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The Housing Needs of Lower-Income Homeowners

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With a Preface by Nicolas P. Retsinas

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Preface to The Housing Needs of Lower-Income Homeowners

by

Nicolas P. Retsinas

Behind the Headlines

Homeownership Rate Soars to All-Time High. Minority and Immigrant Families Join Rush to Homeownership. New Mortgage Products Lure Low-Income Home Buyers.

These are the headlines, often followed by feature photographs of happy couples unloading furniture that evoke images of families and home, Norman Rockwell and de Tocqueville, motherhood and apple pie. Such stories instill pride and help to affirm the belief that even people with modest incomes can realize the American Dream of homeownership.

Yet behind the headlines is another, sobering, story. At last count, 22 million lower-income Americans owned their homes, yet many of them could not afford the upkeep of those homes. Mrs. Smith, a South Carolina widow who has owned her 5-room Cape Cod for 30 years, has a furnace that balks, a leaky roof, and low-wattage wiring that won't support air-conditioning. In summer hot spells, she goes to a neighborhood center for relief. Seventy-six-year-old Mr. Hernandez uses a wheelchair. He needs but cannot afford an exterior ramp, bathroom modifications, and wider interior doorways. Ms. Jones, a single parent with four children, learns that her 40-year-old split-level house has high levels of lead. Mrs. Smith, Mr. Hernandez, and Ms. Jones are hypothetical, but their stories are very real and they rarely make the news.

Homeownership is still a prime goal for Americans, and a rising homeownership rate is good for our country. Families, especially lower-income families, build up equity while putting down roots in their neighborhoods, which grow more cohesive. Yet over time, as homes deteriorate, lower-income owners often are trapped. On the one hand their homes need increasingly costly repairs; on the other hand, their incomes barely suffice to pay the mortgage and taxes. Enabling people to live in decent housing is cost-effective in reducing illnesses, minimizing institutionalizations, and preventing injuries. With the number of lower-income owners expected to grow from 22 million in 1995 to 28.5 million in 2010, home repair and improvement needs will far outpace likely government aid and plausible private sector support.

Repairs: The Lower-Income Owner's Quagmire

The cardinal axiom of homeownership is simple and inexorable: Homes require maintenance. Roofs, windows, heating/cooling systems, gutters, and plumbing systems deteriorate over time. All need occasional repairs, if not replacement. And "maintenance" -the yearly checkups, the minor repairs, the trouble-shooting - is essential. The owner who defers maintenance risks being sucked into a financial black hole. The heating system that will work for 20 years with proper repairs will last but 10 years without maintenance. The leak that a homeowner neglects will spread. The faulty wire may spark a fire.

Yet lower-income homeowners often cannot afford even basic upkeep, let alone extensive renovations. Many can barely afford their mortgages, taxes, and insurance. The banker's rule-of-thumb is that buyers should spend no more than 30 percent of their income on housing. Over time, though, owners' incomes may drop; family size may increase; housing expenses may mount. Many current homeowners would fail that bankers' test. Already, 9.9 million lower-income owners spend more than 30 percent of their income on housing. Of these, 5.2 million spend more than 50 percent and are deemed by the government to be "severely cost-burdened." "Extremely low income" homeowners (defined as homeowners with incomes less than 30 percent of area median) face a crueler burden: 80 percent of them spend more than 30 percent of their income on housing; 60 percent spend more than 50 percent.

Consider a not-atypical household budget. Fixed amounts for mortgage, property taxes, and insurance must be paid on time. Payments for food, medications, clothing, telephone, and transportation (if the family needs a car to get to work, car payments may bump other expenditures) can sometimes be deferred, perhaps put on a credit card. There is little discretionary money for household repairs and no rainy-day nest egg. Some owners live at the financial edge, where a tax increase, a family illness, or a pink slip can end in foreclosure.

Not surprisingly, fewer lower-income owners put home repairs into their budgets than do their higher-income counterparts. From 1984 to 1993, nearly 1 million lower-income owners spent less than $100 per year on maintenance; 10 percent of extremely low income elderly owners spent $46 or less per year. In contrast, 90 percent of higher-income owners spent $257 or more annually on maintenance.

