

How Do Program Participants Compare with Other Rural Residents?

We identify two groups of rural homeowners and rural tenants from the 1995 American Housing Survey (AHS) data to explore how well program participants fare compared with other groups of low- to moderate-income rural residents. The first comparison group allows us to assess whether recent Section 502 borrowers are similar to or better off than other rural low- to moderate-income recent homeowners in terms of their economic well-being, and housing conditions, costs, and satisfaction. The second comparison group provides insights into the characteristics and housing needs of a population of rural low- to moderate-income renters who form the group of residents most likely to be eligible to participate in the program (see box, p. 16, for definitions of these comparison groups).

Comparisons with Rural Low- to Moderate-Income Recent Homeowners

Recent Section 502 borrowers differed from low- to moderate-income homeowners in terms of their household composition and demographic characteristics. For example:

- Section 502 borrowers were more than twice as likely as the comparison group to be a female single-parent household, while low- to moderate-income homeowners were much more likely to be married couples with no children (table 6). However, the largest proportion (almost 40 percent) of both groups were married couples with children.

- Section 502 borrowers were younger than other low- to moderate-income homeowners, and were more likely to be under 40 years of age (table 7). This finding suggests that the 502 program is most likely serving many young, first-time homebuyers who may have had difficulty qualifying for conventional loans.

- Racial/ethnic minority households comprised a much larger share of Section 502 borrowers than the AHS group of low- to moderate-income homeowners (table 8). About 30 percent of the 502 program participants are minorities compared with 15 percent of the AHS group. However, these racial/ethnic comparisons vary by region. Black program participants were more concentrated in the South, while Hispanic

Table 6—Distributions of Section 502 households and comparison groups by household composition

Household composition	Section 502 households	1995 AHS comparison groups		
		All recent homeowners	Low- to moderate-income recent owners	Low- to moderate-income renters
<i>Percent</i>				
Married couple with children*	39.6	38.1	37.9	24.2
Married couple, no children	6.8	30.8	21.7	11.7
Male single parent*	2.2	2.8	4.0	3.6
Female single parent*	31.8	5.5	12.0	16.0
Male living alone	3.5	6.9	6.3	13.5
Female living alone	10.4	7.2	10.7	19.3
Not married, living with relatives	4.4	4.3	5.3	5.9
Not married, living with nonrelatives	0.9	4.5	2.0	6.0
Not reported	0.4	NA	NA	NA
Total households	100.0	100.0	100.0	100.0

*These householders have one or more of their own children under 18 years old living with them.

NA=not applicable.

Sources: 1998 Survey of USDA's Single Family Direct Loan Housing Program, ERS, and the 1995 American Housing Survey, Bureau of the Census.

program participants were more concentrated in the West.

■ Section 502 households were much more likely to be in the South than the AHS group of low- to moderate-income homeowners.

These findings suggest that female single parents; young, first-time homebuyers; racial/ethnic minorities; and southern residents may be more likely to look to, qualify for, and benefit from the Section 502 program than rural low- to moderate-income homebuyers in general.

In terms of income, approximately 70 percent of each group had household incomes below \$25,000 (table 9). Because the comparison groups were selected to be of similar income status relative to the poverty threshold, it is not surprising that both groups of homeowners are distributed by household income in a similar manner.

Unlike the Section 502 borrowers, many of the low- to moderate-income rural homeowners experience serious housing disadvantages in terms of housing cost burden, structural inadequacies, and crowding (table 10). For example:

Table 7—Age of Section 502 household respondents and reference persons in comparison groups

Age of respondent or reference person	Section 502 respondents	1995 AHS comparison groups		
		All recent homeowners	Low- to moderate-income recent owners	Low- to moderate-income renters
<i>Percent</i>				
Under 30	27.9	16.9	18.4	26.6
30-39	37.1	33.2	30.9	27.2
40-49	20.5	23.3	19.0	16.0
50-61	7.6	14.0	12.6	8.2
62 and older	6.1	12.6	19.0	22.0

Sources: 1998 Survey of USDA's Single Family Direct Loan Housing Program, ERS, and the 1995 American Housing Survey, Bureau of the Census.

