Analysis of Underserved Rural Areas
Final Report
to the U.S. Department of Housing & Urban Development

Prepared by:

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Introduction

The Federal Housing Enterprises Financial Safety and Soundness Act of 1992 empowers the Secretary of Housing and Urban Development to establish several annual housing goals for Government Sponsored Enterprises (GSEs). One of these housing goals requires GSEs to purchase a certain portion of their mortgages from "central cities, rural areas, and other underserved areas." Central cities have been used since the legislation was enacted as a temporary proxy for all underserved areas. The obvious inadequacy of this definition -- most notably its complete omission of rural areas -- has led to a renewed effort to further hone the goal in the regulatory process.

The Housing Assistance Council (HAC) and many other organizations have expressed particular concern that rural areas be adequately covered by the regulations governing the underserved areas housing goal. As part of its effort to address this concern, HUD requested that HAC conduct research into the efficacy of various definitions of "underserved," and into the housing and poverty conditions of rural communities covered by various possible definitions. Research conducted by Freddie Mac and others suggests a relationship between a metropolitan community's access to mortgage credit and both the concentration of minority residents and the community's proportion of areawide median income.[1] No data exists from which to evaluate whether this relationship exists in nonmetro areas.[2]

HAC's research examined the housing and poverty conditions of rural communities in six sample states. Because of the findings of the metropolitan-based mortgage credit research, and because of the proxy contained in the proposed rule governing the underserved areas goal, we began with the assumption that minority concentration and percent of areawide median may help predict access to mortgage credit in nonmetro areas. *HAC did not in the course of this research explore the usefulness of using other proxies in*

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[1] See Susan Wharton Gates, "Defining the Underserved," Secondary Mortgage Markets, Mortgage Markets Review, 1994, and Katherine L. Bradbury, Karl E. Case, and Constance R. Dunham, "Geographic Patterns of Mortgage Lending in Boston, 1982-1987," New England Economic Review, September/October 1989. The latter study found a relationship between high-minority neighborhoods and low levels of mortgage origination.

[2] Previous research was based largely upon HMDA data, which is collected only for financial institutions in metropolitan areas. The findings cannot therefore be generalized to include rural areas.

nonmetro areas. It is entirely possible that a proxy based on additional variables would be appropriate for nonmetro areas. Nevertheless, the data collected in this phase of the research does illustrate strong relationships between poverty, housing quality and affordability problems and nonmetro communities' minority concentrations and percent of areawide median income.

The primary purpose of HAC's research was to analyze the impact of alternative combinations of minority concentration and relative income, to compare the results to those of the targeting criteria contained in the proposed rule, and to assess the suitability in rural areas of HUD's proposed criteria. The targeting criteria in the proposed rule follows.

> The Secretary has determined that this [underserved areas]
> goal should target those areas in central cities, rural areas,
> and other areas where: 30 percent or more of the residents
> in a census tract are minority and the median income of
> families in the census tract is at or below 120 percent of the
> area median income, or where the median income of families
> in the census tracts is less than 80 percent of the area
> median income.[3]

HAC's analysis is particularly important because the targeting criteria in this rule were based exclusively on research in metropolitan areas.

This report summarizes the findings of HAC's research, discusses underlying issues and assumptions, offers concrete recommendations for specific targeting criteria, and suggests areas for further study.

Methodology

HAC's research examined in detail the nonmetropolitan portions of six states (Alabama, Arizona, Illinois, Kentucky, Oregon, and Texas). The states were chosen because they are broadly representative of rural areas in the United States in terms of degree of remoteness, size of counties, physical topography, and diversity of racial/ethnic populations. According to the 1990 Census, four of the six states (Alabama, Arizona,

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[3] U.S. Department of Housing and Urban Development, 1995. The Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) Regulations; Proposed Rule. *Federal Register* 60, No. 32, Feb. 16, pp. 9163.

Kentucky, and Texas) had higher than average nonmetro rates of poverty and substandard housing and different concentrations of people of color. For example, the vast majority of Alabama's nonmetro minority population was Black, while Texas' significant minority population was largely Hispanic. Kentucky's population, conversely, was almost entirely white. Housing and poverty conditions in nonmetro Oregon closely resembled nationwide nonmetro medians. All of the six states examined in this research have relatively large nonmetro populations: the sample states combined contained 20 percent of the total U.S. nonmetro population in 1990.

Several demographic variables were chosen to highlight in general terms the housing and poverty conditions of various groups of rural communities: the percent of statewide nonmetro population; the individual poverty rate; the homeownership rate for households with a householder between the ages of 25 and 44; the homeownership rate for households with annual incomes less than $20,000 a year; the rate of severe housing cost burden for households with annual incomes less than $20,000 a year; and the rate of substandard housing.[4] These variables include the best available Census indicators for a lack of access to mortgage credit. A low homeownership rate for householders aged 25-44, for example, may be an indication that the community lacks access to mortgage credit. A high rate of substandard housing may illustrate an unmet need for rehabilitation loans.

Significantly more data has been aggregated than appears in the attached tables or is discussed in this report; the number of variables selected for consideration at this stage of the research was narrowed to facilitate data presentation and analysis.

The data used in this research was extracted from STF3A of the 1990 Census of Population and Housing, and is subject to all of the limitations of that sample, including sampling errors and undercounting. Data was collected for all census tracts/BNAs in each of the states, after which census tracts/BNAs located in metropolitan counties were removed and the nonmetro information reaggregated (see footnote 9 for a definition of census tracts/BNAs). All the data mentioned in this report is contained in the attached tables and all the raw data collected in the course of this research will be submitted in electronic format to HUD if requested within one month of this report's submission.

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[4] Definitions for all of these terms, and others used in this report, are in Appendix A.

Definitional Issues

Defining "Rural"

Defining rural areas for research and policy purposes has been a constant challenge. For some, the word "rural" conjures geographical delimiters in which distance from a metropolitan center is the deciding definitional criterion. For others, rural areas are defined by the people who inhabit them, and thus demographic characteristics of the population are used to determine rural boundaries. To the degree that resources must be targeted to underserved areas or those with a high level of housing need, a combination of geographic and demographic variables is necessary to capture the richness and diversity of rural areas.

The GSE legislation has emerged to challenge and hone conventional definitions of rural and rural need. The debates that have ensued are directly related to the differences between geographic and demographic-based criteria. While different federal agencies use varying definitions of rural, the most widespread concept is that rural areas are the same as nonmetropolitan areas. This definition is useful because Metropolitan Statistical Areas, designated by the Office of Management and Budget based on the decennial Census, follow county boundaries.[5] While little national data is available for nonmetropolitan areas, even less is available for other definitions of rural, such as that of the Census Bureau or the Rural Housing and Community Development Service (formerly the Farmers Home Administration). The Census Bureau's definition of rural (places less than 2,500 in population including rural portions of extended cities and areas outside incorporated and Census-designated places), is obviously counterintuitive. Most people know if they live in a town of 2,500, but few know if they live in technically "rural portions of extended cities."

The RHCDS definition of rural is even more nebulous. While this definition is supposed to be based in part on an area's access to mortgage credit, it is HAC's experience that local RHCDS officials (who determine the eligible service areas in their counties) are not able to accurately assess this access (or lack thereof). In addition, the RHCDS-designated "rural" areas cross all political jurisdictions. It is therefore impossible to geocode national data based on the areas. Consequently, HAC suggests using nonmetropolitan as the definition of "rural" in the GSE regulations.

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[5] Except in New England, where MSAs are based on cities and towns and NECMAs are based on counties.

Demographic Diversity within Nonmetro Areas

There are nevertheless several problems with defining "rural" as nonmetropolitan. Most notably, nonmetropolitan areas include fast-growing cities of up to 49,999 people that are demographically much more "urban" than they are "rural." The Housing Assistance Council has found through extensive field experience and anecdotal evidence that smaller, more remote areas are more likely to lack access to mortgage credit than larger communities.[6] The housing needs and problems of densely populated nonmetro areas often more closely resemble those of small metro areas rather than communities that have lower populations and are more "rural."

It is inaccurate to assume, therefore, that nonmetro areas are necessarily rural in character. Nor is it accurate to assume that nonmetro people, considered as a monolithic whole, are homogenous. Just as metro areas contain both inner-city pockets of poverty and suburban affluence, so too do nonmetro areas contain low-income, quasi-suburban, and wealthy resort communities. There is thus tremendous diversity in nonmetro areas. For example, in 1990, nonmetropolitan counties in the United States ranged in size from Loving County, Texas, which had a total population of 107 people, to Ulster County, New York, with a population of 165,304. The housing needs and ease of access to mortgage credit of these areas are likely to be extremely different, and any definition that encompasses both yet neglects to differentiate between them has limited usefulness.

So, too, does a definition of need or underservice that encompasses both urban and rural areas. Two low-income communities -- one rural and one urban -- with exactly the same poverty rate and proportion of minority residents will have significantly different housing needs. Low-income people in the rural community, the majority of whom would be homeowners, would be much more likely to live in physically substandard housing in need of rehabilitation or complete reconstruction. Their urban counterparts, however, would be more likely to live in overcrowded rental units, and to need rental assistance to improve their housing conditions. So, while communities within both urban and rural areas suffer from persistent poverty and housing problems, the reasons for, precise nature of, and solutions to these problems are often fundamentally different.

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[6] Moises Loza, Executive Director of the Housing Assistance Council, testimony before the Subcommittee on Environment, Credit and Community Development of the House Committee on Agriculture, July 21, 1994. HAC has also identified the need for additional research linking access to mortgage credit with degree of remoteness. See the "Recommendations for Further Research" in Appendix A.

Thus, areas with high levels of housing need, or those that are underserved, might need to be defined differently in rural and urban areas.

The Importance of Careful Targeting

Ironically, when nonmetro locations as a whole are targeted for legislative attention, many nonmetro communities are neglected. This occurs because it is considered easier to extend services and resources to nonmetro areas with developed infrastructures and higher population densities. The Housing Assistance Council has found that more remote areas almost always have greater need for special resources because poverty, physical housing quality, and affordability problems are generally more prevalent and severe than in larger nonmetro centers.[7] Yet these smaller localities are less likely to have the capacity to compete with larger nonmetro cities and towns for limited state and federal assistance. As described earlier, HAC has found that these smaller communities with serious housing needs also, perhaps relatedly, lack access to mortgage credit and other financial services.[8] If targeting is not an essential element of legislation directed to nonmetro areas, lower-income, smaller, more remote, and other underserved communities will be neglected. HAC asserts unequivocally that these areas must be given priority if access to mortgage credit is to be expanded to underserved communities.

