

Housing Cost Burdens in 2023: In Brief

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Housing affordability has been of long-standing interest to Congress and the general public. Federal housing policies typically deem housing to be “affordable” if it costs no more than 30% of family income (adjusted for family size). According to this metric, families that pay more are considered to be “cost burdened,” and those that pay more than half of their incomes are considered “severely cost burdened.”¹ This report uses the most recent U.S. Census Bureau American Community Survey (2023) to examine housing affordability under the commonly used “cost burdened” and “severely cost burdened” metrics.²

Among the key findings, CRS estimates that

- nearly half (49.5%) of all renter households and 23.6% of owner households were housing cost burdened in 2023;
- among households with incomes below \$30,000, 66.5% of renter households and 55.0% of owner households faced severe housing cost burden;
- among renter households, the housing cost burden rate exceeded 40.0% for all income brackets except the highest bracket (household income of \$75,000 or more);
- renter households headed by an elderly person or person with a disability faced higher rates of housing cost burden (over 55%) than the general population of renters (49.5%), and similar patterns were observed for owners; and
- urban renters faced a housing cost burden rate of 49.9%, while rural renters had a rate of 34.3%.

Origin of Housing Cost Burden Standards

The current housing cost burden standards originate from a late 1800s/early 1900s concept of “a week’s wages for a month’s rent,” based on observed household expenditure patterns.³ Over time, a housing cost-to-income ratio was adopted by federal agencies to determine eligibility for housing assistance programs and to establish subsidy levels.⁴ Most notably, the Brooke Amendment to the Housing and Urban Development Act of 1969 (P.L. 91-152) capped the amount of rent a resident of public housing would be required to pay at 25% of household income. The Housing and Community Development Amendments of 1981 (P.L. 97-35) and the Housing and Urban-Rural Recovery Act of 1983 (P.L. 98-181) increased the amount residents of

¹ Thyria A. Alvarez and Barry L. Steffen, *Worst Case Housing Needs: 2023 Report to Congress*, U.S. Department of Housing and Urban Development, May 2023, p. 81, <https://www.huduser.gov/portal/portal/sites/default/files/pdf/Worst-Case-Housing-Needs-2023.pdf>.

² Housing cost burden is estimated using a household’s total pre-tax income. For renter households, housing costs are equal to their gross rent (contract rent plus utilities and fuels). For owner households, housing costs are identified using the U.S. Census Bureau’s “Selected Monthly Owner Costs” variable, which includes payments for mortgages, insurance, utilities, and real estate taxes. For more information, see https://www2.census.gov/programs-surveys/acs/methodology/design_and_methodology/2022/acs_design_methodology_ch06_2022.pdf.

³ David J. Hulchanski, “The Concept of Housing Affordability: Six Contemporary Uses of the Housing Expenditure-to-Income Ratio,” *Housing Studies* 10.4 (1995), pp. 471-491.

⁴ For more information, see CRS Report RL34591, *Overview of Federal Housing Assistance Programs and Policy*, by Maggie McCarty, Libby Perl, and Katie Jones; and Danilo Pelletiere, *Getting to the Heart of Housing’s Fundamental Question: How Much Can a Family Afford?*, National Low Income Housing Coalition, February 2008, pp. 1-8, <https://nlihc.org/sites/default/files/affordabilityresearchnote2-19-08.pdf>.

all federal rental housing assistance programs would be required to pay to 30% of adjusted family income.⁵

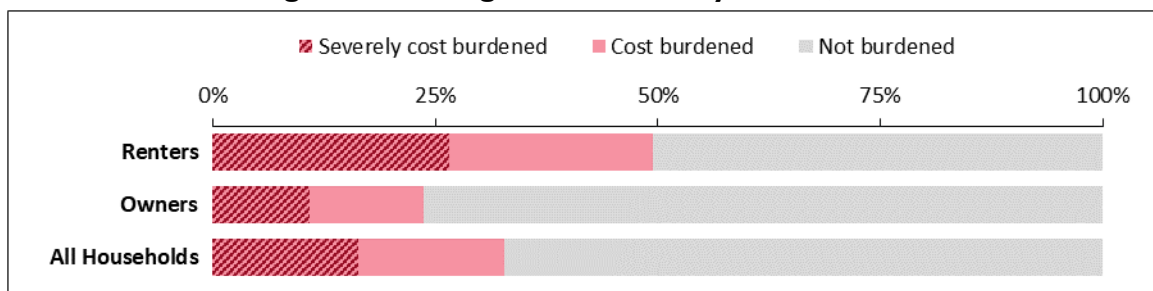
Housing Cost Burdens in 2023

This report details select key observations about housing cost burden in the United States using the 2023 American Community Survey's 1-Year Public Use Microdata Sample. Visualizations of the data from which these statistics are derived are provided in **Figure 1**, **Figure 2**, **Figure 3**, **Figure 4**, and **Figure 5**. **Figure 6** uses estimates from Census data tables summarizing the 2023 American Community Survey to visualize the percentage of households that are housing cost burdened and not burdened, broken down by tenure (i.e., owner versus renter) and urban/rural status.⁶

