



# research works

A bridge linking housing research and practice

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## Outcomes of Permanent Housing Programs for the Homeless



*Permanent housing, combined with supportive services, can help homeless individuals live independently and safely.*

According to the U.S. Department of Health and Human Services, over 600,000 adults are homeless in an average week. Since the passage of the Stewart B. McKinney Homeless Assistance Act of 1990, however, the problem of chronic homelessness has been systematically attacked on many fronts. Permanent housing, in which there's no limit on length-of-stay, is a significant component of HUD's overall effort to combat homelessness. Combined with supportive services, permanent housing offers homeless people—especially those with disabilities—a chance to live independently and safely in their own homes.

Yet despite what the term permanence implies, about 12 percent of participants in these HUD-funded programs left permanent housing in 2004

within the first six months of residence and twenty-five percent left within two years. This has prompted questions regarding the real meaning of 'permanent housing' and about what happens to the 'leavers.' The following statistics on the paths taken by the leavers suggest that many of them moved on to potentially positive living situations:

- 23% → market-rate rentals
- 29% → subsidized rentals
- 1% → homeownership
- 20% → moved in with family or friends
- 10% → jail, prison, psychiatric hospital, or inpatient alcohol or drug treatment
- 3% → transitional housing
- 3% → emergency shelters
- 1% → back to the street
- 10% → unknown

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### Permanent Housing for the Mentally Ill in Philadelphia

Searching for greater insight into what these statistics mean in terms of policymaking, HUD sponsored an analysis of outcomes for a unique group that participated in Philadelphia's permanent housing program. Analysts reviewed the tenure of 943 mentally ill individuals, previously counted among the chronically homeless with disabilities, who resided in permanent housing sometime between January 1, 2001 and June 15, 2004. A research team interviewed 100 participants who left permanent housing between February 2003 and December 2004, as well as a matched sample of 'stayers' who were living in permanent housing as of January 2005. The researchers also interviewed service providers.

The individuals making up the Philadelphia sample were scattered across 28 different programs in five areas of the city. Most lived in diverse neighborhoods where supportive services could be easily accessed. Notably, more than half of the residents interviewed did not view their living arrangements as permanent. Rather, they had intentions of ultimately living elsewhere. And indeed, the incidence of leaving permanent housing was about 30 percent within the first 18 months of residence and 50 percent after 30 months.

Differing circumstances of leaving were reported among those who departed permanent housing. Sixty-one percent were voluntary leavers, while 39 percent left involuntarily at the request of the housing provider or program staff. Most who chose to leave permanent housing were seeking to improve their living situation. They seemed to have the necessary skills to live independently and to reintegrate with the community. Perhaps most importantly, they were able to tap into financial resources (housing subsidies, social security, food stamps) that reduced their living expenses, as well as to maintain appropriate treatment for their illness. This is consistent with recent research showing that unconditional assurance of a roof over one's head often reduces stress, freeing the individual to constructively get on with the business of living. According to Judith Samuels of the Nathan S. Kline Institute for Psychiatric Research, "Housed individuals feel empowered to control their lives and start making better choices."<sup>1</sup>

1. "Finding Housing Puts Control Back in the Lives of Homeless," <http://pressofatlanticcity.com/>, April 7, 2006.



*Involuntary leavers of permanent housing often have higher risk profiles and require more supportive services.*

In retrospect, leavers of permanent housing who left involuntarily, or who went on to less favorable situations, had higher risk profiles than those leaving of their own accord. As a group, their illnesses were more severe. They functioned less effectively, had a greater rate of substance abuse, and required a higher level of supportive services. Inpatient and emergency psychiatric services were required at a relatively higher rate, suggesting that the illnesses of these individuals may have worsened.

The reviewers of the Philadelphia program concluded that, while permanent housing programs belong in the arsenal used to combat chronic homelessness, there is much more that can be done to improve these programs' outcomes. Among the more promising would be detection of early warning signs related to unfavorable departures—especially at the point of entry into permanent housing—to allow for timely application of preventive measures. Effective tools are needed to ensure an initial assessment and ongoing monitoring of risk that will steer residents to appropriate supportive services. Such tools can lead to a better use of resources and increase the likelihood of positive outcomes for residents.

