ScoreNavigator®

BETTER CREDIT = BETTER QUALITY OF LIFE

BUILDING CREDIT TO IMPROVE HOUSING

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Building Credit to Improve Housing

Government-subsidized housing offers individuals and families with limited economic means affordable places to live. While subsidized housing can offer stability, the goal is usually to move as soon as possible into better neighborhoods with better quality housing units.

One step is to train for and find jobs that offer more income. But higher income alone isn't always enough to support market-rate rental units or a home mortgage. A demonstration of credit worthiness is also essential. This includes good credit scores, attention to budgeting, and the ability to live within one's means.

The ScoreNavigator app can help those currently residing in subsidized housing build good credit and achieve and maintain credit worthiness. This, in turn, can help these individuals and families qualify for improved living conditions in secure communities.

Subsidized Housing: Its Purpose

What is subsidized housing?

Subsidized housing is a broad term covering federal, state, and local government-supported programs that reduce housing costs for low- and moderate-income residents.[1] Its purpose is to offer decent housing at reduced rents to lower-income families, as well as lower-income elderly and disabled individuals.

The most common forms of subsidized housing are as follows:

Public housing: Public housing encompasses affordable-rent single-family homes and apartment units managed by local housing authorities (HA). HAs receive funding from the U.S. Department of Housing and Urban Development (HUD).[2]

Section 8 and rent vouchers: Also under the HUD's auspices, this federal government program allows low-income renters to find their own units within market-rate apartments that are owned and managed by private entities.[3] Voucher success depends on the landlord's willingness to offer a certain number of units to low-income families.

Who lives in subsidized housing?

According to the HUD, more than 3.7 million individuals live in public housing or find housing options through project-based Section 8 vouchers. On average, approximately two people reside in each unit.[4]

The HUD also reports the following subsidized housing statistics:

- 72.5% of subsidized households are headed by women.
- 28.5% of subsidized households are headed by women with children.

- 34.5% of subsidized households are headed by individuals between the ages of 25-49.
- 43% of subsidized households are headed by individuals aged 62 or older.
- 64% of subsidized households are minorities; 38.5% are Black and 20.5% are Hispanic.
- 34% of subsidized households are White.

The average length of stay in subsidized housing is six years.[5]

Challenges Faced by Individuals Living in Subsidized Housing

Income

The subsidized housing programs administered by the HUD and state housing authorities are in place to help low-income individuals and families obtain decent housing at affordable rates. The HUD defines low income locally, according to the area median incomes (AMIs) of families in a specific area. Also calculated are the number of individuals residing in each household.[6]

The HUD also defines the following lower-income levels:

- Low-income families earn incomes that don't exceed 80% of the median family income for the area.
- Very low income families earn incomes that don't exceed 50% of the median family income for the area.
- Extremely low income families earn incomes that don't exceed greater than 30% of the median family income for the area, or the federal poverty guidelines.

In addition, the average median family income also varies by state, as cost-of-living limits also vary by geographic region. For example, the family AMI in West Virginia is $60,300 per year. Immediately due north, in the District of Columbia, the AMI is $123,100. This means that to qualify for subsidized housing in West Virginia, a low-income family must earn below $48,240 annually, while a low-income family in the District of Columbia can earn up to $98,480 annually and still qualify. Very low income families in the District of Columbia earn only $36,930 per year, while those same families in West Virginia earn only $18,090.[7]

The causes of low income and poverty are complex, involving many social and economic factors. One main issue is lack of, or poor, education.[8] Other causes of poverty include poor labor market opportunities, economic inequality, and labor market discrimination.[9] Family structure is also a significant factor; households headed by women are three to four more times likely to experience poverty than those headed by men.[9]

Job training can help lower-income individuals find better-paying jobs. Steady work with decent wages is one way to move from poverty and, by extension, out of subsidized housing. However, education and income are only part of the solution to finding better housing. Credit worthiness is also critically important. Unfortunately, due to misconceptions about credit, lower-income households residing in subsidized housing are reluctant to take steps toward building financial security and credit worthiness.

Credit Worthiness

The Consumer Federation of America, in its annual survey, reported that low-income households generally know less about credit scores and building credit than do higher-income households.[12] Some equate credit with credit cards, and believe credit cards are synonymous with higher levels of debt. Such misconceptions mean that those residing in subsidized housing may shy away from tools that can help them build credit worthiness and improve their credit scores.

This lack of understanding can also lead lower-income households to believe they should avoid credit altogether, resulting in households with improving income and financial habits but low or non-existent credit scores.[13] The challenge is that credit invisibility and low credit scores limit both housing choices and employment opportunities for this sector of the American population. [14]

Improving Credit Scores to Improve Housing Choices

Improving creditworthiness by building credit and managing finances is an important tool for broadening housing choices, whether the decision is to rent or buy.

Homeownership

In most cases, the path to homeownership depends on the ability to secure a mortgage. Mortgage lenders examine applicants' credit scores to determine their reliability and timeliness when it comes to paying bills. Good credit scores also tell lenders that the applicants understand how to make responsible purchases and known enough not to overspend.[15] Lenders view borrowers with demonstrated credit-worthiness as a lower risk; therefore, the higher a credit score, the more likely a lender will issue a mortgage with a lower interest rate.

Renting

Apartment and single-family housing landlords also examine tenants' credit scores and credit worthiness before offering leases. They want assurance that rents will be paid on time each month. The better the renter's credit history, the more confident the landlord is in the household's ability to pay. Landlords also examine the ratio of monthly income to rent to ensure renters have the financial resources to make payments.[16]

Using ScoreNavigator to Build Good Credit

As noted above, one reason why lower-income individuals might be reluctant to build credit is the perceived risk of credit-card debt. However, building credit involves more than qualifying for credit cards. Fannie May[16] suggests the following tasks to build credit worthiness and improve credit scores:

- Report current rent.
- Open checking and savings accounts and making regular deposits.
- Use credit cards and lines of credit responsibly.

• Pay everything on time.
• Maintain minimum bank balances and not bouncing checks.

However, understanding how to achieve these steps takes time, knowledge, and support.

ScoreNavigator is a leading online credit report provider offering tools that can help clients build their credit and budget their resources. The app offers the following features to help clients take critical credit-worthiness steps:

• Up-to-date credit reports from the three major credit bureaus (TransUnion, Experian and Equifax).
• Ongoing credit education materials to guide clients through learning credit basics, building budget skills, and understanding identity theft or fraud.
• Personal coaching to help clients learn to manage their money.
• Budgeting software to help clients better organize their financial lives and determine what credit obligations they can obtain (such as mortgages or care loans).
• A user-friendly dashboard that allows clients to keep an eye on finances and budgets, thereby giving them control over their finances and credit.

ScoreNavigator can also work with individuals who have low credit or no credit by helping to dispel misconceptions. Those who use the app learn how to obtain and manage proper forms of credit and how to handle finances. The ScoreNavigator app empowers clients, helping them oversee their financial resources while building their credit worthiness.

Better Credit, Better Quality of Life

Addressing the issues of lower income and poverty, such as access to education and high-paying jobs, are important for those wishing to relocate from subsidized housing into market-rate apartment units, rental homes, or home ownership. However, achieving credit worthiness is a critical and manageable first step, because good credit and financial management are important to lenders and landlords.

ScoreNavigator is an easy-to-use app that can help those living in subsidized housing build their financial foundation. As these individuals build their credit and financial acumen, they're in a better position to seek out and find safer and more secure living conditions.

For more information about ScoreNavigator and our credit monitoring and financial services, visit us at scorenavigator.com.

Footnotes

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