Housing Cost Burdens by Tenure and Over Time

In 2023, 22.6 million renter households (49.5%) and 20.3 million owner households (23.6%) experienced housing cost burdens (**Figure 1**). Renters faced the highest rates of cost burden and severe cost burden according to the federal affordability standards. More than a quarter (26.5%) of renter households were severely cost burdened.

Figure 1. Housing Cost Burdens by Tenure, 2023



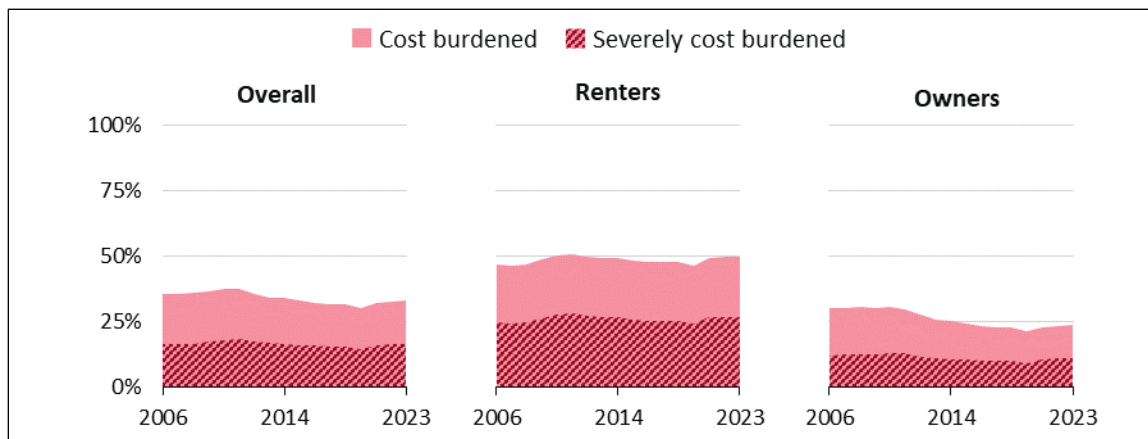
Source: Created by CRS, using the 2023 American Community Survey 1-Year Public Use Microdata Sample, available at <https://www.census.gov/data/developers/data-sets/census-microdata-api.html>.

Notes: For the estimates presented in this figure, “cost burdened” is defined as spending more than 30% of household income on housing costs, and “severely cost burdened” is defined as spending more than 50% of household income on housing costs.

Renters have long faced high housing cost burden rates. Every year from 2006 to 2023, approximately half (46.3%-50.7%) of all renters faced housing cost burden (**Figure 2**).

⁵ Danilo Pelletiere, *Getting to the Heart of Housing's Fundamental Question: How Much Can a Family Afford?*, National Low Income Housing Coalition, February 2008, pp. 3-4, <https://nlihc.org/sites/default/files/affordabilityresearchnote2-19-08.pdf>.

⁶ For the 2020 Census, the Census Bureau classified urban areas as a collection of densely settled census blocks with at least 2,000 housing units or a population of at least 5,000.

