

D. Why Offer Housing Stability Loans?

Housing stability loans can help renters obtain and maintain housing. Renters make up 35 percent of the population in the United States (107 million people), and just over half of the population in the 100 largest U.S. cities.³ Since the Great Recession, in almost every metro area, the growth of median rent has outpaced the growth of median income, particularly for low-income renters.⁴ When 30% of a household's income goes towards housing, they are considered rent-burdened. According to the 2017 National Rental Housing Landscape report, almost half of all renters,⁵ and 80 percent of low-income renters,⁶ are rent-burdened. One quarter of all renters are severely rent-burdened, meaning they pay 50 percent or more of their monthly income on rent.⁷

Households that are rent-burdened can face difficulties affording basic necessities such as food, utilities, child care, transportation, and health expenses. Being rent-burdened can also jeopardize a family's ability to maintain housing stability. A 2017 study found that nearly one in five renters were unable to pay a month's worth of rent in the past three months.⁸ The same study estimates that 3.7 million American renters have experienced an eviction.⁹ Eviction can beget job instability, increased material hardship, and create difficulties with finding future housing, let alone safe housing.¹⁰ Housing instability is also inherently destabilizing and can have long-term adverse impacts on child development, education, and health outcomes.¹¹

At a time when there is a dearth of affordable housing¹² and assistance for affordable housing can be hard to come by,¹³ increasing access to affordable housing is of foremost importance. There is also a need for consumption-smoothing consumer loans. These are loans that can help consumers fill gaps in their cash flow, especially when used to access and maintain housing.

Some CBA members offer loans to help their clients cover move-in and housing related expenses with the ultimate goal of assisting clients in achieving housing stability. For those seeking new housing, many individuals face difficulties paying the upfront costs of renting an apartment,

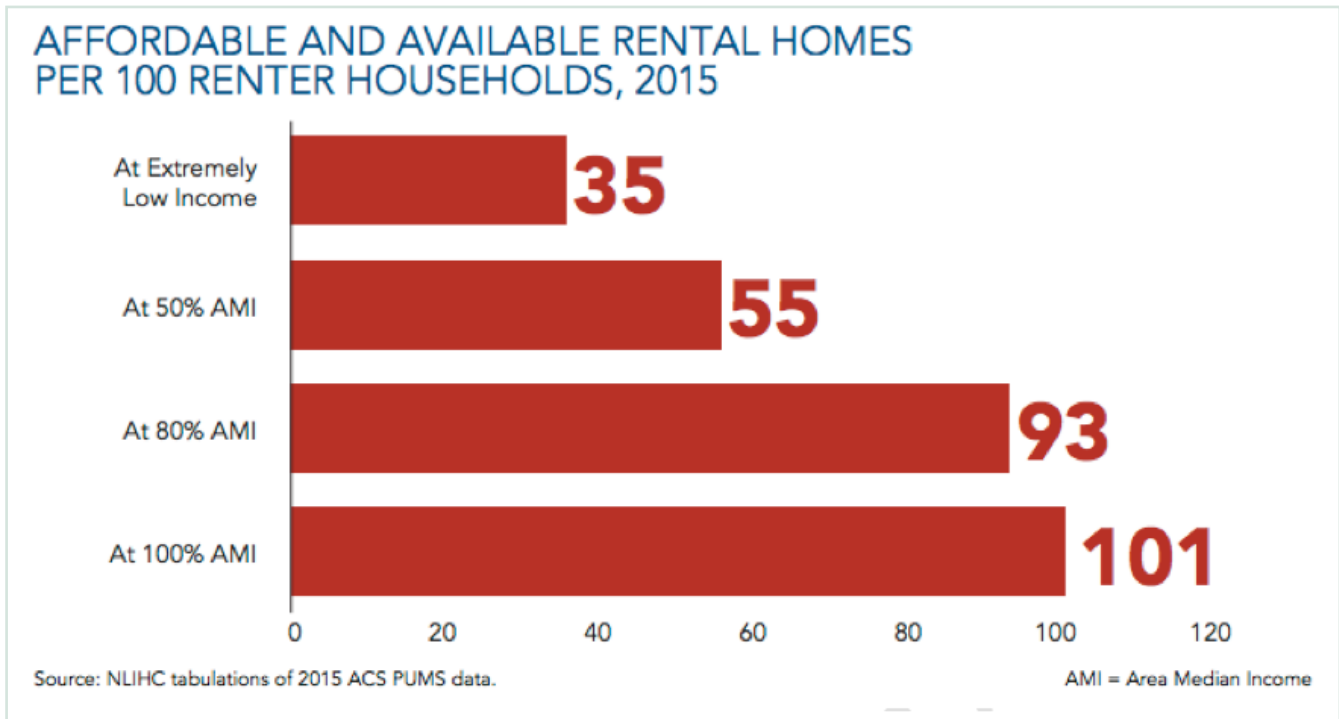
³ National Equity Atlas (2017). "When Renters Rise, Cities Thrive." Retrieved from <http://nationalequityatlas.org/sites/default/files/National-Fact-Sheet.pdf>

