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John T. Dunlop Lecture

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Three Myths about Affordable Housing

Shortly after I joined Habitat for Humanity in 2005, I visited the tsunami-devastated countries of Asia. During that trip, I encountered a developmentally disabled gentleman named Somwang Chiochan. He lived in a community of Moken, or sea gypsies, in southwest Thailand.

Historically, the larger society has shunned the Moken people, and, because of his disability, the Moken people further discriminated against Mr. Chiochan. Before the tsunami, he had no role in the fishing village. He lived on a two-square-meter lot in a structure worse than many doghouses.

Even before the storm, his future looked pretty bleak.

As the community began rebuilding after the tsunami, however, the elders of the village decided it was unacceptable for Mr. Chiochan to live as he had before. They didn't have any more land, so their solution was to build the village's first and only three-story tower—with the best view in town.

Along with the new house, the elders also gave Mr. Chiochan the job of watchman to monitor the sea for future storms. Now, he has not only a much-improved place to live, but for the first time, he also has a place in the community.

The upheaval that followed the tsunami caused the neighbors to rethink their opinions and change their behavior.

Have you ever held fast to a certain belief until you were faced with a new reality? When something shakes us to the core, often we are motivated to change not only our point of view, but also the way we respond.

I look out upon this audience and see many experts in the room. Collectively, we have evaluated thousands of pages of data, established goals that sounded both reasonable and audacious, and made fervent appeals on behalf of housing. Despite all our efforts, however, I don't think we've done a very good job of creating a common narrative to use when we talk about shelter. We haven't stirred people and caused them to realize how adequate housing for all affects them personally. I want us to consider what

might be possible if we became bold co-conspirators—dedicated to changing perceptions and moving people to action.

This evening I will focus on three myths related to affordable housing and why those beliefs are so wrong. My hope is that you will walk out of this room either persuaded or reminded that access to affordable housing is a vitally important issue that requires action from all sectors of society. I want you to join me in the belief that people of widely varying incomes can be successful homeowners, and I hope we might leave here as better advocates with a renewed sense of urgency for tackling difficult challenges.

Many of the issues I will raise are complex. I will ask questions I know we can't answer today, but I hope they might spur conversations we need to have.

It is important for you to know the context for my remarks. Habitat for Humanity seeks to find housing solutions in partnership with families who cannot otherwise obtain financing for decent housing. Our focus is on affordable housing, and we promote the benefits of homeownership.

Next week, Habitat will celebrate two important milestones. In observance of World Habitat Day, we will dedicate our 500,000th house in Maai Mahiu, Kenya, and then raise the walls on our 500,001st house in Paterson, New Jersey.

Through the efforts of millions of volunteers in more than 80 countries around the world, Habitat has helped half a million families have a new or improved home. While we have made great progress, we will not let our hammers or our voices rest as we continue to work and advocate for safe, decent, affordable shelter.

Myth #1: The first myth I want to address goes something like this: Sure, housing is important, but when you consider vital social issues, it's not at the top of the list. Health care, education and jobs, for example, demand more attention and resources.

The reality is that health and education suffer and job opportunities diminish if affordable housing is not available. In fact, the lack of adequate housing directly undermines society's massive investment of tens of billions of dollars in health and education.

Consider the recent headlines. Government officials have wrangled endlessly about health care and jobs—particularly in relation to the federal budget. Obviously, those issues are key. But think also about the number of people nationwide who have lost their homes in the last couple of years. Foreclosures and skyrocketing housing prices have left many people stunned at their new predicaments and have wreaked havoc on local and national economies.

Having a place to call home—a place to feel secure—is foundational. Knowing that you can remain in your home without fear of being forced to leave makes a world of difference.

A decent place to live creates stability, launching families into a promising cycle of possibilities and progress. A home offers warmth in winter, shelter from the wind and rain, and a barrier against disease. For girls who fear sexual assault, simply living in a place with a door that locks provides safety and security. And for the world's poor, a simple, decent home offers a respite from the daily battle for survival.

However, for the 1.6 billion people around the world who lack adequate shelter, stability and permanence are elusive.

It is intolerable that more than 10 million people worldwide die each year from conditions related to substandard housing, unsafe water and poor sanitation. That's more than 1,100 each hour...nearly 20 per minute.

