Opportunity Vouchers: A Promising New Tool for Improving Affordability and Economic Mobility for the Lowest-Income Families

Children benefit significantly and earn more as adults when families have a stable, affordable home and access to low-poverty neighborhoods with good schools and job opportunities. But today, about 6 million families with children are experiencing housing instability, including more than 150,000 families who spend part of the year in a homeless shelter.¹ And a large share of very low-income families (especially Black and Hispanic families) struggle to access affordable apartment homes outside of segregated, under-resourced, high-poverty communities. Opportunity vouchers aim to solve both challenges by increasing the availability of housing choice vouchers for families with kids under age 6, and linking these vouchers to innovative housing mobility assistance to help families overcome barriers to moving to neighborhoods where kids do better later in life.

Increasing Housing Affordability and Stability
Renters with very low- and extremely low-incomes² make up more than half of the 18 million severely cost burdened households in the U.S. paying more than 50% of their income on housing. For families in the lowest income quintile, severe housing cost burdens lead to dramatic sacrifices, including cutting back on health care spending by nearly 70%.³ Unaffordable rents for the lowest income families are also tied to greater risk of eviction and homelessness, toxic stress for kids, increased risk of child neglect, reduced childhood development, and kids having a harder time doing well in school.⁴

The private market faces structural difficulties in making rents affordable to those with the lowest incomes without subsidy.⁵ Rents that these households can pay are generally too low to support operating costs at most rental properties. Housing choice vouchers help address this market gap. Vouchers make existing, modestly priced housing more affordable to very low-income households. Voucher holders pay 30% of their income toward rent, and HUD pays the remainder up to a maximum set below median area rent.

Recent research has found that housing vouchers significantly reduce homelessness and housing instability. Receipt of a housing voucher also has been found to be significantly associated with lower hospitalization rates and less inpatient spending for children.⁶ And the Urban Institute estimates that providing 2.6 million housing vouchers to poor, rent-burdened households with children could reduce child poverty by up to 21%—exceeding the impact of a whole host of other anti-poverty strategies, including raising the minimum wage to $10 per hour.⁷

Despite these positive effects, there are too few housing vouchers for those who need them. Only 1 in 4 eligible renters receive federal rental assistance of any type.⁸ Voucher waiting lists often last years.

Creating new housing choice vouchers for families with young kids would help make housing affordable and stable for severely cost-burdened families at risk of eviction, homeless, and accompanying hardships.

¹ Douglas Rice, Senate Bill Aims to Cut Intergenerational Poverty by Expanding Families’ Housing Opportunities, Dec. 19, 2019.
² Very low-income is defined as earning less than 50% of area median income (AMI). Extremely low-income households earn less than 30% of AMI or up to the federal poverty level (whichever is higher).
³ Joint Center for Housing Studies of Harvard University, The State of the Nation’s Housing, 2019.
⁵ Maya Brennan and Solomon Greene, Urban Institute, Why Isn’t There Enough Affordable Housing for the Families Who Need It Most?, February, 2018. See also: Emily Badger, “The basic reason why there just isn’t enough decent housing for the poor.,” Washington Post, July 26, 2016.
⁷ Cunningham, June 28, 2016.
Improving Neighborhood Options

Recent, groundbreaking research by Harvard economist Raj Chetty and his colleagues found that low-poverty, high-opportunity neighborhoods significantly improve poorer kids’ long-term economic and education prospects. One of the team’s findings was that poor children whose families received vouchers to help them move from public housing to low-poverty areas before age 13 increased their earnings as adults by 31 percent, the equivalent of $302,000 more in lifetime income.9 They were also much more likely to attend college and less likely to become single parents. The age of kids matters, though, as a broader companion study found that the longer kids are exposed to high-opportunity settings, the more they gain later in life.10

The primary challenge with housing vouchers is that landlords in many states don’t have to accept them, and many choose to avoid the risk or hassle where rental demand is high and there are plenty of other applicants. Another challenge is families often do not know their neighborhood options, and moving costs can be prohibitive. Mobility programs help families overcome these barriers, according to new study by Chetty and colleagues. Programs that include landlord outreach and mediation, tenant counseling, and help with moving expenses are dramatically improving access to high-opportunity neighborhoods for families with vouchers.11

A great example is Seattle’s mobility program. Working with a nonprofit partner, the program has seen huge success from a relatively tiny investment in “housing navigators.” Seattle’s housing navigators help low-income families receiving vouchers find homes in better neighborhoods, and further help by negotiating with landlords and helping to pay security deposits. At a cost of roughly $2,600 per household, Chetty and colleagues found the program had a stunning effect: families were almost four times as likely to use their vouchers to move to a high-opportunity area.

A Proposed Solution: The Family Stability and Opportunity Vouchers Act

The newly introduced Family Stability and Opportunity Vouchers Act would give more renting families access to a stable, decent home. It would also expand resources for mobility programs like Seattle’s that are succeeding in helping families with vouchers access neighborhoods where their kids do better later in life.

Introduced in late 2018 by Senators Todd Young (R-IN) and Chris Van Hollen (D-MD), the Act would create 500,000 new housing choice vouchers for families with kids under age 6, and link these vouchers to optional housing mobility assistance to reduce barriers to using vouchers in neighborhoods with more opportunities for children. Vouchers would phase in over five years at 100,000 per year. To serve as many rent-burdened families as possible, mobility assistance proposed by the Act would be optional: families that want to stay in their community could still receive a voucher to help them afford a decent rental home locally.

By expanding support for mobility assistance, the Act aims to take mobility programs to national scale and more fully realize the promise of vouchers as a tool for bridging families and their children to communities of opportunity. The Center for Budget and Policy Priorities estimates that if signed into law, the Act would immediately lift 200,000 families out of poverty, significantly reduce child homelessness and housing instability, and enable as many as 1 million children and their families to access affordable homes in neighborhoods with strong schools where kids do better later in life.

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