Figure 2. Housing Cost Burden Rates, 2006-2023

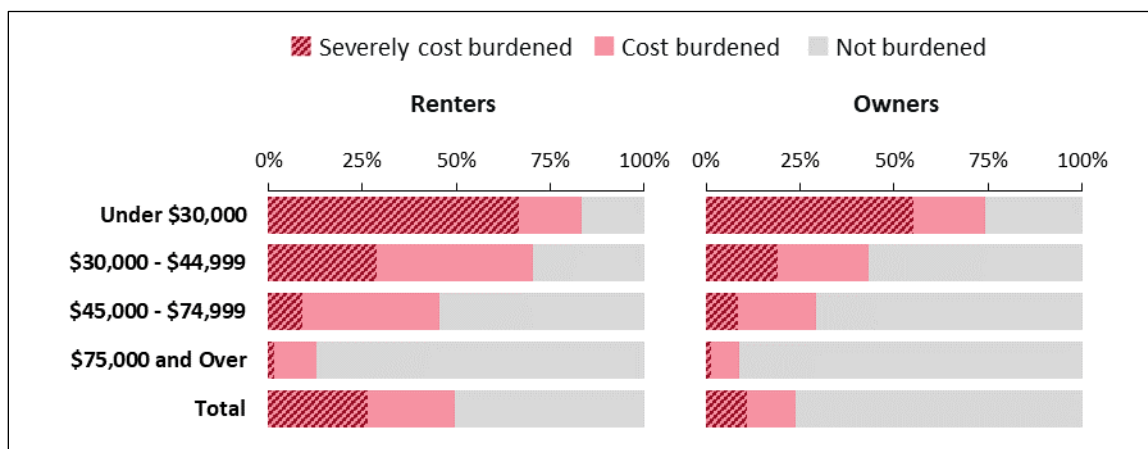
Source: Created by CRS, using the 2006-2023 American Community Survey 1-Year Public Use Microdata Samples, available at <https://www.census.gov/data/developers/data-sets/census-microdata-api.html>.

Notes: Due to a lack of available data, this figure does not include estimates for 2020. For the estimates presented in this figure, “cost burdened” is defined as spending more than 30% of household income on housing costs, and “severely cost burdened” is defined as spending more than 50% of household income on housing costs.

Differences by Household Income

The gap in housing cost burden rates between owners and renters described above persists across income brackets (**Figure 3**). However, it is also the case that the lowest-income households face the highest housing cost burden rates regardless of tenure. In 2023, the majority of the lowest-income households (under \$30,000) experienced severe housing cost burden, regardless of tenure, according to the federal affordability standards.

Housing cost burden rates decrease with income, but this decline is more gradual for renters. Even among renter households with incomes in the \$45,000-\$74,999 bracket, the cost burden rate exceeded 40% in 2023.

Figure 3. Housing Cost Burdens by Tenure and Household Income, 2023

Source: Created by CRS, using the 2023 American Community Survey 1-Year Public Use Microdata Sample, available at <https://www.census.gov/data/developers/data-sets/census-microdata-api.html>.

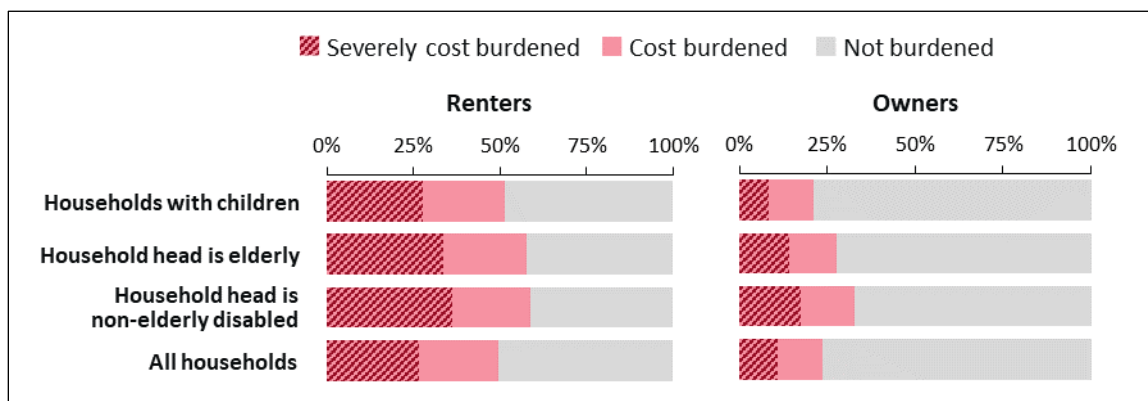
Notes: For the estimates presented in this figure, “cost burdened” is defined as spending more than 30% of household income on housing costs, and “severely cost burdened” is defined as spending more than 50% of household income on housing costs.

Housing Cost Burdens Among Selected Populations

Many social assistance programs, including federally assisted housing programs, target assistance toward those considered to be the most economically vulnerable, including children, persons who are elderly, and persons with disabilities.

Figure 4 shows that in 2023, these populations, particularly households headed by persons who are elderly or have disabilities, faced higher rates of housing cost burden than the general population. In particular, 26.5% of all renter households faced severe housing cost burden compared to 36.1% and 33.7%, respectively, of renter households headed by a person with a disability or an elderly person. While 23.6% of all owner households were housing cost burdened, 32.7% of owner households headed by a person with a disability and 27.6% of owner households headed by an elderly person were cost burdened.