To the degree that the purpose of the definition is to serve people with the greatest need for mortgage credit, as the underserved areas housing goal affirms, appropriate demographic characteristics must be used to help delimit rural areas. Definitions based on geography alone fail to capture the incredible diversity of rural America. One consequence of this failure is that larger, fast-growing, more affluent nonmetro communities will continue to receive more than their "share" of housing resources at the expense of smaller, more remote communities.

The priorities of the legislation in question should drive the precise nature of the targeting. The FHESSA clearly mandates that the GSEs must expand their activities

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[7] For detailed information about poverty and housing in rural areas of the United States, see *Taking Stock of Rural Housing and Poverty for the 1990s*, a publication of the Housing Assistance Council.

[8] The "Targeting Areas and Building Communities" nonmetro working group of the National Homeownership Partnership, of which the Housing Assistance Council and Fannie Mae were a part, identified lack of access to financial institutions as a barrier to homeownership in nonmetro areas. See the *National Homeownership Strategy* draft report, distributed by HUD, for more information.

into communities lacking adequate access to mortgage credit. Communities with sufficient access to mortgage credit should by definition be excluded by the criteria used to identify underserved areas. The simplicity of this logic belies the complexity of its implementation.

This is particularly true when there are seemingly dueling priorities, as in the case of the FHESSA. The targeting criteria must effectively balance the priority of serving the communities that are severely underserved with the priority of reaching enough communities so that there is a real impact in central cities and rural areas. All of the various targeting criteria HAC considered in the course of this research favored one or the other of these priorities. Hard decisions must be made in order to decide among them.

Base Geographical Level for the Criteria: Census Tracts/Block Numbering Areas or Counties

In addition to the broad definitional issues discussed above, two additional issues are vital to interpreting the following data. The first concerns the use of census tracts/BNAs as the geographical base of the definition of underserved areas in the housing goal, and in this research.[9] The Secretary specifically asked for public comment on this issue: it is of pivotal importance in the implementation of the rule.

States are obviously too broad of a base geographical level because there are tremendous demographic variations within states. Counties appear to be a better choice because they are obviously smaller than states, yet counties, too, contain communities with tremendous differences in housing and population characteristics. For example, one census tract in Aransas County, Texas, had a family poverty rate of 4.5 percent and a median family income of $50,398. Another census tract in the same county, however, had a median family income of $17,053 and a family poverty rate of 33.8 percent, according to the 1990 Census.

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[9] Census tracts are small statistical subdivisions of a county, and are delineated for all metropolitan areas. They usually have between 2,500 and 8,000 residents, and were originally designed to be homogenous with respect to population characteristics, economic status, and living conditions (demographic changes since official designation, however, often results in greater heterogeneity than originally planned). The physical size of census tracts varies widely. Block numbering areas (BNAs) are county subdivisions used in nonmetro areas in which census tracts have not been established. BNAs are determined using similar criteria to census tracts. Most of the nonmetro areas studied in this report have a combination of census tracts and BNAs.

Insofar as the purpose of the definition is to identify as specifically as possible nonmetro areas that lack access to mortgage credit, it is vital to use a geographical base that identifies high-need communities within otherwise affluent areas. If too broad a base is used, pockets of underservice will be overlooked. Consequently, census tracts/BNAs emerge as the best possible choice because they are relatively small in terms of population and because by definition communities within individual tracts/BNAs are demographically similar.

It is possible to argue that census tracts/BNAs have artificial boundaries that are not used in federal housing programs, and that using them as a base geographical level to target resources would be administratively onerous. In addition, most people and financial institutions are not familiar with census tracts/block numbering area boundaries but are with county boundaries. Certainly administrative burden and ease of use are elements of a definition's usefulness that should be considered. *But this concern should not in any way be allowed to subvert the effectiveness of the proxy.*

There are a number of strategies the regulations could employ to address this issue: 1) use counties alone as the base geographical level for the proxy; 2) use a combination of counties and census tracts/BNAs; or 3) use census tracts/BNAs only. The first option is not a good one for reasons outlined above, the most compelling of which are the tremendous variations in housing and poverty conditions within counties, and the GSE legislation's mandate to specifically identify and target underserved areas. The second option requires closer attention.

HUD could decide to mitigate the administrative burden on GSEs by using census tracts/BNAs to determine which counties would be considered underserved. In such a scenario, it seems logical that HUD may include in the definition of underservice counties in which 60 or 70 percent of the census tracts/BNAs are underserved according to the proxy ultimately used. HUD could, alternately, use this method and also count mortgages purchased in the eligible census tracts/BNAs (but outside the totally eligible counties). The former option would be ineffective because the number of people served would be drastically reduced compared to the census tract/BNA only method.

**Figure 1: Impact of Using Different Geographical Bases for the Definition of
Underserved Areas on the Number of People Served, State of Kentucky**

	Eligible @ 80-30/120	Eligible @ 90-30/120	Eligible @ 100-30/120
Census tracts/BNAs only	580,664	874,933	1,294,407
Counties (with 60% or more elig. CTs/BNAs) only	436,045	545,336	1,135,876

As Figure 1 illustrates, if counties in which 60 percent or more of the census
tracts/BNAs are eligible (using the various proxies listed in the table) are used as the
base geographical level of the proxy, far fewer communities would be served than if
census tracts/BNAs were used. These results were replicated in Alabama as well. More
importantly, a large number of communities identified as underserved would be
excluded if this method were employed. The other possible permutation of a combined
census tract/BNA and county level geographical base (that of also including underserved
census tracts/BNAs outside of totally eligible counties) is equally problematic.

It is important to reiterate the challenge of balancing the need to target the GSEs'
activities with the need to keep the criteria broad enough that an appropriate number of
communities are targeted. If too many communities are encompassed by a targeting
criteria, communities with adequate access to mortgage credit may be included, and the
GSEs may disproportionately invest there. If too few communities are targeted, the
power of the GSEs to expand rural areas' access to credit may be limited, and needy
communities will go unserved.

HAC believes that any definition of mortgage credit underservice which is in any way
based upon counties would include communities that are considered adequately served
by the carefully formulated proxy.[10] These communities have higher median incomes,
lower poverty and substandard housing rates, and a greater proportion of owner-
occupied homes than those that are underserved. Consider the impact of a combined
county-census tract/BNA definition on Dallas County, Alabama. This nonmetro county
has 14 census tracts, ten of which had incomes less than 90 percent of areawide median

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[10] A good example of this would be in Western states where the counties tend to be physically
larger than in the East. In these states, census tracts/BNAs that are geographically closer to a metro
area or larger nonmetro city would be more likely to have access to credit than more remote census
tracts in the same county. If only county-level data were considered, the needier remote tracts/BNAs
may well be overlooked.

or had incomes less than 120 percent of the areawide median and more than 30 percent of the population was minority. Because more than 60 percent of the total number of census tracts are eligible under the 90-30/120 criteria, the whole county would be considered eligible. The differences in housing and poverty conditions among the census tracts within the county, however, are tremendous.

Figure 2: Differences in Housing and Poverty Conditions between Eligible and Non-Eligible Census Tracts/BNAs within Dallas County, Alabama

	Population	Median Income	Poverty Rate	Owner Rate Hshldr 25-44	Substandard Rate	% Minority
BNA 9965 (elig.)	4,926	$7,846	55.2%	27.9%	12.6%	94.6%
BNA 9967 (not elig.)	3,995	$32,091	11.2%	71.3%	0.8%	9.8%
All eligible BNAs	30,485	n/a	47.5%	39.2%	14.1%	75.3%(Av)
Ineligible BNAs	17,645	n/a	17.2%	68.9%	6.5%	27.0%(Av)

In BNA 9965, which meets the proxy for underservice, the poverty rate is *five times* higher and the median income *four times* lower than in BNA 9967, which does not meet the proxy definition. As Figure 2 shows, fewer than half the proportion of householders between the ages of 25-44 own their homes in the BNA that meets the 90-30/120 proxy compared to the BNA that does not. The proportion of housing units that are substandard is *sixteen times* higher in BNA 9965 than it is in BNA 9967, which is considered by the proxy to have adequate access to mortgage credit. The data for all eligible and ineligible BNAs is similar, suggesting that the comparison of individual BNAs is not an extreme example but rather illustrative of a larger phenomenon.[11]

The fundamental purpose of the GSE legislation is to mandate a certain level of mortgage purchasing activity in traditionally underserved areas. The explicit assumption of this mandate is that GSEs have not historically purchased mortgages in these areas. Using a county-based definition of mortgage credit underservice would undermine this mandate because it would allow the GSEs to count towards the underserved areas goal

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[11]   HAC's research into this issue focussed on nonmetropolitan census tracts/BNAs in Alabama and Kentucky. The findings conclusively illustrated some of the inherent problems with using a combined census tract/BNA and county geographical base for the criteria. Additional research into this issue may be advisable in order to study carefully other ways to combine census tracts/BNAs and counties, and to study the effects of such combinations in other states.

mortgage purchases in communities that have, according to the proxy, adequate access to mortgage credit. Because these "served" communities have higher incomes, lower poverty rates, and lower proportions of minority residents, GSEs are more likely to buy mortgages from them, potentially at the expense of underserved communities within the same county.[12]

The Housing Assistance Council strongly urges HUD to use census tracts/BNAs alone as the base geographical level for the underserved areas proxy in nonmetropolitan areas. HAC believes that to do otherwise would compromise the intent of the legislation.[13]

Which Areawide Median Income?

The other critical definitional issue concerns the determination of the areawide median income to which a community's median income is compared. Most federal housing programs (including almost all of HUD's) use a family's percent of areawide median income to determine eligibility. In metropolitan areas, the median income of the whole MSA is considered the areawide median. In nonmetro areas different areas area used in different programs. In some, the median income of the county in which the community or household is located is considered the areawide median. Other programs such as HUD's rental assistance and public housing programs, use the greater of the countywide median income or the state nonmetro median income. Still other programs use the median income of the entire state as the areawide median.[14]

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[12] The GSEs' own performance in 1994 lends credence to this concern. Both Freddie Mac and Fannie Mae disproportionately served higher-income people in central cities in 1994: 61.3 percent of Fannie Mae's and 66.5 percent of Freddie Mac's single-family mortgagors had incomes above the area median. Forty-nine and 53 percent of Fannie and Freddie's single-family mortgagors, respectively, were above 120 percent of areawide median.

[13] If it is compelled to use a county-based definition, HUD should insist that the GSEs report their progress under the underserved areas goal by census tract/BNA, so that HUD and the general public can determine the extent to which the GSEs are meeting the goal by purchasing mortgages in "served" portions of counties.