Table 8—Race and ethnicity of Section 502 household respondents and reference persons in comparison groups

Race/ethnicity of respondent or reference person	Section 502 respondents	1995 AHS comparison groups		
		All recent homeowners	Low- to moderate-income recent owners	Low- to moderate-income renters
<i>Percent</i>				
American Indian or Alaskan Native	1.2	0.6	1.3	1.7
Asian or Pacific Islander	0.6	0.9	0.4	0.7
Non-Hispanic:				
Black	12.6	3.9	7.1	10.1
White	70.6	91.0	84.5	78.4
Other	3.9	1.6	1.7	2.7
Hispanic	11.9	3.4	6.6	8.8
Not reported	1.0	NA	NA	NA

NA=not applicable.

Sources: 1998 Survey of USDA's Single Family Direct Loan Housing Program, ERS, and the 1995 American Housing Survey, Bureau of the Census.

- About 25 percent of these homeowners had housing costs (mortgage, taxes, insurance, repairs, utilities, etc.) that exceeded 30 percent of household income, while 8 percent had a severe housing cost burden, exceeding 50 percent of income.
- About 10 percent of low- to moderate-income homeowners experienced crowding, where the number of household members exceeded the number of rooms.
- A small proportion (7 percent) of these recent rural homeowners had housing classed as moderately or severely inadequate based on a HUD measure of the adequacy of plumbing, heating, and electrical facilities, maintenance items like leaking roofs and holes in walls, kitchen facilities, and condition of public hallways and common areas (see Whitener, 1999 for a more detailed definition).

- Almost a quarter of these recent rural low- to moderate-income homeowners experienced one or more of these housing disadvantages.

In contrast, the Section 502 program operates to help ensure that program participants do not experience these types of housing disadvantage in their Rural Development-financed homes. As a result, Section 502 program participants indicated high levels of satisfaction with their housing and neighborhood, although, somewhat surprisingly, satisfaction differed little between the two comparison groups. About 80 percent of both groups reported high levels of satisfaction with their housing and neighborhood.

Comparisons with Rural Low- to Moderate-Income Renters

The AHS data are not sufficiently detailed to allow us to precisely identify rural residents who would be eli-

Selection of Comparison Groups

To identify comparison groups from the 1995 American Housing Survey (AHS), we began by using a definition of rural that comes closest to matching the definition of eligibility for USDA's rural housing programs. Thus, we defined rural areas to include households outside metro central cities and urbanized areas, and outside nonmetro urbanized areas. The number of rural households according to that definition was 37.2 million in 1995. From that population we selected those who had purchased or built a home within the last 5 years to compare with our recent program participants. From that subsample we further selected those recent homeowner households with incomes that were between 80 and 220 percent of the poverty threshold. We chose that range based on the distribution of our survey households' incomes relative to the poverty threshold. Household income for our survey respondents averaged 150 percent of the poverty threshold. One standard deviation above and below that 150 percent constructs the 80 to 220 percent range, which we use to identify rural homeowner households having similar incomes as our survey households. This comparison group allows assessment of how well program participants fared compared with a similar group of recent, low- to moderate-income homeowners.

The American Housing Survey does not include sufficient data to identify rural residents who would be eligible for participation in the Section 502 Single Family Direct Loan Housing Program. Determination of eligibility requires detailed information on amounts and sources of income, expenses, family size, and other factors and is determined on an individual case basis. However, the AHS data can identify a target population of tenants in rural areas who have incomes similar to Section 502 borrowers, and who may have a strong incentive to participate in USDA's single-family housing loan program to improve their housing conditions. We defined a group of renter households with low to moderate incomes based on the income range of 80 to 220 percent of the poverty thresholds. Most of these households had incomes high enough to make payments on a modest house, but their low incomes and inability to make substantial down payments might render them less attractive to many commercial lenders.

Table 9—Household income of Section 502 and comparison group households

Household income	Section 502 households	1995 AHS comparison groups		
		All recent homeowners	Low- to moderate-income recent owners	Low- to moderate-income renters
<i>Percent</i>				
Less than \$10,000	9.1	6.7	7.7	18.1
\$10,000 to 14,999	17.2	5.6	20.9	28.2
\$15,000 to 19,999	23.8	5.4	20.8	22.4
\$20,000 to 24,999	20.5	7.4	18.6	16.6
\$25,000 to 29,999	12.2	9.7	16.3	7.9
\$30,000 to 34,999	8.2	7.8	9.6	4.0
\$35,000 to 39,999	4.0	7.5	4.2	1.7
\$40,000 or more	5.0	49.9	1.8	1.0

Sources: 1998 Survey of USDA's Single Family Direct Loan Housing Program, ERS, and the 1995 American Housing Survey, Bureau of the Census.