This analysis is reported in a new HUD publication titled *Predicting Staying In or Leaving Permanent Supportive Housing That Serves Homeless People with Serious Mental Illness*. It can be downloaded at no cost from the HUD USER website at <http://www.huduser.org/publications/homeless/permhsgstudy.html> or ordered in print for a nominal fee by calling 800.245.2691, option 1. For additional HUD publications on homelessness, see <http://www.huduser.org/publications/povsoc.html>. **HJ**



How well do you know your fair housing law? Given below are the scenarios used in two HUD-sponsored surveys that tested what the public knows about fair housing law and the extent to which people support its tenets. The surveys polled a nationwide, representative sample of adults in 2000–2001, and again in 2005. With the first poll, HUD was able to establish a baseline of the public's knowledge and attitudes about housing discrimination. With the second, HUD was able to discern any changes in public awareness. Compare your knowledge with that of the American public by deciding if the following eight scenarios are legal (L) or illegal (I):

- An apartment building owner who rents to people of all age groups decides that families with younger children can only rent in one particular building, and not in others, because younger children tend to make lots of noise and may bother other tenants. L or I?
- An apartment building owner is renting to a tenant who uses a wheelchair. The building is old and does not have a wheelchair ramp, and the tenant wants a small wooden ramp constructed at the building door to more easily access the building. He asks the owner if it is okay to build the ramp. The tenant says he will pay all the costs, and agrees to have the ramp removed at his own expense when he leaves. The owner, however, believes such a ramp will not look good on his building, and decides he does not want it constructed on his property. L or I?
- An apartment building owner places a notice on a community bulletin board to find a tenant for a vacant apartment. This notice says, 'Christians preferred.' L or I?
- In checking references on an application for a vacant apartment, an apartment building owner learns that the applicant has a history of mental illness. Although the applicant is not a danger to anyone, the owner does not want to rent to such a person. L or I?
- An apartment building owner learns that an applicant for a vacant apartment has a different religion than all the other tenants in the building. Believing the other tenants would object, the owner does not want to rent to such a person. L or I?



Public support for fair housing increased from 66% in 2000–2001 to 73% in 2005.

- The next question involves a family selling their house through a real estate agent. They are white, and have only white neighbors. Some of the neighbors tell the family that, if a non-white person buys the house, there would be trouble for that buyer. Not wanting to make it difficult for a buyer, the family tells the real estate agent they will sell their house only to a white buyer. L or I?
- A white family looking to buy a house goes to a real estate agent and asks about the availability of houses within their price range. Assuming the family would only want to buy in areas where white people live, the agent decides to show them only houses in all-white neighborhoods, even though there are many houses in their price range in other parts of the community. L or I?
- An Hispanic family goes to a bank to apply for a home mortgage. The family qualifies for a mortgage but, in that bank's experience, Hispanic borrowers have been less likely than others to repay their loans. For that reason, the loan officer requires that the family make a higher downpayment than would be required of other borrowers before agreeing to give the mortgage. L or I?

If you identified all eight scenarios as illegal, you not only scored 100%, but also did better than the average American, who correctly identified only six of these scenarios as illegal. This was true for about half the respondents in both surveys. As for the individual scenarios, in comparison to the earlier study, more people in 2005 were aware that it is illegal to limit a search to a white-only neighborhood or to treat

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Subprime home mortgage lending has expanded markedly during the past two decades—particularly among minority and low-income households with atypical credit histories. The number of check cashers, payday lenders, pawnshops, and other alternative financial service providers (AFSPs) that make short-term loans to these households has also grown significantly. Affordable and fair housing advocates are concerned about the practices of AFSPs that unfairly target these vulnerable households by charging excessive fees and interest rates, which can result in higher rates of foreclosure on home loans and undermine the economic health and stability of communities. According to the Center for Responsible Living, "One of the most serious threats to people of color and low-wealth families in America is the prevalence of predatory financial practices, which drain \$25 billion of their wealth each year."

HUD recently released an exploratory study of the extent to which neighborhood ethnic and racial characteristics, income levels, and credit-risk measures are related to the incidence of subprime mortgage lending, and to the physical location of AFSPs and banks. The study, *Subprime Lending and Alternative Financial Service Providers: a Literature Review and Empirical Analysis*, exhaustively reviews the research literature concerning subprime lending and its relationship to low-income and minority neighborhoods; AFSPs and



*Subprime lending can result in higher rates of foreclosure on home loans and undermine a community's economic stability.*

the customers they serve, their location, and the business models they use; and regulatory and consumer protection policies. An overview of this body of research suggests that the underlying forces shaping present-day consumer financial services are not clearly understood. Much of the research, for example, has focused on supply-side issues, thus providing little insight into how and why low-income families choose between mainstream and alternative mortgage and financial services.

