

Housing Vouchers & Segregation

How the Changing HUD rules Affect Vulnerable Families



How do the Department of Housing and Urban Development's (HUD) Housing Choice Vouchers work?

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Housing Choice Vouchers (HCV) are the country's largest form of low-income rental assistance. The HCV program—formerly known as the Section 8 voucher program—provides assistance to more than two million participating households nationwide, enabling them to secure affordable, decent quality housing in the private market. Families who qualify for vouchers will receive rental assistance that allows them to keep housing and utility costs at around 30% of their income. The vouchers provide assistance up to a limit called the **payment standard**.

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The payment standard is set by state and local housing agencies that administer vouchers. Payment standards are within 10% of a **fair market rent (FMR)** that is determined annually by HUD.

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Usually, HUD has set FMRs by averaging the rent costs over entire metro areas or counties. However, as rents can vary greatly from one neighborhood to the next, this method of establishing FMRs sets a rate that is often too low to cover rent in some neighborhoods and much higher than is necessary in others.



By subsidizing housing through vouchers, rather than through public housing projects, the housing voucher program aims to provide low-income families greater choice as to where they live.

However, metro-area averaged FMRs are one reason that vouchers have not enabled as many families as possible to move to neighborhoods with low poverty rates.

To combat economic and racial segregation of people using housing vouchers, HUD has tested **small area fair market rents (SAFMR)**, as an alternative approach. This new approach bases the amount of vouchers on the average rent of each zip code within a metro area. This allows the voucher to more accurately reflect the rents in individual neighborhoods.



Metro-area FMRs average the rent costs over an entire metro area or rural county. These crudely calculated rates are significantly higher than actual rental costs in some neighborhoods; as a result, landlords there reap a windfall in unnecessary federal spending. Those same rates are too low for families with vouchers to move to neighborhoods with better schools, employment options, transportation, and other opportunities. In many areas, where voucher users are disproportionately African American and Latino, crudely calculated FMRs have exacerbated racial segregation as well.

SAFMRs average the rents in a particular zip code. This revised method recognizes the existence of very different local rental markets within each metropolitan area and adjusts vouchers to the amount needed to live in various neighborhoods. It enables voucher users to access a wider range of housing, outside of the voucher-concentrated, segregated areas.

Changing the voucher program will give thousands of families true housing choice.

Their vouchers finally will allow them to move to low poverty, higher-opportunity neighborhoods, rather than only poor, often racially segregated neighborhoods.





Delaying the implementation of the Small Area Fair Market Rent rule will exacerbate racial and economic segregation of minorities.

Chicago As Case Study

Most voucher users are non-white. In the greater Chicago area, the Chicago-Joliet-Naperville, IL Metro FMR Area :

90% vs. **48%**
of voucher users are non-white
of the overall greater Chicago area is non-white

82%
of voucher users are African-American

Fair Market Rents have greatly restricted housing choice for the predominantly non-white population of voucher users.

13%

of families with children in the voucher program live in low-poverty neighborhoods. (Census tracts with a poverty rate under 10 percent.)

42%

of families with children in the voucher program live in high-poverty neighborhoods. (Census tracts with a poverty rate above 30 percent.)

84%

of housing voucher households in the region live in majority-minority neighborhoods.



Children whose families use vouchers to move to low-poverty neighborhoods when they are young are much more likely to attend college, and earn significantly more as adults. Living in a low-poverty neighborhood also substantially improves adults' mental and physical health.

Concentration of predominantly minority voucher users in low-income neighborhoods has had lifelong negative consequences for voucher users. A number of studies have found a link between neighborhood poverty and children's behavioral and emotional health, cognitive development, and educational achievement. Neighborhood location can also affect adults' access to jobs, transportation, food, and other basic goods and services.