Consequently, more than 1.7 million lower-income homeowners live in physically inadequate units, with 588,000 in "severely inadequate" homes. Heating systems are one gauge of physical condition, because families that lack safe, reliable heating systems rely on potentially hazardous alternatives, such as space heaters - alternatives that often lead to fires. Inadequate heating equipment causes 85,000 residential fires, 2,200 injuries, and 500 deaths each year. Additionally, in the South, 800,000 lower-income owners have no air-conditioning, often because their wiring will not support it.

The Typical Lower-Income Homeowner

The typical first-time buyer - even the lower-income buyer - is young to middle-aged, healthy, and has sufficient financial resources to afford the home. The typical lower-income owner, in contrast, is elderly and/or disabled, and often has a housing cost burden. Half of all lower-income homeowners have an elderly and/or disabled member. In most instances, the elderly person is the head of the household. Four and one-half million owners are elderly people living alone, 80 percent of whom are women.

Some of these elderly and/or disabled homeowners live in "fixer-uppers" that over the years have needed more and more fixing. Many of these owners do not have the expertise, ability, money, or the friend or family support networks to make small repairs, let alone major ones.

More critically, many of these older and/or disabled owners need basic modifications to make their houses livable. Beyond gutters, wiring, and roofs, they need retrofitting. The house that was acceptable for a middle-aged person (perhaps with narrow hallways, claw-footed bathtubs, interior stairways, crowded kitchens) often no longer works. The owners need exterior ramps, interior elevators or stair-lifts, wider hallways, remodeled bathrooms, and redesigned kitchens. More than 2 million lower-income owners report a family member who has difficulty climbing stairs, entering and exiting the home, or moving around the home, yet most of those homes contain no major retrofitting. For instance, the 1995 American Housing Survey reports that, in households where a member has limited mobility, only 39 percent of owners in multistory units report having a ramp, an elevator or stair-lift, extra handrails, or extra-wide doors and hallways. Almost 395,000 lower-income owners live in multistory homes and include people in wheelchairs. One-third of these homes have no modifications for the person's limited mobility.

Another common lower-income owner is the single parent with children. When the single parent buys a house, the local newspapers may proclaim her success; but ten years into homeownership she may need help keeping up that house. She, like the elderly widow, may lack the expertise, the money, or the friends to make repairs.

The elderly owner, the disabled owner, and the single-parent owner often need help.

Government Assistance for Lower-Income Owners

The government does not help substantial numbers of these owners.

For the last several decades, the government has funneled billions of dollars into helping people buy homes, but comparatively little into helping owners maintain, repair, and renovate their homes. Those limited dollars, moreover, have been shrinking. Funding for the Section 502 program, the largest federal program targeted at rural lower-income owners, was cut from $2.8 billion in fiscal year (FY) 1980 to $1 billion in FY 1998 - even while the number of lower-income homeowners mounted. Between 1985 and 1997, the number of owners receiving direct federal assistance fell by 35 percent.

Other government programs assist only a sliver of the people needing help. Through the mid-1990s, the annual Community Development Block Grant (CDBG) appropriation was approximately $4 billion, of which $440 million went for home maintenance. Similarly, $250 million of the $1.5 billion annual HOME appropriation went for home improvements. Funds exist for weatherization and for retrofitting houses of disabled persons, yet these programs commonly have long waiting lists.

Government mortgage subsidies (such as Section 502), moreover, do not include the same "income safety cap" as do rental subsidies, which generally cap housing payments at 30 percent of income. The renter who loses a job or gains an additional family member will pay a lower rent. Homeowners who receive mortgage interest rate subsidies have no such cap. In 1995, about 59 percent of homeowners who received a subsidized mortgage interest rate paid more than 30 percent of their income for housing and utilities, according to the American Housing Survey.