[14] This report analyzed *household* median income data rather than *family* median income data. There is no evidence that HAC's findings would be different had family income been used. The relationship between household and family incomes was similar in all of the sample states: the median family income was between 20 and 24 percent higher than the median household income in each of them.

If statewide median incomes alone are used to determine a community's eligibility, wealthier communities in affluent states would be included, while poorer communities in impoverished states would be excluded. The statewide median income of California, for example, is $35,798, while that of Mississippi is only $20,136. A census tract/BNA in California would be considered eligible at 80 percent of statewide median if it had a median of $28,638 or less, while a census tract/BNA in Mississippi would have to have a median income as low as $16,109 to be eligible. Differences in the cost of living in the two states account for some of the gap, but overall, wealthy communities in California would be considered eligible, while extremely low-income communities in Mississippi would be ineligible. Consequently, the poverty and substandard housing rates of *ineligible* census tracts/BNAs in Mississippi are consistently higher than *eligible* California tracts/BNAs.[15]

Using the countywide median income as the areawide median income mitigates some of these problems, because there is generally less diversity within counties than there is within states. It does not "penalize" more impoverished states to quite the same degree, but the basic problem with using the statewide definition is still present: in a county with generally low income levels, a census tract/BNA would qualify only if it were poorer than its identical counterpart in a more affluent county.

HAC believes that the primary concern with both of these methods is that lower-income census tracts/BNAs, if they happen to be located in low-income counties, must be worse off compared to communities in wealthier areas in order to qualify. Since the purpose of this research is to identify precisely the neediest low-income communities, this problem must be addressed.

One way of mitigating the limitations of using either the state median or county median as the areawide median income is to use both. It makes obvious sense to use a state's nonmetropolitan median income (rather than the statewide median) against which to measure conditions in the state's nonmetro areas.[16] If the *greater* of a community's

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[15] See Table 6 for a chart plotting this poverty data.

[16] This may also limit the problems outlined earlier in the California/Mississippi statewide median income comparison above. Generally speaking, differences among the states' nonmetro median incomes are not as large as those among median incomes of the whole state, thus easing the discrepancies between wealthier and more impoverished states. The difference in statewide median income in California and Mississippi, for example, was $12,529 compared to only $6,698 in the states' nonmetro median incomes.

statewide nonmetro or countywide median income were used to determine eligibility, more lower-income census tracts/BNAs would be included. There is therefore one benchmark against which census tracts/BNAs may be compared in a state, thus eliminating the problem of equally poor census tracts in different counties being unequally eligible.

Data Analysis

Variation in Indicators of Need by Income and Minority Concentration

As illustrated in Table 1 of Appendix B, census tracts/BNAs for the six sample states were aggregated by the proportion of areawide median income (AWMI) that their median incomes represented. A broad range of values was selected for study, from less than 70 percent of AWMI and for every increment of ten up to 120 percent of areawide median. This range was selected in order to test the adequacy of the proxy in the proposed rule. The research found that as the percent of AWMI increased, housing and poverty conditions generally improved. In other words, rates of poverty, cost burden and substandard housing were higher, and homeownership rates lower, for census tracts/BNAs in the lower percent AWMI cohorts. The most significant changes in conditions occurred between cohorts at less than 70 and 70 -80 percent of areawide median, although the differences were also pronounced between the 70 -80 and 80 -90 percent of AWMI cohorts. The rate of change between cohorts tended to drop considerably after 100 percent of areawide median.

Interestingly, there were few similarities in the changes in conditions based on AWMI among demographically comparable states in the sample; poverty and housing conditions in high-minority states such as Texas, Arizona, and Alabama, or high-poverty states like Kentucky, Arizona, and Texas, for example, did not respond similarly to changes in areawide median income.

The data from different minority population cohorts (contained in Table 2) yielded some unforeseen results. One of the assumptions of this research was that housing and poverty conditions would worsen as the density of minority population increased. In fact, there was great diversity among states and minority cohorts (although conditions in high-minority states such as Alabama and Texas tended to respond similarly to increases in the concentration of minorities). This diversity notwithstanding, there was generally a positive correlation between the concentration of minority people and the prevalence of substandard housing (except in the predominantly white states where the sample size for high-minority cohorts was exceptionally small). Conversely, homeownership rates for

households with a young householder (aged 25-44) and for households with incomes below $20,000 varied among cohorts.[17]

Unlike the data for cohorts based on the percent of areawide median income, there was no discernable percent minority population before or after which conditions were appreciably different in any state or for any single variable. Conditions *were*, however, worse than for nonmetro areas as a whole for every minority cohort above 15 percent (the lowest percent minority cohort studied).

Basing Eligibility on Income and Minority Concentration

Employing eligibility measures that contain both areawide median and percent minority criteria effectively builds upon the findings of previous research. The general usefulness of this approach was confirmed in HAC's analysis of housing and poverty conditions (see Tables 3, 4, 5, and 7). Determining the precise balance between the two criteria, however, is more of a challenge. Preliminary findings lead us to suggest that eligibility criteria that include census tracts/BNAs with greater than 30 percent minority population and less than 120 percent of areawide median income may be too broad in terms of the percent AWMI and too narrow in terms of the percent minority.

Poverty and housing conditions do not appear to be worse for census tracts/BNAs that are between 80 and 120 percent of median and have greater than 30 percent minority residents than they are for census tracts/BNAs below 80 percent of AWMI with no minority concentration cutoff (see Table 3). In the high-minority sample states, in fact, poverty levels were substantially *lower* and homeownership rates *higher* in the cohort that includes the 30/120 minority criteria in addition to the 80 percent of areawide median criteria. This data calls into question the need for such a broad percent of AWMI component of the combined amwi/minority criteria.

As mentioned earlier, one of the concerns raised in the course of this research is that underserved areas in high-poverty states with few minority residents, such as the sample state of Kentucky, may be overlooked in the proxy contained in the proposed rule (80-30/120). This appears to be of particular concern, ironically, the broader the percent of

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[17] In Arizona, the homeownership rate for young households living in census tracts/BNAs with greater than 50 percent minority populations, at 56.5 percent, was roughly equivalent to that of census tracts/BNAs with less than 15 percent minority. Arizona also had unexpected trends in housing affordability. These unexpected findings could be the result of extreme undercounts of Hispanic people in the 1990 Census (see *Taking Stock of Rural Poverty and Housing...* for more information).

areawide median income used in the combined amwi/minority criteria: the number of census tracts/BNAs in Alabama that were added as the percent of AWMI increased, for example, was much larger than the number added when the percent minority increased (see Table 7).

In densely minority states, a large number of census tracts/BNAs had incomes less than 90 percent of the areawide median or less than 120 percent of AWMI and greater than 20 percent minority population, while very few did in the predominantly white states. Table 8 illustrates that 55.2 percent of Alabama's nonmetro population lived in census tracts/BNAs in the 90-20/120 cohort, compared to 45.8 percent of Kentucky's population, a difference of 9.4 percent. There is only a .1 percent difference, however, in the proportion of the two states' population contained in the 90-20/100 cohort. This relationship also existed in the other predominantly white states in the sample, although to a lesser degree, suggesting that using the 90-20/100 criteria rather than the 90-20/120 criteria may do a particularly good job of narrowing the gap between densely minority and high-poverty white states.

The primary concern here is *not* that all nonmetro states have a roughly equivalent proportion of eligible population under the targeting criteria. Rather, the fundamental concern is that equally needy areas in different states be captured by the criteria. Similarly, it is important that there be equity between coverage of metropolitan and nonmetropolitan communities.

Including in the criteria census tracts/BNAs with greater than 20 percent minority and between 100 and 120 percent of areawide median, therefore, exacerbates the gap between densely minority and predominantly white states in terms of the proportion of the nonmetro population included. Yet the housing and poverty conditions of census tracts/BNAs in these predominantly minority communities are not appreciably worse. Escalating the gap, therefore, cannot be justified. HAC does not believe, therefore, that these census tracts/BNAs should be included in the criteria. As a result, HAC suggests for nonmetro areas that the combined AWMI/minority criteria be changed from that in the proposed rule to census tracts/BNAs with greater than 20 percent minority residents and less than 100 percent of areawide median.[18]

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[18] Additional research should be conducted to support the effectiveness of this balance between these two variables. See Appendix A for details.

Ideally, the Housing Assistance Council would advocate criteria that target the lowest-income rural areas with the most severe housing problems. Among the sample states studied in this research, the lowest-income areas (those with less than 80 percent of the areawide median income) had poverty and substandard housing rates twice as high as nonmetro areas nationwide.[19] These conditions improve steadily as the percent of areawide median increases.

Any targeting effort, however, must effectively balance the dual priorities of reaching the most severely underserved communities and reaching a reasonable number of communities. As illustrated in Table 5, 34.0 percent of the population in Alabama, Arizona, Illinois, Kentucky, Oregon, and Texas lived in census tracts/BNAs that had either a) a median income less than 80 percent of the areawide median income; or b) greater than 30 percent minority and incomes of less than 120 percent of the AWMI. Considering the fact that several of these states were chosen because of their relatively high incidence of poverty and housing quality problems and for their concentrations of minority residents, we may reasonably assume that the criteria would include an even lower proportion of nonmetro population in other states. This possibility is confirmed even among the sample states: 36.1, 43.4, and 47.8 percent of the nonmetro population in Alabama, Arizona, and Texas, respectively, met the 80-30/120 criteria, compared to only 20.6, 29.5, and 14.8 percent of the nonmetro population in Illinois, Kentucky, and Oregon. This data again raises the concern that underserved communities in high-poverty but predominantly white states like Kentucky may be overlooked if these criteria were used.[20]

The Housing Assistance Council, therefore, suggests that a better proxy for credit underservice would be census tracts/BNAs whose median incomes are less than 90 percent of the areawide median income (in addition to a combination percent minority population/percent of areawide median income criteria). We believe that a change in this criterion addresses two of the previously mentioned problems; the relatively few nonmetro people captured in the sample states at lower AWMI percentages, and the omission of low-income census tracts/BNAs with evidence of need for credit access in

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[19]   Affordability problems were generally not as severe in the sample states as they were in nonmetro areas nationwide, primarily because housing costs are comparatively low and homeownership rates high in these relatively impoverished states.

[20]   Other states that might respond similarly are West Virginia, Tennessee, and Arkansas, all of which contain high-poverty pockets and which are overwhelmingly white.

predominantly white states.[21] Almost half of the nonmetropolitan residents of the sample states lived in census tracts/BNAs that met the 90-30/120 criteria, 37 percent more people than the 80-30/120 criteria. These communities still faced extremely high poverty rates and incidence of substandard housing, and homeownership rates were lower than those of nonmetro areas nationwide, as illustrated in Tables 4, 5, and 8. In the absence of large differences in housing and poverty conditions between incremental cohorts, these considerations should strongly effect the selected criteria.

