable housing to at least 35%, if not higher, adjusting zoning laws and increasing density, introducing affordable housing bond measures, establishing a Community Land Trust, and working closely with affordable housing developers.
- Implement and fully fund the EveryOne Home Plan, which is Alameda County’s visionary plan for ending homelessness. This includes funding supportive housing operations and services using strategies such as transitioning funds from emergency shelter services to permanent affordable housing. For more information, see http://www.everyonehome.org/.

- Protect the existing affordable housing stock and prevent displacement by just rent control laws and condominium conversion policies, implementing Just Cause Ordinances, and preserving single resident occupancy (SRO) hotels for the lowest income people.
- Promote mixed-income development using policies such as inclusionary zoning, and offer incentives for construction of on-site affordable units.

*Support housing policies that build wealth*
- Increase funds for and utilization of first-time home buyer programs.

*Decrease foreclosure*
- Increase funding for emergency housing assistance to prevent foreclosure and displacement and encourage lending institutions to stabilize households at risk of foreclosure.
- Partner with community organizations to identify households at risk of foreclosure or displacement and perform targeted outreach and prevention services.

*Implement policies that prevent predatory lending*
- Create and implement jurisdiction-wide post-foreclosure policies to get foreclosed properties back on the market in a timely manner.
- Create and implement policies guiding trustee (e.g. banks, management companies, etc.) responsibilities when taking over a foreclosed property.
References


Data Sources