Federal home improvement loan programs do exist - through the Federal Housing Administration (FHA) - but borrowers pay a premium that is intended to cover the cost of insurance. Some cities and towns, and some state housing finance agencies, offer low-interest loans and grants for home improvements. Most of the funding, however, comes from CDBG and HOME block grants. While FHA pioneered reverse equity mortgages and they are starting to have broader market acceptance, these loans can be costly and are often resisted by elderly homeowners.

In this relative vacuum, community-based organizations and private-sector philanthropy, including organizations like Christmas in April, must fill the void.

Christmas in April: A Response

Twenty-five years ago, in Midland, Texas, a group of volunteers banded together to improve the homes of some neighbors. One volunteer rewired a house, another person fixed rotting stairways, another installed handrails; still others simply helped out however they could. And some people donated materials. A happy homeowner exclaimed: "This is like Christmas in April!" A national organization was formed ten years ago to replicate that successful model and provide solutions for thousands of lower-income homeowners in communities across the country.

De Tocqueville could have written the rest of the story.

The concept - volunteers devoting time, energy, and materials to help people renovate their homes - spread. Today there are 225 Christmas in April affiliate programs in 600 cities and towns in all 50 states. In ten years, more than 1 million volunteers have rehabilitated more than 37,000 homes - leveraging donated materials and labor to complete $479 million worth of renovations.

Leaky roofs, broken heaters, and antiquated wiring blight people¹s lives, as well as neighborhoods, but they rarely make headlines. Few newspaper stories report that Mrs. Lee got an air-conditioner for her bedroom or that Mr. Johnson got a new bathtub with handrails. The annual Christmas in April workday - when ordinary Americans join together to help their less-fortunate neighbors - may make the local news, but Mrs. Lee and Mr. Johnson merit the nation's attention more than just once a year. They have achieved the American Dream, homeownership, but they cannot afford to make those homes safe, comfortable places to live.

Even more homeowners will be elderly in the next century. If home-buying trends continue, more lower-income Americans will be homeowners. In short, there will be many more Mrs. Lees and Mr. Johnsons. The need for the services provided by Christmas in April will only grow.

The Housing Needs of Lower-Income Homeowners

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Abstract

Lower-income homeowners in the U.S. form a diverse group of households and face an array of serious housing problems. Owners with less than 80 percent of area median income levels are more likely to be elderly, disabled, minority, or single parents with children than higher income owners. Millions face severe housing cost burdens, paying over 50 percent of their incomes for housing. The quality of their housing stock is often poor: inadequacy rates are over twice as high for the units of these owners than for those with higher incomes. Lower-income homeowners typically perform home repairs less often than their higher-income counterparts, and when they do such work, they usually spend less. Furthermore, many lower-income homeowners face special housing needs. Because large shares of these households contain elderly or disabled people, many require home modifications such as ramps, stair-lifts, or bathrooms re-designed for accessibility. With low incomes and high housing cost burdens, however, many of the owner households who most need these modifications are least able to afford them.

As the population continues to age and as the minority share of the population continues to increase, the number of owner households with lower incomes is likely to rise in the coming decades. As their numbers expand, so too may the housing problems associated with lower-income homeowners. In recent years, however, the federal commitment to the repair and modification needs of lower-income homeowners has waned. Some lower income owners may have the equity and assets to leverage funds in the private sector for home repairs, but many are hesitant to adopt available market-based solutions. Non-profit and charity organizations provide needed assistance, especially to those households who cannot qualify for market-based aid and who are without federal subsidies. In the future, creative funding efforts, new program alliances, and renewed commitment from the private sector, government, and non-profit organizations may all be required to help confront and stem the housing problems facing homeowners with the fewest resources.

The report includes a preface by Nicolas P. Retsinas, Director of the Joint Center for Housing Studies.

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Introduction

The demand for services provided by Christmas in April and other organizations dedicated to meeting the home repair and rehabilitation needs of lower-income homeowners is great and will grow larger in the coming years. Assuming that the share of lower-income owners by age remains constant, expected household growth will lift the total number of lower-income owners from 22 million in 1995 to 28.5 million in 2010 (Exhibit 1).[1] Growth among the elderly, minorities, and those with disabilities will be especially rapid. As the number of lower-income owners increases, so too will the already large number of homeowners with serious housing problems.