⁴ Chan, S., & Jush G.K., (2017). 2017 National Rental Housing Landscape. New York University Furman Center.

⁵ Chan and Jush, 2017

⁶ Aratani, Y., Chau, M. M., Wight, V., & Addy, S. D. (2011). Rent burden, housing subsidies and the well-being of children and youth.

⁷ Chan and Jush, 2017



including first and last month’s rent and security deposit. Loans that cover the costs of move-in expenses, like those provided by Innovative Changes, Housing Works, and the Latino Economic Development Center, can help these renters. Other nonprofit lenders, like Capital Good Fund, are helping renters keep up with bills and avert eviction. Given that 44 percent of households would not be able to cover an emergency expense of \$400 or more¹⁴ and about 37 percent of households are liquid asset poor,¹⁵ an unexpected expense could compromise a household’s ability to pay rent. Small dollar housing stability loans not only help households attain or maintain housing, but they can help individuals build credit to facilitate easier access to renting or buying a home, or achieve other financial goals in the future.

While housing stability loans are important, they can also be risky. Providing these types of loans may not be appropriate for all lenders. Most CBA members surveyed for this toolkit that provide housing stability loans emphasized the importance of their mission over profitability or sustainability. Helping borrowers obtain and maintain housing is the primary mission of these lenders, so they felt comfortable with a potentially higher charge-off rate for this particular loan product.

⁸ Salviati, Chris. (2017, October 27). The Threat of Evictions to America’s Renters. Retrieved from <https://www.apartmentlist.com/rentonomics/rental-insecurity-the-threat-of-evictions-to-americas-renters/>