Criteria based on 90 percent of the areawide median income have the additional advantage of capturing a greater portion of census tracts/BNAs in low-income states with relatively small proportions of minority residents. There is a greater increase in the number of people in the predominantly white states between the 80-30/120 and the 90-30/120 criteria than there is in the higher-minority states. In Kentucky, for example, 14.9 percent more of the population would be served using the 90 percent criteria rather than the 80 percent criteria, compared to only 7.3 percent more in Texas. To some degree, these same arguments could be made for using 100 percent of the areawide median as the foundational criterion. HAC asserts, however, that this criteria would be too broad, and that the dispersal of attention away from the lowest-income communities would effectively diffuse the impact of the targeting and therefore subvert its intent.

Conclusion

To summarize, the Housing Assistance Council makes the following recommendations to HUD:

For the overall underserved areas goal:

❖   Use nonmetropolitan as the definition of rural areas.

❖   Targeting limited resources is essential if the neediest communities are to be served: the precise nature of this targeting should differ in urban and rural areas based on the areas' specific housing and poverty conditions, and their relative access to credit.

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[21] The attached maps illustrate how the base percent of areawide median income affects the coverage of various criteria. In the maps, counties are "eligible" if 60% or more of their tracts/BNAs meet the given criteria. These maps suggest that a much larger proportion of the population would be contained in tracts/BNAs with less than 100% of amwi than in those at less than 80% of AWMI.

❖   Use census tracts/block numbering areas as the base geographical level for the proxy criteria.

For rural areas in the underserved areas goal:

❖   Use the greater of the statewide nonmetro or county median to determine areawide median income.

❖   For the combined minority/areawide median income criterion, census tracts/BNAs with greater than 20 percent minority residents and less than 100 percent of areawide median income should be considered underserved.

❖   For the base areawide median income criterion, census tracts/BNAs with median incomes less than 90 percent of areawide median should be considered underserved.

The Housing Assistance Council strongly supports criteria that specifically target low-income rural communities that lack access to mortgage credit. Our 20 years of experience in community lending, technical assistance provision, and research in rural areas has shown unequivocally that these communities inevitably lose out to larger, more developed, and more affluent areas when competing with them for scarce resources. The intent of the Government Sponsored Enterprises legislation in question is predicated on a similar belief: that the mortgage market simply does not adequately serve these communities, and the market thus must be prodded to provide the access to credit that low-income, underserved communities need. The Housing Assistance Council encourages HUD to enforce the mandate of the legislation by effectively targeting underserved rural areas.

Appendix A:
Definitions and
Recommendations for Further Study

Definitions

All of the data in this report is from the 1990 Census of Population and Housing. The following definitions are those used by the U.S. Census Bureau, and are applicable both the text of this report and the accompanying tables.

Areawide Median Income. Generally speaking, the areawide median income in metropolitan areas is the median household income of the Metropolitan Statistical Area (MSA) in which the household or community is located. In nonmetropolitan areas, the areawide median is the median income of the county in which the household or community is located. In this report, areawide median income refers to the *greater* of the statewide *nonmetro* median household income and the county's median household income.

Census Tracts/Block Numbering Areas. Census tracts are small statistical subdivisions of a county, and are delineated for all metropolitan areas. They usually have between 2,500 and 8,000 residents, and are designed to be homogenous with respect to population characteristics, economic status, and living conditions. The physical size of census tracts varies widely. Block numbering areas (BNAs) are county subdivisions used in nonmetro areas in which census tracts have not been established. BNAs are determined using similar criteria to census tracts. Most of the nonmetro areas studied in this report have a combination of census tracts and BNAs.

Cost Burden 35+, Households <$20K. Cost burden is the most common measure of housing affordability. Generally, households are considered cost-burdened if they spend more than 30 percent of its monthly income for housing-related costs, including utilities. This report measures cost burden at 35 percent of household income in order to identify households with severe housing affordability problems. This report only calculates severe cost burden for households with annual incomes less than $20,000 in an effort to isolate the affordability conditions of lower-income households.

Minority. In this report, minority refers to all non-Hispanic Black, Asian/Pacific Islander, Native American/Eskimo/Aleut, and people of "other" race, as well as people who identified themselves as Hispanic in the 1990 Census.

Nonmetropolitan Area. A nonmetropolitan area is outside of a metropolitan statistical area as designated by the Office of Management and Budget. An MSA is defined as an area with a large population nucleus, together with adjacent communities that have a

high degree of economic and social integration with that nucleus. Each MSA must contain either a place with a minimum population of 50,000 or a Census Bureau-defined urbanized area and a total population of at least 100,000 (75,000 in New England). An MSA is comprised of one or more central counties. An MSA may also include one or more outlying counties that have close social and economic relationships with the central county. An outlying county must have a specified level of commuting to the central counties and also must meet certain standards regarding metropolitan character, such as population density, urban population, and population growth.

Owner Rate, Householder 25-44. This refers to the proportion of all households with a householder between the ages of 25 and 44 living in homes that they own.

Owner Rate, Households <$20K. This refers to the proportion of all households with annual incomes of less than $20,000 living in homes that they own. The owner rates for these lower-income households are inflated due to a data extraction error. The total number of low-income households was drawn from a Census table on cost burden which includes only those households for which cost burden was determined. Because renters more often than owners had incomplete information in this table (and were therefore not computed in the total), the homeownership rate for lower-income households is artificially high.

Poverty Rate. The poverty rate is determined by dividing the number of individuals living below the poverty line by the number of persons for whom poverty status was determined. Poverty thresholds are revised annually to allow for changes in the cost of living as reflected in the Consumer Price Index. The average poverty threshold for a family of four persons was $12,674 in 1989.

Rural Area. In the data analysis section of this report, the terms rural and nonmetropolitan are used interchangeably. See the definition of nonmetropolitan above.

Substandard Rate. This term refers to the proportion of all occupied housing units that are substandard. Because so few housing quality variables are collected by the decennial Census, this measure is derived from only two variables; units that lack complete plumbing (no flush toilet, bathtub/shower, or hot/cold piped water), those that are overcrowded (more than one person per room), and those that both lack complete plumbing and are overcrowded.

Recommendations for Further Study

The research presented in this report is an important first step in assessing access to mortgage credit in rural areas. The findings of this report are significant in that they provide strong indications of how to approach targeting in rural areas. Additional research should be conducted in order to test the applicability of HAC's findings in other states and for additional indicators of housing and poverty conditions. The following recommendations are for research tasks that should be carried out soon if HUD intends to propose the best possible definition of underserved rural areas in the GSE regulations. The recommendations are in priority order to meet this goal.

1) Examine the connection between degree of mortgage credit underservice and remoteness/distance from a metropolitan center. Anecdotal evidence abounds that remote rural communities have particular difficulty accessing mortgage credit and other critical financial services. Data analyses should be conducted in order to clarify the accuracy or inaccuracy of this evidence. If a connection between remoteness and underservice is strongly suggested, HUD may target the underserved areas goal to address need in these areas. HAC suggests studying a broad range of states, including those in the West, with relatively few but very large counties such as Arizona and California, and states in the East with a high number of smaller counties, such as West Virginia and Ohio.

2) Undertake additional research into the combined minority concentration/areawide median income criterion. Because of time constraints, HAC was able to undertake only a portion of the research necessary to hone this criterion. The impact of additional narrowing of this criterion, specifically the percent of areawide median that should be used in conjunction with the minority cutoff, should be studied further. A number of concerns arose about the combined AWMI/minority proxy in the proposed rule. Only one of these concerns, the disproportionate number of captured nonmetro census tracts/BNAs in high-minority compared to impoverished predominantly white states, was addressed in HAC's research. Additional research is needed to concentrate on other questions, such as an assessment of housing and poverty conditions in communities captured by a wider variety of combinations of AWMI and minority concentration than HAC was able to explore. It would be advisable to study additional states to see if impoverished predominantly white states such as Tennessee, Arkansas, and West Virginia respond similarly to changes in the criteria, and how they compare to a broader

range of high-minority states, such as Mississippi, Georgia, and Louisiana. It may also be useful to examine whether the concerns raised about adequate coverage of predominantly white nonmetro areas are also appropriate in metropolitan areas.

3) Field research is needed in the absence of effective data on access to mortgage credit in nonmetropolitan areas. Efforts to analyze access to credit in rural areas are severely hampered by the lack of comprehensive data such as that from the Home Mortgage Disclosure Act. In the absence of such data, case studies and other field research is critical to help examine rural conditions. Such research can formalize anecdotal evidence and provide concrete suggestions from rural institutions and people about how to improve access to credit. Research on rural communities' access to mortgage credit and other financial services should be a part of HUD's ongoing rural research agenda.