The housing needs that lower-income homeowners face stem largely from the high costs of owning and maintaining a home relative to their incomes. As a result, many lower-income homeowners spend large shares of their incomes for housing, often diverting funds from other necessary expenses. Many can only afford homes of lower quality, and thus experience high levels of housing deficiencies ranging from damaged roofs to peeling paint. Millions do not have sufficient funds to maintain their units, leading to further housing deterioration and a range of negative consequences for individual occupants and surrounding communities.

[1] This may be a conservative estimate of the growth in lower-income homeowners because the share of owner households with lower incomes has in fact risen over the past decade.

The elderly, the disabled, and children are the most vulnerable to health and safety threats posed by housing deficiencies. Furthermore, many elderly and disabled homeowners need special home modifications such as ramps or reconfigured interior spaces. For many elderly and disabled owners with lower incomes, such modifications are financially out of reach.

Despite the pressing housing problems of lower-income owners, very little government housing assistance is directed at meeting their needs. The bulk of federal housing subsidies is directed instead toward the housing problems of lower-income renters. Millions of lower-income homeowners have neither public subsidies nor the wealth to fund their own home repairs and improvements. The burden therefore falls on nonprofit organizations to assist lower-income homeowners through charitable contributions and volunteer labor. Many faith-based, business, and union volunteer efforts provide much-needed home repair and rehabilitation services, albeit at low levels, for those who cannot pay for such work. Christmas in April is the only national organization providing and organizing these volunteer rehabilitation services in communities across the United States.

As housing needs grow, it will take creative efforts, new alliances, and pooled resources from many quarters to meet the repair and improvement needs of lower-income owners. Our nation has made the widespread achievement of homeownership a major goal. Homeownership is a hollow victory, however, if lower-income owners are forced to devote burdensome shares of their incomes to meet housing costs or are forced to live in homes that are unsafe, unhealthy, or unsuitable. It will take the energy, commitment, and initiative of people and organizations at every level to help eliminate the numerous housing problems of the lowest-income homeowners.

Who Are Lower-Income Owners?

About 22 million owner households have lower incomes, defined by the U.S. Department of Housing and Urban Development (HUD) as less than 80 percent of area median. While these households have diverse characteristics, the elderly, disabled people, single parents with children, and minorities are all over-represented among them. Some of these groups are particularly vulnerable to housing inadequacies, and many have special housing needs beyond those that arise from insufficient funds and under-maintenance. The problems these groups face and the housing challenges they pose will grow as demographic trends augment the numbers of these households in the future.

Households with Elderly

According to data from the 1995 American Housing Survey (AHS), almost half of all lower-income owner households have an elderly member (Exhibit 2). In contrast, households with elderly form less than 20 percent of owner households with higher incomes. There are approximately 10.7 million lower-income owner households containing elderly individuals, most with an elderly person who owns the home, and a small fraction where a younger owner lives with someone age 65 or over. Among lower-income households with elderly, there are 4.5 million elderly owners who live alone. The vast majority (80 percent) of these homeowners are women, and most of them are widows - mainly because the life expectancy for women is longer than for men.

Lower-income elderly homeowners face special challenges living in and maintaining their homes. While many younger homeowners can perform routine home repairs themselves, many elderly homeowners are often too frail to do so and must rely on others for help. Many single elderly homeowners may be especially dependent on professional or other outside assistance for home repairs. Some have no or few companions or nearby relatives who can help them care for their homes, and some elderly widows come from generations where women traditionally relied on their spouses or other family members for the major upkeep of their homes. In addition, younger homeowners may be more willing to move out of a home if they no longer consider its features adequate. Elderly people are less willing to move, despite the physical conditions of their homes. Surveys show that the vast majority of elderly prefer to age in their own homes,[2] and most will not move unless forced to by economic conditions or severe health problems.