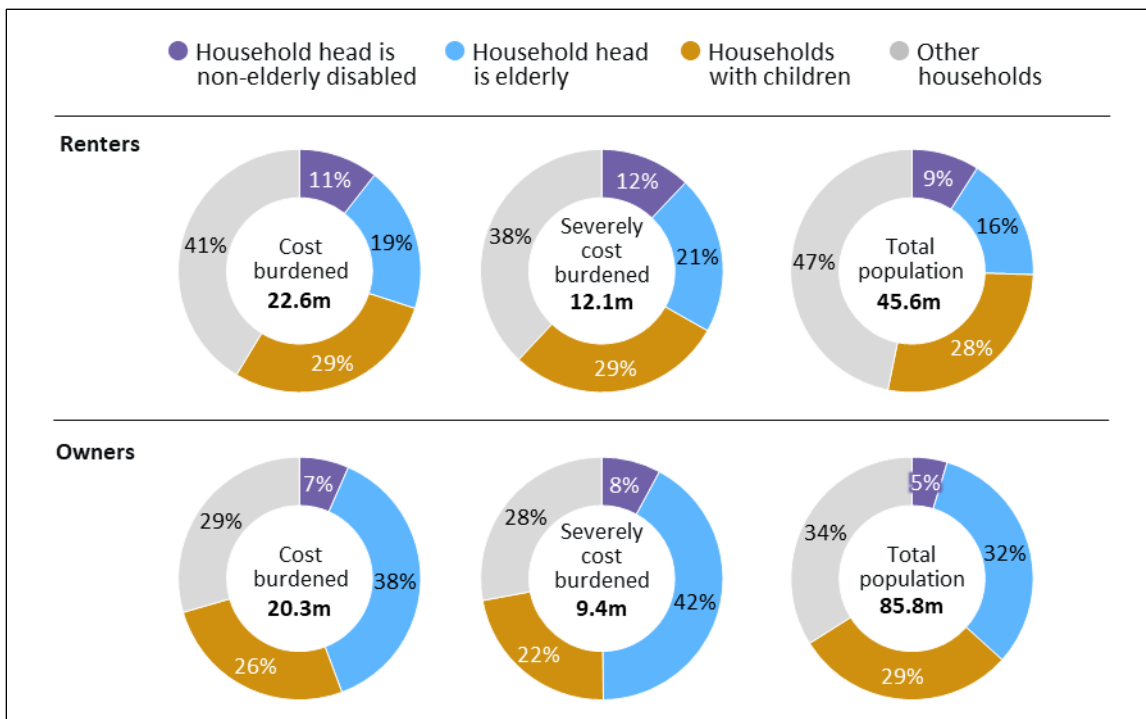
Figure 4. Housing Cost Burdens by Tenure and Household Characteristics, 2023



Source: Created by CRS, using the 2023 American Community Survey 1-Year Public Use Microdata Sample, available at <https://www.census.gov/data/developers/data-sets/census-microdata-api.html>.

Notes: For the estimates presented in this figure, “cost burdened” is defined as spending more than 30% of household income on housing costs, and “severely cost burdened” is defined as spending more than 50% of household income on housing costs.

Figure 5 further shows that elderly households made up 42% of severely cost burdened owner households despite accounting for only 32% of all owner households in 2023. Households headed by a nonelderly person with a disability accounted for 8% of severely burdened owner households but only 5% of all owner households. Households headed by an elderly person or person with a disability also accounted for a disproportionately high share of severely housing cost burdened renter households (a combined 33% of severely burdened renter households but only 25% of all renter households).

Figure 5. Characteristics of Cost Burdened Households, 2023

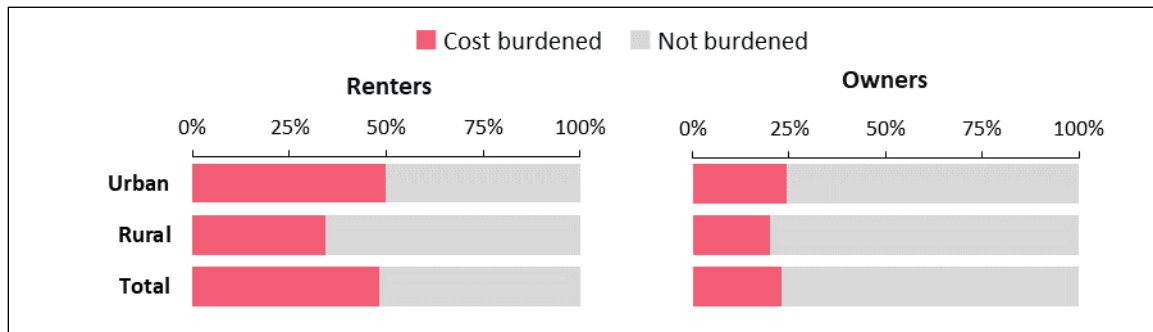
Source: Created by CRS, using the 2023 American Community Survey 1-Year Public Use Microdata Sample, available at <https://www.census.gov/data/developers/data-sets/census-microdata-api.html>.