Appendix B:
Data Tables

	Criteria %awmi	# CTs/ BNAs	% of State Nonmetro Pop	Poverty Rate	Owner Rate Hshlder 25-44	Owner Rate Hshlds <$20K*	Cost Burden 35+ Hshlds <$20K	Substandard Rate
Alabama								
	<70	61	12.4	44.7	55.1	44.6	46.5	11.8
	70-80	30	7.5	32.8	62.5	55.0	34.8	9.5
	80-90	63	15.9	23.7	68.2	55.3	32.8	6.0
	90-100	76	21.8	19.6	72.0	58.0	33.9	5.5
	100-110	83	23.1	17.7	74.0	63.0	30.6	5.2
	110-120	26	8.3	14.9	77.0	62.8	31.1	4.0
	>120	35	11.2	13.1	71.0	56.3	36.4	3.7
Arizona								
	<70	39	17.1	55.1	59.7	64.3	29.4	47.6
	70-80	23	9.2	30.1	54.9	56.1	36.0	18.6
	80-90	32	18.7	22.5	53.9	46.5	46.4	11.9
	90-100	24	12.3	16.8	54.6	49.2	45.0	6.8
	100-110	19	10.1	14.5	48.3	53.0	51.3	5.3
	110-120	22	11.1	13.1	54.1	48.8	54.1	6.0
	>120	41	21.6	11.0	63.4	51.2	50.6	5.4
Illinois								
	<70	63	10.7	30.5	45.7	37.8	43.9	3.6
	70-80	51	8.5	18.8	57.3	51.0	34.9	2.1
	80-90	88	16.2	15.5	63.7	55.9	35.0	2.5
	90-100	133	23.5	12.6	66.1	58.2	33.3	2.4
	100-110	117	21.7	9.7	68.2	60.3	32.9	1.9
	110-120	60	10.8	8.2	70.5	60.0	33.4	1.9
	>120	50	8.9	7.7	70.2	54.8	41.0	1.6
Kentucky								
	<70	107	15.5	40.1	62.5	52.3	34.5	11.4
	70-80	66	12.7	31.2	65.5	55.3	32.6	7.8
	80-90	81	15.7	24.9	65.1	56.4	30.8	6.9
	90-100	120	21.8	21.2	66.7	56.4	31.9	5.3
	100-110	89	18.0	17.9	69.3	58.7	32.0	4.3
	110-120	42	7.5	14.2	72.1	60.9	33.7	4.6
	>120	46	8.9	10.0	71.3	57.4	35.7	2.2
Oregon								
	<70	15	5.3	31.2	28.8	22.8	51.0	6.6
	70-80	23	9.0	20.0	48.7	46.6	41.0	6.6
	80-90	53	23.3	17.4	47.3	40.2	46.4	4.4
	90-100	57	20.9	14.6	54.1	45.5	42.8	5.0
	100-110	42	17.8	12.4	59.5	52.0	41.4	4.0
	110-120	30	12.8	10.4	60.1	45.9	49.2	3.0
	>120	32	10.9	7.4	68.8	54.5	47.7	2.5
Texas								
	<70	116	12.6	42.5	52.9	57.2	36.1	15.8
	70-80	126	11.5	28.4	58.9	61.1	34.5	8.5
	80-90	152	15.5	24.6	61.1	63.2	33.5	8.7
	90-100	178	19.4	20.4	63.0	63.3	34.6	7.1
	100-110	161	17.6	17.9	66.0	63.3	37.0	6.6
	110-120	98	12.1	16.2	65.0	60.1	40.3	6.0
	>120	97	11.3	11.7	67.0	59.0	40.7	4.2
Total								
	<70	401	12.5	41.3	54.0	49.5	38.9	14.0
	70-80	319	10.2	27.4	59.6	56.0	34.8	7.8
	80-90	469	16.7	21.7	60.8	55.3	35.9	6.5
	90-100	588	20.6	18.0	64.5	57.8	34.8	5.2
	100-110	511	18.6 •	15.4	67.2	60.4	34.9	4.6
	110-120	278	10.4	13.2	67.0	58.0	39.3	4.4
	>120	301	11.1	10.5	68.4	56.3	41.2	3.4

Table 1: Impact of % Areawide Median Income Criterion on Housing and Poverty Conditions, Nonmetro Census Tracts/BNAs

Note: The owner rate for households with income less than $20,000 is inflated due to a data extraction error. See analysis for detail.

	Criteria % min	# CTs/ BNAs	% of State Nonmetro Pop	Poverty Rate	Owner Rate Hshlder 25-44	Owner Rate Hshlds <$20K*	Cost Burden 35+ Hshlds <$20K	Substandard Rate
Alabama	<15	152	44.8	16.5	73.1	57.9	31.8	3.5
	15-20	25	7.0	21.2	65.0	52.4	40.1	4.8
	20-25	27	7.6	19.3	72.1	58.5	31.9	5.2
	25-30	23	6.3	25.4	67.8	45.8	44.4	5.5
	30-35	15	4.1	19.7	75.8	60.0	31.2	8.1
	35-40	14	4.4	20.3	68.7	53.1	33.7	8.1
	40-45	13	3.0	25.1	64.5	57.0	34.3	8.4
	45-50	16	3.5	27.1	70.6	59.5	33.3	9.7
	>50	89	19.3	38.3	61.5	55.5	39.7	12.7
Arizona	<15	78	35.3	13.4	58.3	52.7	50.9	4.8
	15-20	15	7.6	15.7	66.8	50.3	44.0	7.3
	20-25	12	6.6	15.4	55.4	46.0	52.7	5.9
	25-30	13	6.9	16.1	53.7	28.6	55.3	9.0
	30-35	8	3.9	17.0	46.9	41.8	44.5	5.6
	35-40	8	4.2	17.6	36.5	58.9	41.8	5.8
	40-45	4	1.6	20.1	54.7	59.6	37.8	8.5
	45-50	9	5.2	16.5	61.3	57.4	37.4	7.5
	>50	53	28.9	44.1	56.5	59.9	33.2	.9.6
Illinois	<15	516	91.1	12.6	65.9	56.2	34.4	2.2
	15-20	17	3.6	24.9	46.8	32.3	48.6	3.1
	20-25	9	2.0	23.0	51.1	41.1	44.0	2.7
	25-30	5	1.0	34.7	24.8	19.0	52.7	3.8
	30-35	3	0.9	31.2	43.4	22.8	55.2	2.1
	35-40	5	1.0	22.9	51.0	46.5	44.1	3.6
	40-45	1	0.2	32.2	71.1	63.6	32.7	10.1
	45-50	2	0.2	42.2	40.4	40.9	44.1	5.7
	>50	4	0.5	38.0	44.4	40.0	44.9	3.7
Kentucky	<15	510	91.9	23.9	69.3	58.1	32.2	6.5
	15-20	16	3.2	22.1	58.3	50.2	35.1	3.8
	20-25	8	1.4	21.4	44.7	33.7	42.8	2.8
	25-30	9	1.6	23.9	44.5	38.5	38.5	3.7
	30-35	1	0.2	20.1	41.0	17.2	50.6	6.0
	35-40	2	1.1	10.0	0.4	0.0	11.7	6.2
	40-45	3	0.3	40.1	33.3	44.2	29.2	2.3
	45-50	0	n/a	n/a	n/a	n/a	n/a	n/a
	>50	2	0.3	47.4	27.3	30.9	43.9	4.1
Oregon	<15	228	89.9	13.9	55.3	45.1	45.0	3.9
	15-20	9	4.5	22.9	37.9	26.1	50.0	7.2
	20-25	7	3.5	23.4	47.2	31.8	46.4	8.8
	25-30	1	0.5	13.2	49.0	69.6	30.4	13.1
	30-35	2	0.0	10.7	47.5	88.5	11.5	5.9
	35-40	0	n/a	n/a	n/a	n/a	n/a	n/a
	40-45	3	1.3	26.7	44.1	40.9	37.5	12.9
	45-50	0	n/a	n/a	n/a	n/a	n/a	n/a
	>50	2	0.3	31.0	49.6	41.5	31.3	20.2
Texas	<15	335	32.8	15.4	67.9	65.9	36.5	4.4
	15-20	102	10.4	18.3	64.7	62.7	35.2	5.9
	20-25	73	8.1	21.5	61.7	58.1	39.3	6.5
	25-30	62	6.3	22.5	62.7	61.6	37.3	7.1
	30-35	71	8.3	21.6	56.4	56.8	35.7	7.5
	35-40	42	4.7	24.3	61.1	60.5	37.6	9.3
	40-45	53	6.0	24.4	58.1	57.6	35.8	9.3
	45-50	29	3.1	25.6	58.6	59.0	32.5	9.5
	>50	160	20.3	37.4	57.0	59.5	34.4	16.7
Total	<15	1819	62.7	16.9	66.1	56.8	35.8	4.2
	15-20	184	6.5	19.8	60.4	52.2	39.3	5.4
	20-25	136	5.0	20.6	60.2	52.1	40.0	5.9
	25-30	113	3.9	22.7	59.0	49.8	41.7	6.7
	30-35	100	3.6	21.3	57.6	53.5	37.2	7.2
	35-40	71	2.7	21.8	54.3	55.4	36.7	8.2
	40-45	77	2.6	24.9	57.9	56.2	35.4	9.1
	45-50	56	1.9	24.5	61.5	57.9	34.1	9.0
	>50	310	11.2	39.0	57.6	58.1	35.7	19.4

Table 2: Impact of % Minority Criterion on Housing and Poverty Conditions, Nonmetro Census Tracts/BNAs

Note: The owner rate for households with income less than $20,000 is artificially high due to a data extraction error. See analysis for detail.