Elderly owners also have unique physical housing needs. With age, the ability to see clearly, to grab door handles and reach for cabinets, and to navigate stairs all decline. The value of special home modifications that accommodate physical impairments and mitigate risks associated with aging is therefore greatest among households with elderly. The elderly are more vulnerable to accidents, disease, and extreme heat and cold. Because broken equipment such as an air conditioner or heater can pose greater health risks for the elderly than for the nonelderly, the costs of deferred maintenance are typically more serious. Unfortunately, elderly owners with lower incomes are often unable to afford home modifications or adequate home maintenance.

The number of owner households with elderly will rise dramatically in future decades, and with that rise, the number of owners with specific housing needs will increase. Longer life expectancies and a surge in the number of babies born after World War II will drive an increase in the number of people in their 70s and 80s. The Census Bureau predicts that the population of Americans ages 65 and over will rise from 33 million in 1995 to almost 62

[2] *Understanding Senior Housing: Into the Next Century*, American Association of Retired Persons, 1996.

million in 2025. In that year, the elderly will comprise more than 18.5 percent of the total U.S. population, up from 12.8 percent in 1995.

Even over the next decade, elderly population growth will be strong. This surge in the number of elderly people will fuel growth in the number of owner households with elderly, and the number with lower incomes as well. The number of lower-income owner households with elderly is expected to grow from 10.7 million in 1995 to about 13.9 million by the year 2010.

Households with Disabled People

Mainly because the elderly have more disabilities than the nonelderly, households with a disabled person are also currently over-represented among owners with lower incomes. The 1995 AHS shows that 2.6 million lower-income owner households have at least one elderly disabled person. Another 1.1 million such households have at least one nonelderly disabled member. Together, the 3.7 million households with a disabled person account for 17 percent of all lower-income owner households, but only 10 percent of all owner households.

Many of these owner households have home modification demands beyond those necessary to accommodate normal aging. For example, disabled people in wheelchairs often need ramps or wider doorways in their homes. Others with disabilities may need stair-lifts or modified bathroom facilities. Many households with lower incomes lack the financial resources to make necessary modifications for disabled members. As a consequence, these individuals will demand more personal assistance and will be at greater risk for accidents.

Because frailties and disabilities increase with age (Exhibit 3), growth in the number of elderly will almost certainly boost the number of disabled people by 2010. Although the rate of physical impairments among the elderly has slowly declined over time as a result of improvements in medical technology and public health, these rates have not declined dramatically. Longer life expectancies will also boost the numbers of the "oldest-old" members of the population - people over age 85 who are most likely to suffer from various disabilities. Assuming that the incidence of disabilities across age groups as measured by the 1995 AHS does not change over the next ten years, lower-income owner households with a disabled member could rise from 3.7 million in 1995 to 4.9 million in 2010.

Households with Children

Along with the elderly and disabled, single parents and households with children currently comprise millions of lower-income owner households. Based on 1995 AHS data, about 6.8 million owners have children under the age of 18 living with them; within this group, about 1.7 million are single-parent households. Single-parent homeowners are slightly over-represented among the lower-income owner population: they account for 5 percent of all owners but 8 percent of all owners with lower incomes.

Like the elderly and disabled, lower-income households with children often have special housing needs and face greater health risks from deferred maintenance. Children are more susceptible to disease and are more prone to accidents in the home than adults. Young children are vulnerable to the effects of lead and other agents that can interfere with healthy development. Repairs and home improvements that prevent asthma attacks and mitigate lead exposure are among those most important for households with young children.

In the coming years, the number of households with children will rise as members of the echo-boom generation - the children of the baby boom born in the late 1970s, 1980s, and early 1990s - themselves start to have children and buy homes. Many baby boomers delayed marriage and so they, too, are still raising children. If the shares of owner households with lower incomes do not change, the number of lower-income homeowners with minor children will increase from 6.8 million in 1995 to about 7.7 million by 2010.

Minority Households

Black and Hispanic owners are also over-represented among owners with lower incomes. Almost 2.6 million black homeowners and 1.5 million Hispanic owners have incomes below 80 percent of area median.