The report also contains an empirical case analysis of relationships among neighborhood characteristics, patterns of subprime lending, and the location of AFSPs and banks in the Dallas, Texas metropolitan area. Dallas lent itself well to this study because it has a good representation of blacks and Hispanics in its population, and Texas law allows payday lending. The Dallas study found that:

- Subprime lending occurs at higher rates in black neighborhoods, low-income neighborhoods, and higher credit-risk areas.
- Growth in subprime lending does not appear to be associated with a lack of banks in a given area.
- AFSPs and subprime lending did not appear to be significantly related in any way and may be serving different market niches.
- AFSPs are commonly located in minority and low-income neighborhoods, but are disproportionately concentrated in Hispanic neighborhoods. This,



*Pawnshops are just one of many AFSPs found in some minority and low-income neighborhoods.*

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## Exploring Subprime Mortgage Lending and Alternative Financial Services continued from page 4

however, may have more to do with a preponderance of immigrants in these neighborhoods, which is seen as the single best predictor of the presence of AFSPs.

- AFSP locations are not significantly associated with neighborhood credit risk, nor are they related to a lack of banks in an area.
- Race is more important than income for predicting the existence of banks in a neighborhood. Areas in which 90 percent of households are white have the most banks; Hispanic-majority areas have the fewest. Black- and white-majority neighborhoods have about the same representation of banks.

The Dallas study supports prior research that identified vulnerable borrowers. The current study finds that borrowers are less likely to use a subprime lender if they live in areas where home sales are active and residents have more education or possess greater financial literacy—findings that have policy implications favoring consumer education and market stimulation. In addition to exploring relationships among various parties in the consumer finance market, the Dallas study also tested measures of neighborhood credit risk and the suitability of available data for mapping AFSP locations. Being exploratory in nature, this study paves the way for further research and comparisons in other market areas.

The complete report on the Dallas study, including the literature review, is available online from HUD USER and can be downloaded for free at <http://www.huduser.org/publications/hsgfin/sublending.html>. Interested readers may want to examine two other reports available as free downloads: *What We Know about Mortgage Lending Discrimination in America* (<http://www.huduser.org/publications/fairhsg/lending.html>), also available in print for a nominal fee from HUD USER by calling 800.245.2691, option 1) and *Curbing Predatory Home Lending: A Joint Report*, sponsored by HUD and the U.S. Department of the Treasury in 2000 (<http://www.huduser.org/publications/hsgfin/curbing.html>). **HUD**

## Fair Housing: What the Public Knows and Supports continued from page 3

families with children differently, but fewer people knew that using the words “Christians preferred” in an advertisement is illegal.

Although *knowledge* of fair housing law did not improve, public support for it did. The portion of the public expressing support for the law in six or more of the scenarios rose from 66 percent in 2000–2001 to 73 percent in 2005. Even though improvement in support for fair housing law is positive, the researchers in this project remind us that a quarter of the population remains unsympathetic to fair housing law.

Full reports on the two surveys—*How Much Do We Know?* (2001) and *Do We Know More Now? Trends in Public Knowledge, Support and Use of Fair Housing Law* (2005)—are available free online at [www.huduser.org/publications/hsgfin/FairHsgSurvey.html](http://www.huduser.org/publications/hsgfin/FairHsgSurvey.html) or from the HUD USER Clearinghouse for a nominal fee by calling 800.245.2691, option 1. **HUD**

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## Does Owning a Manufactured Home Make Sense?

Manufactured homes, commonly (and often erroneously) referred to as mobile homes, do not loom large on the nation's housing landscape. The latest American Housing Survey (AHS) reports that just 6.5 percent of all occupied housing units are manufactured homes. According to the 2005 final edition of *U.S. Housing Market Conditions*:

*"Manufactured housing shipments increased for the first time in 7 years, although they continue to be very low. For 2005, manufacturers shipped 147,000 housing units, up 12.5 percent from 2004. Demand for replacement housing for units lost to Hurricane Katrina drove the increased shipments."*

Yet when faced with falling real incomes, increasing rents, rising interest rates, and an overheated housing market, manufactured housing could make homeownership a real possibility for more American families.

The question, then, is whether manufactured housing constitutes a good alternative for low-income families? To explore the possibility, HUD commissioned a team of researchers who used AHS data from 1993 to 2001 to compare three residential options: rental housing, owned manufactured housing, and owned stick-built housing. The research team compared these housing options along several dimensions, including structural quality, neighborhood characteristics, cost, affordability, and price appreciation. The researchers used the responses of a subsample of AHS participants from low-income households who were at or below 80 percent of the median income.



*Increasing rents and rising prices for stick-built houses make manufactured housing an increasingly affordable option.*



*Manufactured homes can provide an affordable alternative for low-income families.*

### The Quality of Structures and Neighborhoods

Participants in every AHS survey rank the structural quality of their homes on a scale of 1 to 10. The low-income subsample of AHS respondents consistently gave the highest structural satisfaction rankings to owned stick-built homes. Manufactured homes ranked second, and rented homes were third. Regardless of whether one owned a stick-built home, owned a manufactured home, or rented a home, satisfaction with structural features hinged on the age and condition of the home and its equipment. Leaks and structural problems were especially important contributors to satisfaction in all three living arrangements.