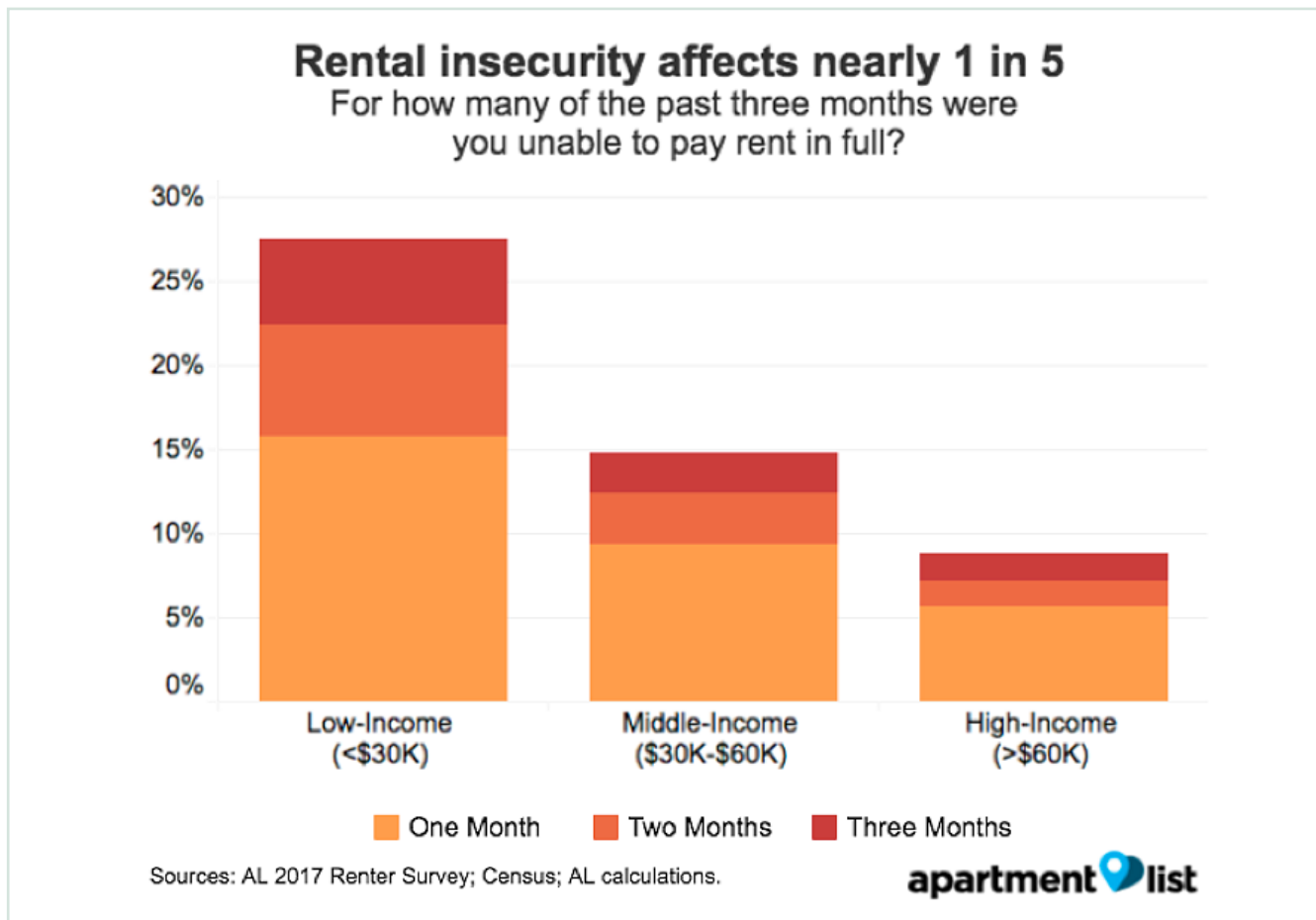
⁹ Salviati, Chris. (2017, October 27).

¹⁰ Desmond, Matthew. (2015). Unaffordable America: Poverty, housing, and eviction. *Fast Focus: Institute for Research on Poverty*, 22, 1-6.

¹¹ Aratani, Y., Chau, M. M., Wight, V., & Addy, S. D. (2011). Rent burden, housing subsidies and the well-being of children and youth.

¹² There is a shortage of 3.9 million rental homes for extremely low-income households (households with income at or below the Poverty Guideline or 30% of AMI, whichever is higher). Aurand, A., Emmanuel D., Yentel D., Errico E., (2017, March). *The Gap: A Shortage of Affordable Homes*. The National Low Income Housing Coalition.

¹³ Two-thirds of low-income renters do not benefit from federal housing programs. Desmond, Matthew. (2015). *Unaffordable America: Poverty, housing, and eviction*. *Fast Focus: Institute for Research on Poverty*, 22, 1-6.



¹⁴ Board of Governors of the Federal Reserve. (2017). Report on the Economic Well-Being of U.S. Households in 2016.

¹⁵ Meaning, that if a household lost their income source, they could not afford to cover their basic expenses for three months from Prosperity Now's 2017 Scorecard. "Liquid Asset Poverty Rate" Retrieved from <http://scorecard.prosperitynow.org/data-by-issue#finance/outcome/liquid-asset-poverty-rate>