The future profile of lower-income homeowners is likely to have a large minority component as a result of both rapid minority household growth and recent progress in overturning some of their barriers to homeownership. New waves of immigrants, predominantly from Asian and Latin American countries, will also change the composition of lower-income homeowners as many begin to establish themselves and buy homes. Minority home buyers have helped fuel the current homeownership boom: they contributed 42 percent of the growth in homeowners between 1994 and 1997, while only comprising 15 percent of all homeowners at the beginning of that period. The Census Bureau predicts that the share of minorities in the United States will grow from 26.3 percent of the total population in 1995 to 37.6 percent in 2025. Because minority population and household growth have been greater than for whites, increasing shares of lower-income homeowners in the future will be among nonwhite and ethnic populations - especially Hispanics and Asians. These changes in the racial composition of lower-income homeowners will pose special challenges to those who aim to assist such households with their housing needs. Future housing providers may confront language issues and cultural differences among some immigrant households that may influence the sorts of services demanded and the manner in which services are delivered.

Regional Location

Lower-income homeowners can be found all around the country, but they are most numerous in the South. More than 8 million lower-income homeowners live in southern states, comprising 37 percent of all owners with lower incomes. Another 5.8 million live in the Midwest. Unlike lower-income renters, who are over-represented in the Northeast and West, lower-income homeowners are slightly over-represented in the country's middle and southern states.

For the past quarter century, U.S. population growth has shifted to the South and West, and this shift is expected to continue over the next decade. By 2025, 62 percent of the total population will likely live in southern and western states, up from 57 percent in 1995. Although it is difficult to predict the regional distribution of lower-income homeowners in the future, the number of owners with lower incomes is likely to follow national population trends and should continue to grow in the South and the West. It is important to remember, however, that significant numbers of lower-income homeowners, particularly the elderly, will remain behind in the Northeast and Midwest. In addition, natural population growth and immigration will increase the number of first-time lower-income home buyers in parts of these regions. The lower-income owners who continue to live in the Northeast and Midwest may face special home repair needs, since the housing stock in these regions is older, on average, than elsewhere.

The elderly population - and therefore many people with disabilities - will likely be concentrated in a small group of states. The Census Bureau predicts that of the nation's 62 million elderly in 2025, over half will live in ten states: California, Florida, New York, Pennsylvania, Texas, Illinois, Ohio, Michigan, New Jersey, and North Carolina. In Florida, 26 percent of the population will be elderly in 2025 (Exhibit 4). By that year, the elderly will comprise large shares of the populations in the Great Plains states, and almost a quarter of the populations in Arizona, Montana, Oregon, and West Virginia.

As minority population growth continues to outstrip growth among whites, minorities will account for a large share of lower-income homeowners. Their shares will be particularly significant in select southern and coastal states. Many of these states have traditionally attracted and served as entry points to the country for foreign immigrants. In 2025, the populations in Texas, California, New Mexico, Hawaii, and Washington, DC will be more than 50 percent minority (Exhibit 5). Another seven states (Florida, Arizona, Louisiana, Alaska, New Jersey, Maryland, and New York) will have more than 40 percent minority populations.

Urban Location

Homeownership rates have long been lower in central cities than in suburbs and other outlying areas. While almost half of all lower-income renters live in the nation's central cities, only a quarter of lower-income homeowners live in these places. The other 75 percent of lower-income owners live in suburbs and rural areas (Exhibit 6). Nevertheless, almost 5.6 million owners with lower incomes live in cities. Almost 8.7 million live in suburbs, and another 7.7 million live in rural areas.

As the decentralization of the U.S. population continues, the proportion of lower-income homeowners in the suburbs may rise. Almost all the growth in homeownership during the first half of the 1990s took place outside central cities; many of the lower- and moderate-income households that will buy homes in the future may well follow this trend. On the other hand, concerted efforts by private lenders, city governments, and nonprofit community groups to create homeownership opportunities in central cities for lower-income households may slow the trend toward suburban ownership.