Study after study has concluded that poverty, inadequate housing and poor health are inextricably connected.

An Emory University research study in Malawi found that children under 5 living in Habitat houses had 44 percent fewer cases of malaria, respiratory or gastrointestinal diseases compared to children living in traditional houses.

And Lisa Harker, a British child poverty expert, found that poor housing conditions increase the risk of severe health problems and disability by up to 25 percent during childhood and early adulthood.

Safe, solid housing, on the other hand, eliminates many of the environments that pose health threats to children and parents alike.

Let me give you an example. Candace George is a college-educated professional, but she doesn't make a lot of money as a fraud investigator for the city of New York. She's also a single mother with five children.

Before partnering with Habitat for Humanity, all six of the Georges lived in a one-bedroom, fifth-floor walkup that was infested with rats—so many, and so bold, that the children had actually begun to give them names.

The rats weren't the only health hazard confronting the family, however. Candace's baby boy, Daniel, had become really sick. He started having asthmatic seizures so severe that he had to be rushed to the hospital.

He would always recover rapidly, but each time he returned home, he would relapse. Eventually, a city health inspector identified the cause of these mysterious attacks...toxic black mold around the apartment's windows.

Candace knew she had to get Daniel out of that apartment.

Once the family moved into their own Habitat row house in Brooklyn—and into a healthy environment—everything changed. Daniel is the healthy, lively, talkative little boy you see pictured here on the bottom left, surrounded by his family on the porch of their home.

When looking at the link between health and housing, it's not a huge leap to see that inadequate shelter also negatively affects students' performance in school. Overcrowding, inadequate light, leaky pipes and deteriorating walls at home make it difficult to concentrate.

A safe, quiet place to study is not only an environment in which one can learn. It is also a space in which to plan and dream.

According to a University of Tennessee study, the children of homeowners in the U.S. are 25 percent more likely to graduate from high school, and 116 percent more likely to graduate from college compared to children in families who do not own their homes.

I want to be fair here. The research doesn't answer all the questions. The children in this study were from homeowner families. Can we say definitively that their academic successes were related to homeownership? Or are the findings more about children not having to move to a new home or school year after year? How much of a factor was parental involvement? Or the quality of schools in areas of high homeownership? We don't know. What we are certain about is that homeownership contributes to stability, and stability increases academic achievement. Around the world, we see that stable housing has a positive effect on health and education.

We also find in many cases that homeownership positively influences family income and spending habits. Adults often increase their own levels of education—earning degrees or completing professional certification courses—when they buy a home. We hear frequently about ambitious homeowners who receive raises, promotions and new or better jobs.

Nationally, more than 7,000 students drop out of school every school day, and the CDC indicates that 7 million children in the U.S. currently have asthma, which is commonly triggered by dust mites, mold, cockroaches and other pests.

What would you do if you lived in a place that was making your child chronically ill and you absolutely could not afford to move to a healthier home?

WHAT POLICIES MUST WE, AS ADVOCATES FOR HEALTHY HOUSING, RALLY AROUND SO THAT CHILDREN WON'T HAVE TO SUFFER NEEDLESSLY? SO THAT THEY CAN HAVE A PLACE TO STUDY, LEARN AND IMAGINE?

Myth #2:

Another myth I often hear is that affordable housing is someone else's problem.

If this recession has taught us anything—it's that housing is as important to community health as it is to individual health. Investing in affordable housing attracts new businesses, creates jobs and, many times, makes communities safer. When these investments are absent, communities struggle and the ripple effect is devastating. Eventually, those ripples affect everyone.

Housing is not a product. It's a process, and housing at all economic levels has to be set in the context of community, involving many people and organizations. If we are to provide affordable housing for all, the public, private and social sectors must work together.

We are seeing this clearly because of the housing crisis. Foreclosed and vacant properties are draining the life out of neighborhoods and surrounding communities throughout the U.S. At Habitat for Humanity, we had to take a step back and determine how we could best serve both families who were hit the hardest—those who could not afford traditional financing even before the recession closed in—and the communities that were steadily dying.

We encouraged our affiliates to think not only about new construction, but also to consider repairs and weatherization. Purchasing foreclosed properties to rehab and sell at affordable prices to low-income families has become a key strategy for Habitat. In the process, we focused on creating partnerships within communities to address the multiple challenges of declining neighborhoods. We have, in effect, become a catalyst for neighborhood revitalization.