Notes: For the estimates presented in this figure, “cost burdened” is defined as spending more than 30% of household income on housing costs, and “severely cost burdened” is defined as spending more than 50% of household income on housing costs.

Geographic Differences in Housing Cost Burden Rates

Federal policymakers are often interested in the differing experiences of urban versus rural populations. When it comes to housing affordability, cost burden rates were higher in urban areas than in rural areas among both renters and owners in 2023 (**Figure 6**).

The gap in housing cost burden between owners and renters was smaller in rural areas compared to urban areas. In urban areas, the share of renter households who were cost burdened was more than twice that of owner households. In rural areas, the share of renter households facing housing cost burden was 1.7 times that of owner households.

Figure 6. Housing Cost Burdens by Tenure and Urban/Rural Status, 2023

Source: Created by CRS, using the 2023 American Community Survey 1-Year Estimates, available at <https://data.census.gov/table/ACSST1Y2023.S2503?q=housing>.

Notes: For the estimates used in this figure, “cost burdened” is defined as spending 30% or more of household income on housing costs.

Considerations When Using Cost Burdens to Define Housing Affordability

Using a housing cost-to-income ratio to calculate cost burdens has several advantages. Cost burdens have been consistently used over time by both government and non-government researchers to measure housing affordability, making it familiar to and easily understood by most readers. The cost burden ratio is also simple to calculate and relies on information (housing cost and income) that is available from reliable public sources (e.g., Census Bureau surveys). Moreover, due to the simplicity of the ratio, the methodology used by researchers is generally consistent, allowing for comparisons over time and across different contexts (e.g., different states, different populations).

Despite its widespread adoption, the 30% affordability threshold and related housing cost burden standards have their limitations. For example, the 30% (or 50%) affordability standard does not account for individuals’ preferences over housing quality or where they would like to live, which partly depends on neighborhood amenities (e.g., access to recreation, transportation, health care, and quality schools) and proximity to one’s place of employment. For example, according to the 30% affordability standard, a person who chooses to pay 32% of their income for rent in order to live within walking distance of their workplace is cost burdened, whereas they would not be cost burdened if they moved further away and paid 29% of their income for rent. However, the decision to move further away may result in additional transportation costs that raise the overall cost of living for this person. The 30% affordability standard fails to account for intentional decisions on the part of a household.

Furthermore, defining housing affordability based on a fixed percentage of income fails to account for variability among households in the costs of and need for non-housing goods, such as child care, transportation, and health care. For example, defining affordability as a household spending no more than 30% of its income on housing assumes households require at least 70% of their income for savings and spending on other goods and services. This implies that a household earning \$40,000 requires \$28,000 to save or spend on non-housing goods and services, while a

similar household earning \$20,000 only requires half as much (\$14,000), without consideration of the households' circumstances (e.g., medical or child care costs).⁷

Due to the limitations of the housing cost-to-income ratio, some researchers have elected to use a "residual income" approach as an alternative measure of housing affordability.⁸ This metric directly calculates non-housing expenditures (e.g., transportation, food, health care, and child care costs) and subtracts them from household income, designating the remaining amount as residual income. A household is considered "shelter poor" if their residual income is insufficient to cover their housing needs. This approach has the appeal of allowing researchers to take into account differences in household income, non-housing costs, and composition, which can all affect what a household finds to be affordable. However, it has the limitation of being more difficult to calculate than the housing cost-to-income ratio, and methodologies vary among researchers.

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⁷ $\$28,000 = (1-0.30) \times \$40,000$ and $\$14,000 = (1-0.30) \times \$20,000$.

⁸ Further discussion of the benefits and limitations of the housing cost-to-income ratio and residual income approach can be found in Christopher Herbert, Alexander Hermann, and Daniel McCue, *Measuring Housing Affordability: Assessing the 30 Percent of Income Standard*, Joint Center for Housing Studies of Harvard University, Cambridge, MA, September 2018, pp. 3-4, https://www.jchs.harvard.edu/sites/default/files/media/imp/Harvard_JCHS_Herbert_Hermann_McCue_measuring_housing_affordability.pdf; and Matthew M. Brooks, "Measuring America's Affordability Problem: Comparing Alternative Measurements of Affordable Housing," *Housing Policy Debate*, vol. 33, no. 6 (2023), pp. 1293-1312.