Housing Needs of Lower-Income Homeowners

A significant number of lower-income homeowners struggle with high housing cost burdens and physically inadequate housing. These problems are particularly acute for those with extremely low incomes (less than 30 percent of area median and typically at or below the poverty level). Even owners who have paid off their mortgages face ongoing housing-related costs that often cut into their incomes and leave little for other necessities. Others face various levels of housing inadequacy, often because they can only afford lower-quality housing. Still others have special demographic characteristics, such as advanced age or disabilities, that create specific housing needs. Without outside help, many lower-income owners are unable to improve their homes, pay for useful modifications, or even cover routine repair and maintenance costs. At risk are the health and safety of the occupants of these homes. Those who are unable to properly maintain their units also jeopardize the wealth they have built in their homes, and they place their neighborhoods at risk of further disinvestment and decline.

Housing Cost Burdens

The housing problem that affects the largest number of lower-income households is the high cost of owning and maintaining a home relative to their incomes. About 9.9 million lower-income homeowners spend more than 30 percent of their income on housing, and 5.2 million spend more than 50 percent. The federal government defines the latter group as severely cost burdened. Even though many of these lower-income owners chronically defer maintenance and spend very little on the upkeep of their homes, many face other housing costs such as mortgage payments, property taxes, and utility bills that consume most of their incomes. A large majority (84 percent) of lower-income elderly owners own their homes free and clear, but property taxes and utilities alone can cut deeply into their incomes.

High cost burdens are most pronounced among owner households with extremely low incomes. These are the households most likely to defer maintenance in an effort to contain their housing costs. About 8 in 10 extremely low income owners spend more than 30 percent of their income on housing, and about 6 in 10, or 3.4 million, spend more than 50 percent (Exhibit 7).

Many of the lowest-income households hit hardest by housing cost burdens are those with single parents, the elderly, or the disabled. While 24 percent of all lower-income households spend more than half their incomes for housing, over 30 percent of single parents (or half a million households) do. Lower-income households with elderly, on the other hand, are somewhat less likely than the average lower-income household to carry excessive housing burdens. Nevertheless, because the elderly make up such a large percentage of the lower-income population, they still constitute over a third of lower-income owners with severe burdens, or almost 2 million households. Additionally, more than 795,000, or 22 percent, of all lower-income households with a disabled person spend more than half their incomes for housing.

While lower-income elderly homeowners who have paid off their mortgages may struggle with real estate taxes and property insurance bills, younger owners with lower incomes and outstanding mortgages may risk foreclosure. For most owners with out-of-pocket cash constraints, routine repairs may seem the safest expense to defer. Such actions can have consequences that further hurt lower-income homeowners. Neglected housing problems lower house values, become more expensive to fix over time, reduce the quality of life for occupants, and have negative consequences for the transfer of wealth to the next generation.

Physical Housing Problems

With fewer resources to devote to housing, many lower-income homeowners occupy units that are older and in poor condition. Many of these units have housing problems that pose health and safety hazards to occupants and visitors. HUD uses data from the American Housing Survey to estimate the number of units with moderate or severe physical problems. Units are defined as physically inadequate if they have deficiencies in plumbing, heating, electrical systems, common hallways, or kitchen equipment (with severely inadequate units having more numerous or extensive deficiencies).

More than 1.7 million lower-income owner households live in inadequate units; about 588,000 of that number live in severely inadequate homes. Perhaps reflecting their more meager resources, owners with lower incomes are more likely than higher-income homeowners to live in inadequate units. While 3.6 percent of all higher-income households live in homes with serious physical flaws, the share is 7.9 percent for lower-income homeowners and 10.6 percent for homeowners with extremely low incomes (Exhibit 8). Furthermore, severely inadequate units are concentrated among extremely low income homeowners. While these lowest-income households comprise 1 of every 11 owner households, they occupy 1 of every 6 severely inadequate units.