This is the Cherry Street community in Winston-Salem, North Carolina, which, until recently, had been in decline for decades and had also become a haven for violence.

A local Habitat team met with neighbors whose desires were very clear: Rid Cherry Street of the blighted, vacant housing and do something about the crime. They had a vision—to make this neighborhood with such a rich history inviting to young families again.

The Habitat affiliate announced plans to replace 16 of the worst houses with new ones. Because of that commitment, private developers purchased and renovated six more houses as well as historic apartment buildings in the area. Soon, businesses, community leaders, schools and other groups came forward with their own resources and big ideas for change.

Take a look!

The results have been amazing. Since the project began three years ago, crime has dropped by 50 percent, and drug offenses are down more than 70 percent. In fact, when I was touring the area, I talked with a police officer named Billy, who was also a volunteer for the project. He said, “If you had been in this community three years ago, I would have been assigned to protect you.” With a grand sweep of his hand, he proclaimed, “Look at what we have done.”

(Can you believe this is the same street!)

The city manager told me that when he feels overwhelmed, he drives to Cherry Street to remember what is possible. A 10-square block area with Cherry Street as the center is now the focus of a larger neighborhood revitalization project.

Remember, the process started with the residents of the Cherry Street community. When they were able to give voice to their dreams, when they were eager to invest themselves in the solution, other people started getting excited. Success required all sectors to get involved.

So how does this all come together? Let’s look first at the public sector—which creates the context and environment for private investment in housing. One of critical roles of the government is to regulate land use. The best community designs include mixed-income, mixed-use developments that include the foundation for future growth. Offering incentives such as density bonuses or requirements for inclusionary zoning help assure that affordable housing options are available in communities.

Governments also establish infrastructure. Affordable housing works best when it is in the right location—near transit systems, shopping areas and good schools, and when it is close to the areas where residents work.

A third role for governments, especially in the international arena, is to develop policies for land tenure. Some 80 percent of the world’s population lacks title to their home or to the land that it sits on. Adequate housing opportunities are dependent on the government establishing and enforcing laws for property protection. Developing sustainable housing is almost impossible without clear tenure policies and an honest legal system.

Thriving communities also require investment from the private sector, which has the unique ability to mobilize capital and create scale. But if businesses have to make a profit, they are less likely to gravitate toward low-income markets where the margin is lower and where properties are harder to sell, right?

Not necessarily. With the upper end of the market overbuilt, we are seeing new models that are incorporating some very creative ideas. For example, a private developer in Australia's elite Victoria Harbor sold the lowest three floors of an eight-story upscale apartment building to Melbourne Affordable Housing, which, in turn, will sell the units to those who work in service industries (childcare workers, teachers, police officers, etc.). This was a win-win since the economics of the building did not work when the developer had to fill eight floors of expensive apartments. However, by offering more modest homes on the three lowest floors with no harbor views, the numbers worked for the developer, and low- and middle-income families were able to afford housing in the area where they work.

So where does the non-profit sector come in? A common thread in successful community development projects all around the world is the engagement of the local community. This seems obvious, but it is amazing how often the voices of those who will be directly affected—particularly in low-income areas—are left out of the conversation. Doing it right is slow and messy. Every community has a few of those “extra-grace-required” folks, but community engagement throughout the process is essential.

The hard work of bringing people together is what the nonprofit sector does particularly well. Let me give you an example from our work in Aceh, Indonesia, following the 2004 tsunami.

Prior to the storm, few people in Aceh possessed secure tenure or title to their land. The tsunami destroyed not only the few documents that did exist, but also many physical landmarks that had been used to create property lines. Clearly, we didn't want to rebuild homes on land where tenure could later be challenged, so we worked with residents to create community maps.

First, families marked off what they believed to be their lots. They obtained signatures of agreement from each of their neighbors to confirm those property lines. Then we helped them get approval of the maps from various levels of government. Once families held official documents for land rights, we could begin building permanent houses.

Without this collaborative process, it would have taken years to re-establish formal land titles, but within a few months, Habitat was able to help the families start building again.

Here's another brief example of successful collaboration, which occurred in a village in northeast Brazil.