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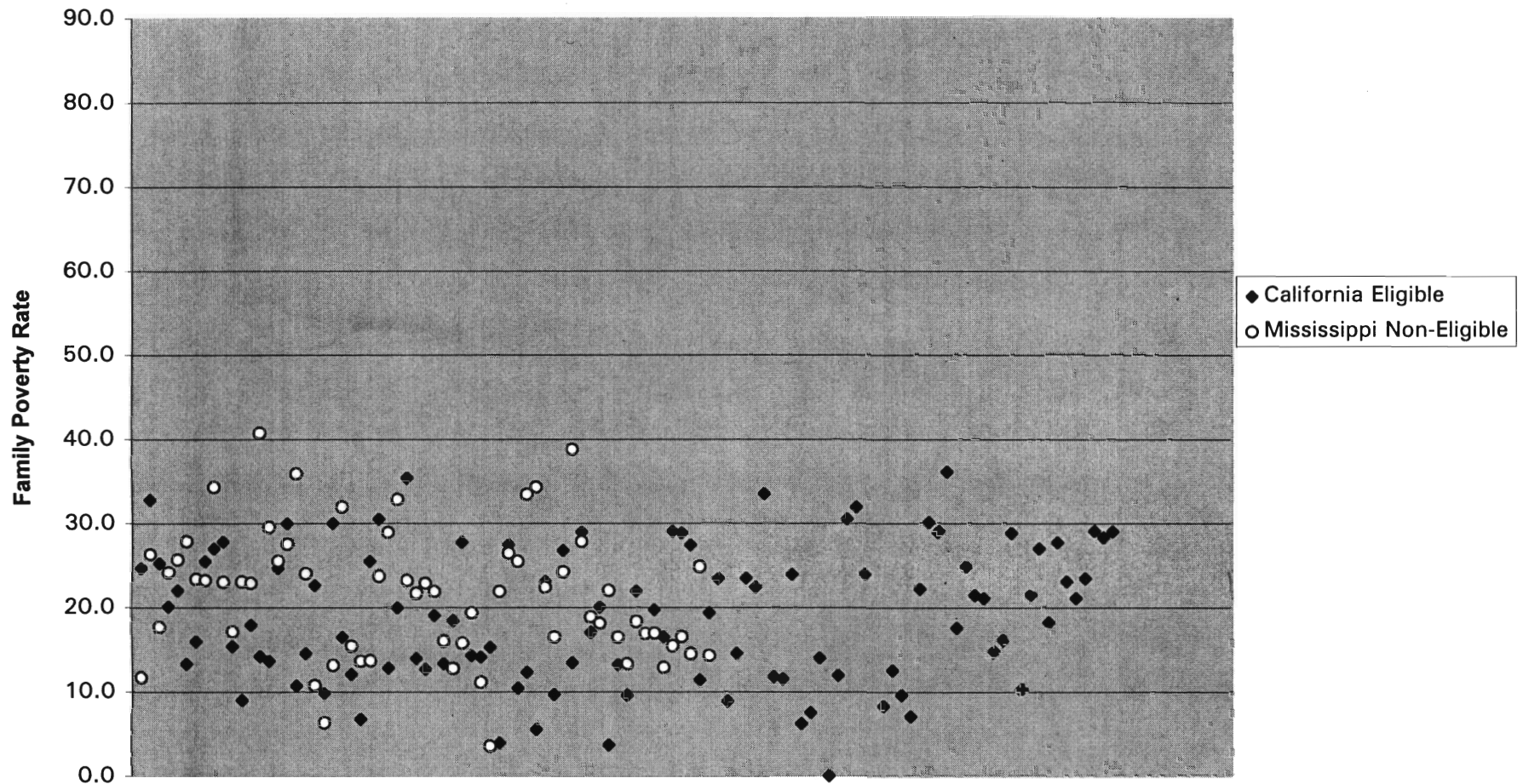| Table 3: Impact of Combined % Areawide Median Income/% Minority Criterion on Housing and Poverty Conditions, Nonmetro Census Tracts/BNAs							
Criteria %awmi/% min	# CTs/ BNAs	% of State Nonmetro Pop	Poverty Rate	Owner Rate Hshlder 25-44	Owner Rate Hshlds <$20K*	Cost Burden 35+ Hshlds <$20K	Substandard Rate
Alabama							
<80 only	91	19.82	40.16	58.01	48.17	42.45	10.90
80-90<30	43	11.23	21.86	68.54	54.95	32.88	4.02
90-100<30	51	15.93	18.11	72.05	56.55	33.15	4.14
100-110<30	65	18.36	16.56	74.87	63.78	30.14	4.40
80-110>30	63	15.24	24.47	70.01	59.37	33.77	9.80
80-120>30	66	16.26	24.19	70.27	59.13	33.84	9.62
Arizona							
<80 only	62	26.28	46.30	57.98	61.60	31.59	35.95
80-90<30	16	10.58	17.76	56.20	44.87	50.37	6.62
90-100<30	15	8.15	16.16	57.00	51.55	46.49	6.55
100-110<30	13	6.48	12.64	54.61	51.19	54.95	4.80
80-110>30	31	15.85	23.88	47.28	49.04	41.95	14.07
80-120>30	33	16.98	23.89	45.91	48.63	41.31	14.79
Illinois							
<80 only	114	19.26	24.98	51.10	43.24	40.21	2.91
80-90<30	84	15.43	15.12	64.39	56.14	34.57	2.52
90-100<30	132	23.21	12.57	66.08	58.18	33.30	2.38
100-110<30	116	21.41	9.78	68.12	60.29	32.97	1.91
80-110>30	6	1.36	18.07	57.41	53.03	39.83	2.52
80-120>30	6	1.36	18.07	57.41	53.03	39.83	2.52
Kentucky							
<80 only	173	28.19	36.05	63.90	53.60	33.66	9.73
80-90<30	80	14.93	25.30	67.71	57.49	31.13	6.95
90-100<30	118	21.28	21.48	68.64	57.22	31.91	5.28
100-110<30	87	17.59	17.91	69.29	58.82	32.14	4.19
80-110>30	3	1.27	11.88	7.67	5.10	23.24	6.16
80-120>30	3	1.27	11.88	7.67	5.10	23.24	6.16
Oregon							
<80 only	38	14.30	23.79	41.20	35.57	45.67	6.60
80-90<30	52	23.02	17.28	47.29	40.23	46.46	4.28
90-100<30	55	20.63	14.50	54.18	45.47	43.11	4.90
100-110<30	40	17.42	12.41	59.70	51.77	41.58	4.05
80-110>30	2*	0.51	27.80	48.51	43.00	22.71	15.80
80-120>30	2*	0.51	27.80	48.51	43.00	22.71	15.80
Texas							
<80 only	242	24.10	35.81	55.80	58.95	35.39	12.13
80-90<30	82	7.32	21.12	65.59	68.17	32.09	6.01
90-100<30	119	12.03	18.05	65.63	65.71	35.00	5.37
100-110<30	117	12.81	16.15	68.57	66.16	37.37	5.48
80-110>30	167	20.17	25.41	58.43	58.63	34.67	10.69
80-120>30	189	23.65	24.50	58.16	57.85	35.38	10.31
Total							
<80 only	720	22.68	34.90	56.61	52.24	37.15	11.06
80-90<30	357	12.57	19.89	62.32	55.04	36.08	4.88
90-100<30	490	17.03	16.98	65.68	57.90	34.79	4.39
100-110<30	438	16.09	14.45	68.25	60.89	34.83	3.94
80-110>30	273	10.03	24.64	57.76	56.86	35.20	10.63
80-120>30	300	11.33	24.05	57.59	56.36	35.60	10.44
Note:	The rate of owner-occupied housing for households with incomes of less than $20,000 a year is inflated due to a data extraction errror. See analysis for greater detail.						

	Criteria %awmi/% min	# CTs/ BNAs	% of State Nonmetro Pop	Poverty Rate	Owner Rate Hshlder 25-44	Owner Rate Hshlds <$20K*	Cost Burden 35+ Hshlds <$20K	Substandard Rate
Alabama	80-90 <20	31	8.6	21.1	67.5	53.6	34.2	3.3
	80-90 20-25	6	1.3	23.7	71.7	61.0	25.4	5.3
	80-90 25-30	6	1.3	25.2	73.0	59.1	30.3	7.6
	90-100 <20	40	12.5	17.2	74.0	59.7	30.7	3.9
	90-100 20-25	7	2.1	20.5	69.7	55.8	31.6	5.5
	90-100 25-30	4	1.4	23.0	57.9	36.4	51.8	4.1
	100-120 20-25	8	2.4	17.8	76.1	65.4	33.1	5.3
	100-120 25-30	6	2.0	20.6	70.5	52.5	36.9	5.3
	100-120 >30	21	5.8	21.5	71.2	59.3	32.8	8.3
	80-120 >30	66	16.3	24.2	70.3	59.1	33.8	9.6
Arizona	80-90 <20	12	8.3	17.1	56.9	46.0	49.9	6.1
	80-90 20-25	2	1.3	18.4	64.6	68.8	36.7	5.9
	80-90 25-30	2	1.0	22.8	43.7	12.2	68.0	12.0
	90-100 <20	12	6.5	15.5	57.4	53.7	48.1	5.5
	90-100 20-25	2	1.2	20.5	67.4	46.9	47.8	6.8
	90-100 25-30	1	0.5	14.8	40.0	31.7	18.0	22.4
	100-120 20-25	4	1.8	16.9	44.3	33.7	66.2	5.7
	100-120 25-30	3	1.8	17.1	59.2	40.9	53.7	7.6
	100-120 >30	8	4.7	19.5	35.9	53.6	40.8	10.8
	80-120 >30	33	17.0	23.9	45.9	48.6	41.3	14.8
Illinois	80-90 <20	84	15.4	15.1	64.4	56.1	34.6	2.5
	80-90 20-25	0	0.0	n/a	n/a	n/a	n/a	n/a
	80-90 25-30	0	0.0	n/a	n/a	n/a	n/a	n/a
	90-100 <20	130	22.8	12.5	66.0	58.0	33.3	2.4
	90-100 20-25	1	0.3	12.2	82.8	85.9	34.7	3.2
	90-100 25-30	1	0.1	17.3	65.6	61.3	35.9	1.9
	100-120 20-25	1	0.3	12.1	65.6	51.7	51.3	1.2
	100-120 25-30	1	0.2	7.9	59.6	74.9	30.5	1.4
	100-120 >30	1	0.3	2.6	76.7	62.6	29.3	0.7
	80-120 >30	6	1.4	18.1	57.4	53.0	39.8	2.5
Kentucky	80-90 <20	78	14.6	25.4	68.2	58.0	30.9	7.0
	80-90 20-25	0	0.0	0.0	0.0	0.0	0.0	0.0
	80-90 25-30	2	0.3	21.6	44.4	33.2	39.7	4.4
	90-100 <20	114	20.6	21.7	69.4	58.1	31.3	5.3
	90-100 20-25	2	0.5	15.7	54.2	38.9	48.3	3.5
	90-100 25-30	2	0.2	17.7	42.0	33.3	38.9	5.9
	100-120 20-25	0	0.0	n/a	n/a	n/a	n/a	n/a
	100-120 25-30	2	0.7	22.1	48.3	42.7	34.3	2.2
	100-120 >30	0	0.0	n/a	n/a	n/a	n/a	n/a
	80-120 >30	3	1.3	11.9	7.7	5.1	23.2	6.2
Oregon	80-90 <20	51	22.9	17.2	47.2	40.2	46.5	4.2
	80-90 20-25	1	0.2	24.6	54.4	50.0	46.9	11.0
	80-90 25-30	0	0.0	n/a	n/a	n/a	n/a	n/a
	90-100 <20	52	19.3	14.3	54.0	46.0	43.1	4.7
	90-100 20-25	3	1.3	17.3	57.0	38.0	43.9	7.7
	90-100 25-30	0	0.0	n/a	n/a	n/a	n/a	n/a
	100-120 20-25	0	0.0	n/a	n/a	n/a	n/a	n/a
	100-120 25-30	1	0.5	13.2	49.0	69.6	30.4	13.1
	100-120 >30	0	0.0	n/a	n/a	n/a	n/a	n/a
	80-120 >30	2	0.5	27.8	48.5	43.0	22.7	15.8
Texas	80-90 <20	60	5.0	19.9	66.0	68.4	30.9	5.6
	80-90 20-25	10	1.2	22.0	65.1	66.2	35.3	7.3
	80-90 25-30	12	1.1	25.6	64.4	69.1	34.3	6.3
	90-100 <20	96	9.4	17.2	66.0	67.4	34.4	5.1
	90-100 20-25	12	1.5	20.3	65.9	58.8	38.1	6.1
	90-100 25-30	11	1.2	22.1	62.5	61.9	35.5	7.1
	100-120 20-25	28	3.3	18.6	65.1	63.9	38.8	6.9
	100-120 25-30	16	2.0	17.1	62.1	55.8	42.4	7.2
	100-120 >30	55	7.6	21.6	58.0	53.6	38.6	9.2
	80-120 >30	189	23.7	24.5	58.2	57.8	35.4	10.3
Total	80-90 <20	316	11.3	19.5	62.1	54.5	36.1	4.7
	80-90 20-25	19	0.7	21.9	66.4	64.8	33.0	6.7
	80-90 25-30	22	0.7	24.8	61.5	56.3	38.0	7.2
	90-100 <20	444	15.3	16.6	66.1	58.6	34.3	4.2
	90-100 20-25	27	1.1	19.4	65.0	53.6	38.5	5.8
	90-100 25-30	19	0.7	21.4	57.8	50.6	39.9	6.8
	100-120 20-25	41	1.5	18.1	65.2	61.3	40.3	6.3
	100-120 25-30	29	1.2	18.1	61.3	52.4	40.7	6.4
	100-120 >30	85	3.5	21.2	58.5	54.9	37.4	9.0
	80-120 >30	299	11.3	24.1	57.6	56.4	35.6	10.4
Note:	The rate of owner-occupied housing for households with incomes less than $20,000 is inflated due to a data extraction error. See analysis for greater detail.							