Rankings of the quality of neighborhoods were similar. Crime, noise, litter, open space, and parks mattered equally to the residents of all three neighborhood types. On the basis of these characteristics, owners of manufactured housing expressed greater satisfaction with their neighborhood than did renters, but less satisfaction than that of owners of stick-built housing. Researchers found no evidence that owned manufactured housing deteriorated any differently than owned stick-built housing. Nor did they find that owned manufactured housing was inherently associated with neighborhood instability.

### Cost, Affordability, and Price Appreciation

Cost comparisons among the three housing options show that living in an owned manufactured home was the least expensive option in 1993, 1997, and 2001. The average monthly cost for low-income households in 2001 was \$408 for owned manufactured housing,


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\$613 for rentals, and \$622 for owned stick-built homes.

Using their analysis of price appreciation data, the researchers concluded that owned stick-built housing is the best investment. They found that an owned manufactured home located on the owner's property also offers a return on investment, but the rate of appreciation varies widely and is usually smaller. Though an owned manufactured home does not appear to be a good investment if the land is not owned by the resident, it remains an option that might mitigate the effects of rent inflation.

All in all, owned manufactured homes seem to be a reasonable housing alternative that low-income families and their communities might find attractive. The full report on this research, *Is Manufactured Housing a Good Alternative for Low-Income Families? Evidence from the American Housing Survey*, is available as a free download at [www.huduser.org/publications/HOMEOWN/IsManufactHousingGoodAlt4LIFam.html](http://www.huduser.org/publications/HOMEOWN/IsManufactHousingGoodAlt4LIFam.html) or in print for a nominal charge from HUD USER by calling 800.245.2691, option 1. Current and past issues of *U.S. Housing Market Conditions*, published quarterly by HUD's Office of Policy Development and Research, can be found on the HUD USER website at [www.huduser.org/periodicals/ushmc.html](http://www.huduser.org/periodicals/ushmc.html) or can be ordered from the Clearinghouse at the telephone number above. 

## A Roadmap for the Future of Factory-Built Housing

Where should factory-built housing be headed, and what research is required to reach that destination? Recently, fifty-six business, industry, and government leaders have helped shape the future of factory-built, housing by discussing this question at length. Their discussion forms the basis of recommendations outlined by the Partnership for Advancing Technology in Housing (PATH) and the Manufactured Housing Research Alliance (MHRA) in a new publication from HUD titled *Factory-Built Housing Roadmap (Including Recommendations for Energy Research)*. The recommended research agenda focuses on the quality and performance of factory-built, single-family detached homes; production, delivery, and installation; the factory-built housing market; the interests and needs of consumers; and strategies for improving energy efficiency. This report is available at no charge online at <http://www.huduser.org/publications/destech/roadmapping.html>.



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- A new set of research reports commissioned by HUD's Office of Policy Development & Research examines the home-ownership gaps that exist between Hispanics and non-Hispanic whites, the causes of these gaps, and what is known about the scale and effectiveness of programs designed to help Hispanics become homeowners. We'll take a look at the findings and show what we've learned about homeownership trends in this growing demographic.
- Moisture control is an ongoing challenge for many American homeowners. The Partnership for Advancing Technology in Housing (PATH) now has a set of checklists, organized room-by-room, which will alert homeowners to early warning signs of water-related problems and potential home damage. We'll discuss the simple observations, inspections, and corrective actions that PATH recommends to protect your family's biggest investment.
- The December/January issue of *ResearchWorks* carried an article describing Community Development Block Grant (CDBG) funding disparities between affluent areas and areas of high poverty and distress. In light of changing demographics and socioeconomic conditions, HUD seeks to correct the disparities by revising the allocation formula. In this article, we'll examine the highpoints of HUD's proposal to Congress, the CDBG Reform Act.
- Lean production has successfully transformed many industries, including automotive manufacturing. A recently released HUD publication, *Getting Lean: Assessing the Benefits of Lean Production in Factory-Built Housing*, reports on the first phase of a long-term effort to develop and implement lean production techniques for the factory-built housing industry. We'll examine a benchmarking survey of home manufacturers across the nation and review an assessment conducted at a case study plant in Brooklyn, New York that manufactures modular homes using a steel-based building system. We'll also take a quick look at recommendations for the future of factory-built housing recently compiled by business, industry, and government leaders.

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