Previously, the people of Varjada lived in mud huts where the walls were a breeding ground for so-called “kissing bugs.” An energetic leader in the community called Doña Tata told me about these small beetles that feed on the skin at night, usually on the face, and leave behind a parasite that causes Chagas disease. It

can be years before serious symptoms occur, but those who do get sick later may suffer from deterioration to the heart muscle, which is often fatal.

According to Doctors without Borders, the disease kills 15,000 people a year in Latin America. Simple housing improvements can eliminate that threat for many families, meaning the difference, literally, between life and death.

Habitat partnered with families in the community to build basic block houses with a concrete floor and proper roof. This eliminated the environment for the kissing bugs.

Doña Tata also had told me about the lack of water during the long, dry season, which lasts much of the year. She explained that she and the other women walked almost 4 miles round trip every day to collect water.

So in addition to building healthy homes, we partnered with the Methodist Church to build large stone cisterns adjacent to each home. Roof systems were designed to capture all the runoff in the rainy season, providing enough fresh drinking water to carry the families through the year.

The state and local governments also have worked with residents to create a school and a health care center, and the women of the community, who no longer spent half the day collecting water, have created a profitable embroidery group. Thanks to the national bank of Brazil and World Vision, their sewing has provided them with both income and socioeconomic representation.

We see this often. Improve housing and businesses grow. Many homes serve as workshops, manufacturing units, warehouses and retail spaces. These allow homeowners to improve their living standards over time.

Habitat's Cherry Street development and the efforts in Varjada, as well as the project in Victoria Harbor, illustrate very clearly the transformations that can occur when the public, private and nonprofit sectors come together to solve local problems. The revitalization of these communities also emphasizes once again that stable, affordable housing is central to education, health, employment and economic development.

“The State of the Nation’s Housing for 2011” report, created here at Harvard, says that more than **2.2 million** mortgage loans are currently in the foreclosure process.

What would you do if your situation changed drastically and suddenly you could no longer afford to live in your home—or even in your ZIP code?

WHAT CAN OUR ORGANIZATIONS DO TO BRING TOGETHER ON A

Myth #3: The final myth I want to address is that homeownership really isn't for low-income people. That is absolutely not true.

A few years ago, homeownership was widely—and unwisely—encouraged. Now many argue that purchasing a home is a bad idea for low- and even middle-income families. Rental is being touted as the better option. The reality is that we need the full spectrum of housing products, and that people of many income levels can be successful homeowners.

Exactly who are the families struggling to find housing they can afford? Many of them are the people we encounter every day—the people whom we trust to care for our parents, teach our children and protect our neighborhoods.

Discussions about low-income homeownership can be extremely complex, or they can be as simple as imagining a family either continuing to live in a cycle of poverty... or having the opportunity to break free, make changes and discover a world of hope and promise.

Homeownership, especially for the poor, has taken a bad rap because of the housing crisis. Purchasing a home, no matter what the income level of the buyer, ought to require a mortgage with fair and reasonable terms that are fully understood by the borrower. Lenders also should confirm sufficient family income to cover monthly mortgage payments and other associated living expenses—including utility and transportation costs. Perhaps it really is that simple; perhaps the only real problem is that we strayed so far from this path.

The housing crisis arose out of a giant affordability problem. Prices escalated far faster than incomes for many years. Now property values have fallen, but financing has all but disappeared for low- and moderate-income families. We still have a problem with access to affordable housing.

But this is not just about low-income families. An article that ran in *The New York Times* in July of 2010 said that regardless of whether you are talking about a primary residence, a second home or a house bought as an investment, the rich have stopped paying their mortgages at a rate that greatly exceeds the rest of the population.

More than one in seven homeowners with loans in excess of a million dollars are seriously delinquent, according to the article, which also suggested that the rich might simply be dumping financially draining properties. A Las Vegas agent for luxury apartments cited in the article said the wealthy made plans based on the best of all possible scenarios—that their incomes would continue to grow and real estate would never drop. Not many had a plan B, he said.

The suburbs reflect the same struggles across demographics: In the states with the most foreclosures, rates in suburban areas rival those in center cities, and rates in predominantly white neighborhoods differ little by income.

In the current political climate, the expectation is that federal housing subsidies will be reduced, so where do you make those cuts? Who will get squeezed the most?