Prepared by the Housing Assistance Council

	Criteria % awmi/% min	# CTs/ BNAs	% of State Nonmet Pop	Poverty Rate	Owner Rate Hshlder 25–44	Owner Rate Hshlds <$20K*	Cost Burd. 35%+ Hshlds <$20K	Subst. Rate
Alabama	<80% awmi only	91	19.82	40.16	58.01	48.17	42.45	10.90
	<80awmi or <120awmi and >20% min	195	46.5	30.3	65.3	52.8	38.4	9.2
	<80awmi or <120awmi and >30% min	158	36.1	32.9	63.8	52.2	39.3	10.3
	<90% awmi only	155	35.7	32.8	62.8	51.0	38.5	8.6
	<90awmi or <120awmi and >20% min	226	55.2	28.8	65.7	52.9	37.7	8.2
	<90awmi or <120awmi and >30% min	201	47.3	30.3	65.0	52.8	37.8	8.7
	<100% awmi only	231	57.5	27.7	66.4	53.2	37.1	7.5
	<100awmi or <120awmi and >20% min	266	67.7	26.6	67.4	53.9	36.7	7.4
	<100awmi or <120awmi and >30% min	252	63.2	27.2	66.9	53.6	36.8	7.5
Arizona	<80% awmi only	62	26.28	46.30	57.98	61.60	31.59	35.95
	<80awmi or <120awmi and >20% min	114	50.8	34.6	52.7	54.4	37.7	23.9
	<80awmi or <120awmi and >30% min	100	43.3	37.6	52.6	56.8	35.2	27.4
	<90% awmi only	99	44.9	36.2	56.1	55.4	37.6	24.7
	<90awmi or <120awmi and >20% min	126	59.1	32.0	53.3	53.3	39.3	20.7
	<90awmi or <120awmi and >30% min	116	53.8	33.5	53.3	54.5	38.2	22.2
	<100% awmi only	123	57.3	32.1	55.8	54.1	39.2	20.3
	<100awmi or <120awmi and >20% min	138	65.6	30.3	53.7	53.3	40.2	18.8
	<100awmi or <120awmi and >30% min	131	62.0	31.1	53.8	54.1	39.3	19.7
Illinois	<80% awmi only	114	19.26	24.98	51.10	43.24	40.21	2.91
	<80awmi or <120awmi and >20% min	124	21.5	24.2	52.0	44.0	40.2	2.9
	<80awmi or <120awmi and >30% min	120	20.6	24.6	51.5	43.6	40.2	2.9
	<90% awmi only	202	35.5	20.5	57.1	48.1	38.2	2.7
	<90awmi or <120awmi and >20% min	208	37.0	20.2	57.5	48.4	38.2	2.7
	<90awmi or <120awmi and >30% min	204	36.1	20.4	57.2	48.2	38.1	2.7
	<100% awmi only	335	59.0	17.3	60.7	51.3	36.6	2.6
	<100awmi or <120awmi and >20% min	338	59.8	17.2	60.8	51.4	36.7	2.6
	<100awmi or <120awmi and >30% min	336	59.3	17.2	60.8	51.3	36.6	2.6
Kentucky	<80% awmi only	173	28.19	36.05	63.90	53.60	33.66	9.73
	<80awmi or <120awmi and >20% min	188	31.2	34.4	60.4	51.9	33.8	9.3
	<80awmi or <120awmi and >30% min	180	29.5	35.3	61.2	52.6	33.4	9.6
	<90% awmi only	258	43.9	32.1	64.4	54.5	32.7	8.7
	<90awmi or <120awmi and >20% min	266	45.8	31.4	62.9	53.7	32.9	8.5
	<90awmi or <120awmi and >30% min	260	44.4	31.8	63.4	54.2	32.7	8.7
	<100% awmi only	378	65.7	28.5	65.2	55.1	32.5	7.6
	<100awmi or <120awmi and >20% min	380	66.4	28.4	65.0	55.0	32.5	7.5
	<100awmi or <120awmi and >30% min	378	65.7	28.5	65.2	55.1	32.5	7.6
Oregon	<80% awmi only	38	14.30	23.79	41.20	35.57	45.67	6.60
	<80awmi or <120awmi and >20% min	49	16.8	23.1	43.2	36.2	45.1	7.1
	<80awmi or <120awmi and >30% min	44	14.8	23.9	41.4	35.7	45.3	6.8
	<90% awmi only	94	37.6	19.8	45.1	38.3	46.1	5.2
	<90awmi or <120awmi and >20% min	100	39.7	19.6	45.6	38.4	45.9	5.4
	<90awmi or <120awmi and >30% min	96	37.8	19.8	45.1	38.3	46.0	5.3
	<100% awmi only	151	58.5	17.9	48.3	40.3	45.2	5.1
	<100awmi or <120awmi and >20% min	152	59.0	17.9	48.3	40.4	45.1	5.2
	<100awmi or <120awmi and >30% min	151	58.5	17.9	48.3	40.3	45.2	5.1
Texas	<80% awmi only	242	24.10	35.81	55.80	58.95	35.39	12.13
	<80awmi or <120awmi and >20% min	525	58.1	28.4	58.4	59.1	35.7	10.4
	<80awmi or <120awmi and >30% min	434	47.8	30.2	57.0	58.5	35.4	11.2
	<90% awmi only	397	39.6	31.4	58.0	60.4	34.7	10.7
	<90awmi or <120awmi and >20% min	585	63.0	27.7	59.0	59.8	35.4	10.0
	<90awmi or <120awmi and >30% min	516	55.1	29.0	58.2	59.7	35.0	10.5
	<100% awmi only	575	59.0	27.7	59.7	61.2	34.7	9.5
	<100awmi or <120awmi and >20% min	681	72.4	26.3	59.9	60.6	35.2	9.3
	<100awmi or <120awmi and >30% min	635	67.1	27.0	59.5	60.6	35.0	9.5
Total	<80% awmi only	720	22.68	34.90	56.61	52.24	37.15	11.06
	<80awmi or <120awmi and >20% min	1195	39.9	29.6	57.9	53.7	37.0	10.2
	<80awmi or <120awmi and >30% min	1036	34.0	31.3	56.9	53.3	36.7	10.9
	<90% awmi only	1205	39.3	29.2	58.4	53.4	36.7	9.1
	<90awmi or <120awmi and >20% min	1511	51.1	27.3	58.9	53.9	36.8	8.9
	<90awmi or <120awmi and >30% min	1393	46.6	28.1	58.5	53.8	36.6	9.1
	<100% awmi only	1793	59.9	25.4	60.6	54.7	36.1	7.7
	<100awmi or <120awmi and >20% min	1955	66.4	24.8	60.6	54.8	36.3	7.7
	<100awmi or <120awmi and >30% min	1883	63.6	25.1	60.5	54.7	36.2	7.8

Table 5: Additional Impact of Combined %Areawide Median Income/% Minority Criteria on Housing and Poverty Conditions, Nonmetro Census Tracts/BNAs

Note: The rate of owner-occupied housing for households with incomes of less than $20,000 a year is inflated due to a data extraction errror. See analysis for greater detail.

Table 6:
Effects of Using Statewide Median Income as a Criterion for Programmatic Eligibility:
Discrepancies between Wealthy and Impoverished States
(counties eligible @ 80% of statewide median income)

