

NYU
Furman
Center

Income Volatility, Housing Instability, and Housing Assistance

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Rental Affordability and Housing Instability

- 47 percent of U.S. renters were rent-burdened in 2017
- Since 1960, median rents have increased by 61 percent while median renter incomes increased by 5 percent
- Housing instability can impact non-housing outcomes, such as health and education

General Income and Expense Volatility

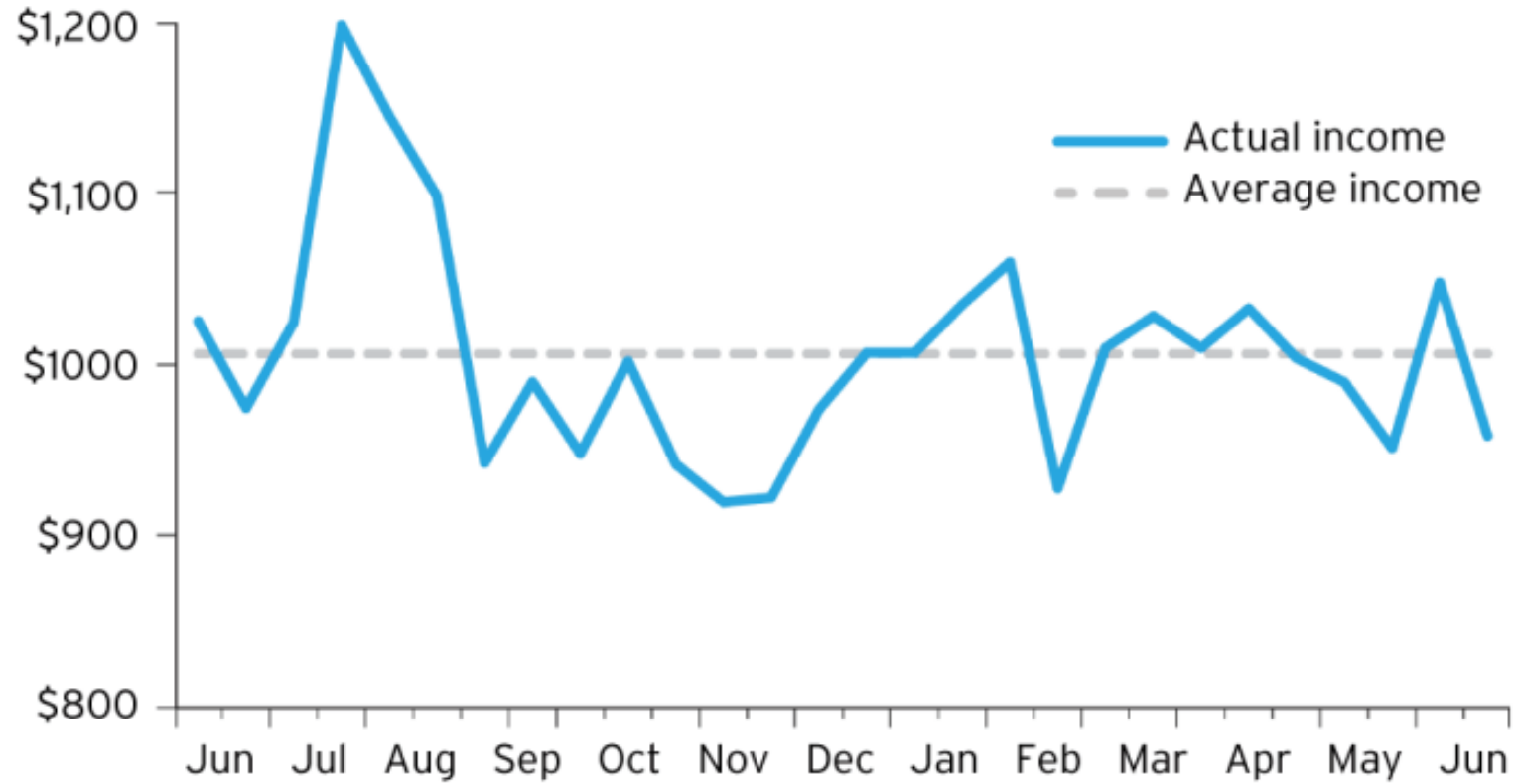
- Net-income volatility is particularly problematic for making rental payments, a fixed monthly cost and large share of low-income household's budgets
- Volatility in annual incomes has been increasing for low-income households (Dynan, et al 2012)
- Families that experience income volatility report less savings and lower financial security (Pew Charitable Trusts, 2017)
- Estimated 40 percent of Americans would not be able to cover a \$400 emergency expense without borrowing or selling something (Fed Reserve Board, 2018)

Monthly Income Volatility

- 1 in 4 American families experienced an income disruption over the course of 12 months (Pew Charitable Trusts, 2016)
- Monthly income volatility may also be common, even among full-time employees (Morduch and Schneider, 2017)
- Analysis of family financial diaries showed that households experienced on average 5 out of 12 months with a change in income of over 25 percent (Hannagan and Morduch)

Janice's biweekly paychecks

June, 2012 - June, 2013



Source: Morduch, Jonathan, and Schneider, Rachel. *The Financial Diaries: How American Families Cope in a World of Uncertainty*. Princeton, NJ: Princeton University Press, 2017.



Metropolitan Policy Program
at BROOKINGS

Housing Policy Gap

- Current housing programs are not specifically designed to address many forms of volatility
- Public housing and voucher recipients typically pay 30 percent of their income in rent, potentially providing some ‘cushion’ when incomes fall.
 - Does this work well, and does it protect from net-income volatility?
 - Most low-income families do not receive assistance
- Are there better ways to directly address net-income volatility that can temporarily disrupt a household’s ability to pay rent?

Housing policies that explicitly address volatility

- Pennsylvania's Homeowners' Emergency Mortgage Assistance Program (HEMAP)
 - Addresses income shocks by providing temporary support to homeowners unable to pay their mortgages due to unexpected financial hardships
- D.C. Flexible Rent Subsidy Program
 - Provides shallow subsidy and spending flexibility to participating renter households in Washington D.C.

HEMAP

- Provides (no interest) loans to homeowners with a good payment history
- Homeowners must demonstrate a reasonable prospect of resuming payments within 24 months
- Target population can be readily identified through unemployment insurance claims
- 80 percent of recipients had retained ownership in follow-up study (Orr, et al 2011)

D.C. Flex

- Allocates \$7,200 a year to each participating family for up to four years
- Participating families can spend up to a full month's rent in any given month
- At the end of each year, the family can withdraw up to \$500 of leftover funds for household expenses, and at the end of the program, the family can withdraw any remaining savings

Other Mechanisms that Address Volatility

- Growing interest in the use and creation of flexible mechanisms to protect against rental payment disruption and help address income volatility
- Chicago's Homelessness Prevention Call Center provides temporary cash assistance to families at risk of eviction and/or homelessness
- Research found that families who called when emergency funding was available were 76 percent less likely to end up in the homeless shelter after six months than families who called when assistance wasn't available

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