At Habitat for Humanity, we believe that owning a house is a “power move” for many low-income families. One homeowner said it powered the creation of his own small business and helped him afford to send his children to college. A single mom said that at first owning her own house was a dream come true, but now it’s “a push to do something more.”

Because we set out to help families succeed, the majority of Habitat families are thriving; and foreclosure rates remain extremely low—around 2 percent, even in cities where general foreclosure rates have hit 20 to 30 percent.

In fact, we have been offering families what you would consider “sub...subprime” mortgages for 35 years; yet, we are seeing more and more families pay off the loans on their homes.

That success comes as the result of preparation, education and accountability. Habitat homeowners are carefully screened for need, ability to pay and willingness to partner. That partnership agreement includes financial and homeowner education. When difficulties arise, Habitat affiliates work with the family partners to help them stay on course—even when holding prospective homeowners accountable is tough...as in this final example.

While preparing documents for a real estate closing in Michigan, Habitat affiliate leaders discovered the prospective homeowner had run up quite a bit of credit card debt since her last financial review. She had been doing sweat equity—performing hundreds of hours of work on her home and the homes of others. That’s part of our requirements for receiving an affordable mortgage. She had worked long and hard and was excited about moving in. However, the amount of new debt she had incurred was just too great, and she could not close on the house. It took her nine additional months of dedicated effort to pay off her bills.

She had been devastated when she first heard the bad news, but she later told me that this was the best thing that ever happened to her. Having the accountability of the Habitat agreement changed her financial behavior.

We also emphasize the importance of treating homeowners as partners and helping families participate in their own housing solutions. Families in Mississippi and families in Mongolia help build their homes and pay off no-profit mortgages. Condominium residents in Eastern Europe and community development teams in Indiana are examining local challenges and working together to find answers. When people invest their time, money and effort into improvements, they gain the dignity of knowing they have accomplished something significant. Often they are eager to take on new challenges and seek additional opportunities as well.

Ideally, Habitat for Humanity and other low-income housing providers not only help improve current housing situations, but also serve as a stepping stone for upward mobility.

Who do you think are the best candidates for homeownership? Upon what do you base your decision?

Can you recall a time when all you needed was a little help to purchase a home, pay tuition or find a car that would get you to work? What happens to those who have no one to reach out a helping hand?

WHAT CAN WE AS LEADERS IN THE HOUSING INDUSTRY DO TO HELP CREATE PATHS TO UPWARD MOBILITY TO REPLACE THE DOWNWARD SPIRAL OF SUBSTANDARD HOUSING AND HOPELESSNESS?

Conclusion

I stipulated from the beginning that I was speaking to you as an advocate for homeownership, and I stand by that. I will repeat, however, that homeownership is not for everyone. Renting is best for some people and their circumstances or lifestyle. After more than three decades of working with those who can't afford market-rate rents and mortgages, however, Habitat for Humanity has found that homeownership provides many families with a path to self-sufficiency through the ability to build equity by repaying debt.

We believe that whether you are in the affluent suburbs of the U.S. or the slums of India, resources are available to address poverty housing. So we will continue to seek ways to help more families improve their living conditions.

As you contemplate the answers to the questions I have asked today, I urge you to think beyond beams and rafters, outside of walls and fences. Consider the impact of stable housing on health and education in

communities all around the world. Ponder the fact that poverty housing affects everyone—across demographics—and it takes everyone to address the challenges of ensuring adequate shelter for all.

I believe we must develop new and integrative housing solutions because the reality is that if children don't live in decent homes, the odds of their staying healthy plummet. If they're not healthy, they don't get educated; and if they don't get an education, they don't get decent jobs, meaning they won't be able to care for their families or break out of the stranglehold of poverty. All the pieces have to line up if we are going to maintain healthy and thriving communities.

Solutions for many of the housing issues we face lie with those of us in this room. Sometimes we get caught up in the busyness of housing, but let us never lose sight of these basic truths:

- Housing is foundational.
- Housing problems affect everyone, and it takes all sectors of society to find solutions.
- Settling into stable housing can be a power move for families and can bring new life to communities.

I want to leave you with a phrase from Habitat for Humanity that always inspires me: A world of hope...starts at home. May that spark of hope for many begin with us here tonight.

Thank you.