Table 10—Housing characteristics of Section 502 and comparison group households

Housing characteristic	Section 502 households	1995 AHS comparison groups		
		All recent homeowners	Low- to moderate-income recent owners	Low- to moderate-income renters
<i>Percent</i>				
Housing cost burden: ¹				
Exceeds 30% of income	NA	14.3	25.1	28.6
Exceeds 50% of income	NA	5.5	7.5	5.9
Housing quality:				
Crowding ²	3.0	4.6	10.3	13.9
Structurally inadequate ³	NA	4.8	7.1	11.8
Housing disadvantaged ⁴	NA	14.4	23.9	30.3
Highly satisfied with housing ⁵	80.0	81.7	77.7	59.0
Highly satisfied with neighborhood ⁶	77.0	79.2	77.5	69.0

NA=Information to compute this indicator is not available from the 1998 Survey of USDA's Single Family Direct Loan Housing Program.

¹ Housing costs as a percentage of household income.

² Number of persons in household exceeds number of rooms in housing unit, as defined by HUD.

³ Moderately or severely inadequate based on a standard HUD measure of physical problems using 26 variables covering plumbing, heating, electricity, upkeep, hallways, and kitchens.

⁴ Households meeting one of the following criteria: housing cost burden exceeds 50%; crowded; and moderately or severely inadequate.

⁵ Scores of 8, 9, and 10 on a scale of 1-10, with 1 the worst and 10 the best, based on the question, "How would you rate this home as a place to live?"

⁶ Scores of 8, 9, and 10 on a scale of 1-10, with 1 the worst and 10 the best, based on the question, "How would you rate this neighborhood or community as a place to live?"

Sources: 1998 Survey of USDA's Single Family Direct Loan Housing Program, ERS, and the 1995 American Housing Survey, Bureau of the Census.

gible for participation in the Section 502 loan program. However, these data can identify a target population of tenants in rural areas who have incomes similar to those of Section 502 borrowers, and may have a strong incentive to participate in the program to improve their housing conditions. Comparisons of Section 502 borrowers and this group of low- to moderate-income tenants will provide insights into the characteristics and housing needs of rural residents most likely to be eligible to participate in the program.

Section 502 borrowers as a group differed from low- to moderate-income tenants in terms of their household composition and demographic characteristics. For example:

- While large proportions of both Section 502 borrowers and low- to moderate-income renters were married couples with children and female single parents, Section 502 borrowers were much more likely than the comparison tenant group to have these household patterns. In contrast, the low- to moderate-income tenant group was more likely to be married couples with no children and individuals living alone (table 6).

- Both Section 502 borrowers and the AHS tenant group tended to be young, with at least half of each group under 40 years of age (table 7). However, a substantial proportion (22 percent) of the tenants were 62 years or older, compared with 6 percent of the Section 502 borrowers.

- Racial/ethnic minority households comprised a larger share of Section 502 borrowers than the AHS group of tenants (table 8). About 30 percent of the Section 502 program participants were minorities, compared with 22 percent of the tenant group.

- We defined the low- to moderate-income group of rural tenants to have household incomes approximately the same as Section 502 borrowers. About 71 percent of the Section 502 borrowers had incomes below \$25,000, compared with 85 percent of the AHS tenant group (table 9).

Low- to moderate-income tenants were more likely to experience serious housing disadvantages in terms of housing cost burden, structural inadequacies, and crowding than either the AHS homeowner group or

the Section 502 borrowers (table 10). The Section 502 program virtually eliminates these problems for its borrowers. However, about 29 percent of these rural tenants had housing costs that exceeded 30 percent of their household income; 6 percent experienced severe housing cost burden, with housing costs exceeding 50 percent of household income. Also, 14 percent lived in crowded housing, and 12 percent lived in housing classed as moderately or severely inadequate. About 30 percent of these low- to moderate-income tenant households experienced at least one or more of these housing disadvantages, compared with 24 percent of low- to moderate-income homeowners. This greater housing disadvantage may be reflected in the lower housing and neighborhood satisfaction levels reported by the rural tenant group, compared with the Section 502 borrowers and the AHS low- to moderate-income homeowners (table 10).

The analysis suggests that the Section 502 program may be more likely to attract low- to moderate-income tenants who are married couples with children and female single parents than tenants who are married couples with no children or individuals living alone. Also, judging from the age distributions of the two population groups, elderly tenants may be less likely to participate in the housing loan program. Minority households are disproportionately represented among the Section 502 borrower population compared with their share among low- to moderate-income tenant households.