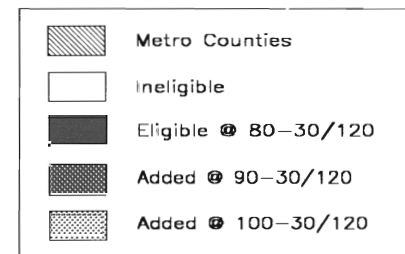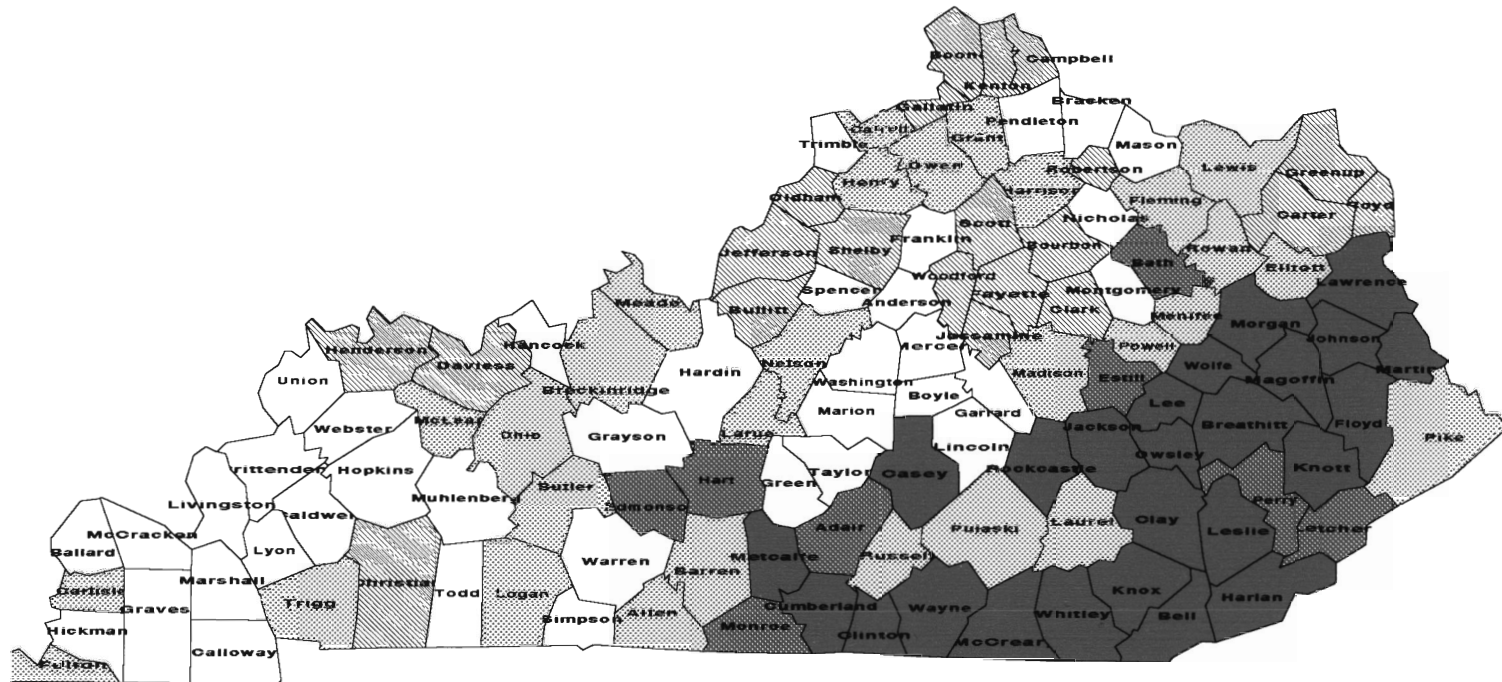|	Criteria %awmi/%min	# CTs/ BNAs	% of State Nonmetro Pop	Poverty Rate	Owner Rate Hshlder 25-44	Owner Rate Hshlds <$20K*	Cost Burden 35+ Hshlds <$20K	Substandard Rate
Alabama								
	90-20/100	191	45.0	30.7	64.1	51.9	38.4	8.5
	90-30/100	180	41.5	31.5	64.1	52.2	38.3	8.8
	90-20/110	219	53.0	29.2	65.1	52.8	37.8	8.3
	90-30/110	198	46.3	30.5	64.8	52.8	37.8	8.8
	90-20/120	226	55.2	28.8	65.7	52.9	37.7	8.2
	90-30/120	201	47.3	30.3	65.0	52.8	37.8	8.7
Arizona								
	90-20/100	111	50.8	34.3	55.5	54.2	38.0	22.8
	90-30/100	108	49.1	34.8	55.5	54.5	38.0	23.2
	90-20/110	119	55.4	33.0	53.8	53.9	38.7	21.4
	90-30/110	114	52.7	33.7	54.0	54.7	38.3	22.1
	90-20/120	126	59.1	32.0	53.3	53.3	39.3	20.7
	90-30/120	116	53.8	33.5	53.3	54.5	38.2	22.2
Illinois								
	90-20/100	205	36.2	20.4	57.3	48.3	38.2	2.7
	90-30/100	203	35.8	20.5	57.1	48.1	38.2	2.7
	90-20/110	207	36.7	20.3	57.4	48.3	38.2	2.7
	90-30/110	204	36.1	20.4	57.2	48.2	38.1	2.7
	90-20/120	208	37.0	20.2	57.5	48.4	38.2	2.7
	90-30/120	204	36.1	20.4	57.2	48.2	38.1	2.7
Kentucky								
	90-20/100	264	45.1	31.6	63.2	53.9	32.9	8.6
	90-30/100	260	44.4	31.8	63.4	54.2	32.7	8.7
	90-20/110	266	45.8	31.4	62.9	53.7	32.9	8.5
	90-30/110	260	44.4	31.8	63.4	54.2	32.7	8.7
	90-20/120	266	45.8	31.4	62.9	53.7	32.9	8.5
	90-30/120	260	44.4	31.8	63.4	54.2	32.7	8.7
Oregon								
	90-20/100	99	39.2	19.7	45.5	38.3	45.9	5.3
	90-30/100	96	37.8	19.8	45.1	38.3	46.0	5.3
	90-20/110	100	39.7	19.6	45.6	38.4	45.9	5.4
	90-30/110	96	37.8	19.8	45.1	38.3	46.0	5.3
	90-20/120	100	39.7	19.6	45.6	38.4	45.9	5.4
	90-30/120	96	37.8	19.8	45.1	38.3	46.0	5.3
Texas								
	90-20/100	479	49.6	29.8	58.5	60.3	34.7	10.4
	90-30/100	456	47.0	30.3	58.1	60.3	34.6	10.7
	90-20/110	548	57.5	28.6	58.9	60.1	35.0	10.2
	90-30/110	494	51.6	29.6	58.3	60.0	34.7	10.6
	90-20/120	585	63.0	27.7	59.0	59.8	35.4	10.0
	90-30/120	516	55.1	29.0	58.2	59.7	35.0	10.5
Total								
	90-20/100	1349	44.6	28.4	58.6	53.6	36.6	9.0
	90-30/100	1303	42.9	28.7	58.5	53.7	36.5	9.1
	90-20/110	1459	48.8	27.7	58.8	53.9	36.6	8.9
	90-30/110	1366	45.3	28.4	58.6	53.8	36.5	9.1
	90-20/120	1511	51.1	27.3	58.9	53.9	36.8	8.9
	90-30/120	1393	46.6	28.1	58.5	53.8	36.6	9.1

Table 7: Impact of Change in Areawide Median Income in Combined %Areawide Median/% Minority Criterion on Housing and Poverty Conditions, Nonmetro Census Tracts/BNAs

Note:	The rate of owner-occupied housing for households with incomes less than $20,000 is inflated due to a data extraction error. See analysis for greater detail.

Geographical Coverage of Different Criteria
State of Kentucky

Legend:
- Metro Counties
- Ineligible
- Eligible @ 80-30/120
- Added @ 90-30/120
- Added @ 100-30/120

Counties are "eligible" if more than 60% of their census tracts/bnas met the listed criteria.

Geographical Coverage of Different Criteria
State of Alabama

Louderdale, Colbert, Limestone, Madison, Jackson, Lawrence, De Kalb, Franklin, Morgan, Marshall, Marion, Winston, Cullman, Etowah, Cherokee, Blount, Lamar, Fayette, Walker, Calhoun, Cleburne, St. Clair, Jefferson, Talladega, Clay, Randolph, Pickens, Tuscaloosa, Shelby, Bibb, Coosa, Chambers, Greene, Hale, Chilton, Tallapoosa, Sumter, Perry, Elmore, Lee, Autauga, Macon, Dallas, Montgomery, Russell, Marengo, Lowndes, Bullock, Choctaw, Wilcox, Pike, Barbour, Butler, Crenshaw, Clarke, Monroe, Henry, Washington, Conecuh, Coffee, Dale, Covington, Houston, Escambia, Geneva, Mobile, Baldwin

Legend:
- Metro Counties
- Ineligible
- Eligible @ 80–30/120
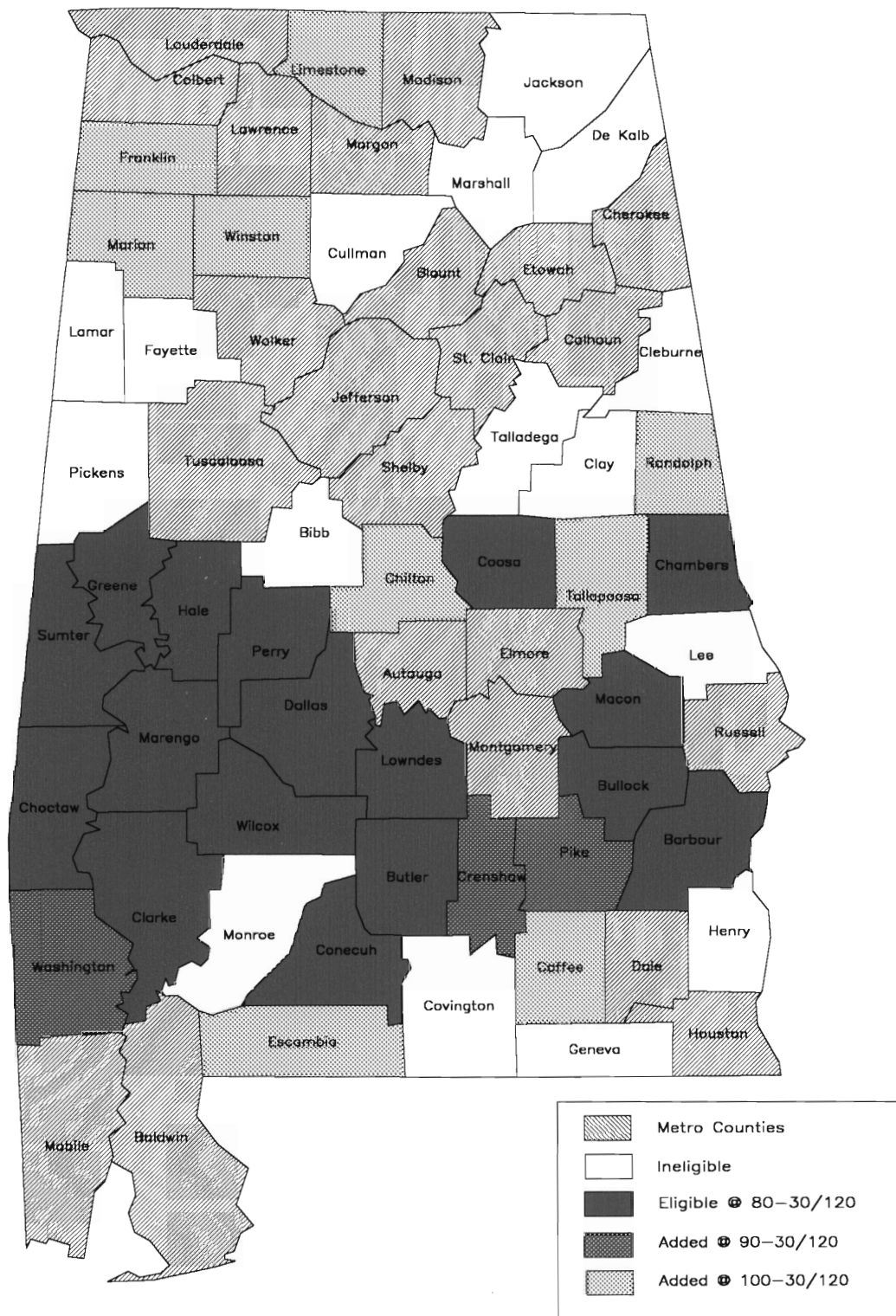- Added @ 90–30/120
- Added @ 100–30/120

Prepared by the Housing Assistance Council
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Counties are "eligible" if more than 60% of their census tracts/bnas met the listed criteria.