While all types of housing inadequacy merit concern, some are particularly troubling. For instance, 1.7 million owners with lower incomes report using potentially hazardous primary heating sources such as unvented room heaters, portable electric heaters, or stoves, exposing themselves to dangers of fire, burns, and asphyxiation. Research suggests that inadequate heating equipment causes 85,000 residential fires, 2,200 injuries, and 500 deaths in the United States each year.[3] Additionally, 1 million lower-income owner households report that their homes were uncomfortably cold for more than 24 hours during the previous winter. For the elderly and children especially, exposure to uncomfortable levels of cold may pose a health threat. The elderly are especially sensitive to high temperatures, which presents a health threat for elderly residents of homes without air conditioning. In the South alone, where long spells of hot weather are common, almost 800,000 lower-income owners live in homes that lack air conditioning. Perhaps seemingly not as alarming, more than 4 million lower-income owners reported water leaking into their unit at some time during the previous year. But serious or persistent leaks can lead to costly structural problems, as well as health threats through long-term exposure to dampness and mold.

Certain types of lower-income households face particularly high inadequacy levels. One in ten lower-income households with a disabled person lives in an inadequate unit, compared with about 7 percent of other lower-income households. Similarly, one in ten

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[3] Hall, J.R., "Electrical Distribution Equipment Fires, Causes and Safety Tips," taken from *The U.S. Home Product Reports, 1990-1994*, National Fire Protection Agency, Quincy, Massachusetts, 1997.

single-parent households faces inadequate housing conditions, compared with just 7 percent of households without children. While houses with elderly residents are slightly less likely to be inadequate than those without elderly, roughly 753,000 lower-income owners with elderly live in homes with serious physical deficiencies. Within this group, about 345,000 are elderly owners living alone.

Over the past decades, physical housing conditions for homeowners have shown some improvement. In 1985, almost 10 percent of all lower-income homeowners lived in inadequate units. By 1995, the share had fallen to below 8 percent. While these signs are encouraging, continued progress will depend to a large extent on efforts by individuals, community groups, and larger organizations to directly address the repair and home maintenance needs of lower-income homeowners.

Maintenance and Replacement Activity

Even though lower-income homeowners tend to live in older homes with more physical problems than higher-income owners, they repair their homes less often and spend less when they perform repairs. In 1995, about 85 percent of higher-income owner households reported having performed routine maintenance during the previous two years. In contrast, about 73 percent of lower-income homeowners reported such activity. Higher-income homeowners who performed work such as painting, fixing faulty plumbing, repairing roofing, and other minor repairs spent an average of $1,141 over a two-year period. Lower-income owners, by comparison, spent $810. Notably, lower-income owners spent somewhat less even though more of them are elderly people who hired contractors and did not do the work themselves.

Lower-income owners are also less likely than other owners to add or replace structural components such as roofing, siding, plumbing or pipes, plumbing fixtures such as a sink or bathtub, electrical wiring or fuse boxes, windows or doors, insulation, heating or cooling equipment, or major appliances such as a water heater or dishwasher. Lower-income owners have an especially difficult time affording these costly items. In 1995, only 39 percent of lower-income and 35 percent of extremely low income owners reported replacement work. Nearly half of higher-income owners, on the other hand, reported some replacement work. Higher-income households that performed replacements also spent more. On average, higher-income homeowners spent $2,150 over two years on their replacement work, while lower-income households spent $1,811 - about 16 percent less than the higher-income group.

Although many lower-income owners are able to afford needed home maintenance and structural replacements, many households - especially those with extremely low incomes or high housing costs - cannot. Deferred maintenance and inadequate replacement of systems or structural components lead to deterioration of the housing stock and eventually to the physical problems measured by HUD. Over the ten-year period from 1984 to 1993, nearly 1 million lower-income owners spent an annual average of less than $100 on home maintenance and/or replacements. Even more startling, 10 percent of extremely low income owner households with elderly members spent an annual average of $46 or less on maintaining their homes. Such low spending clearly cannot cover the sort of repairs that most homes typically require over a year and cannot maintain the value of an asset that is usually worth many thousands of dollars. In comparison, nine-tenths of higher-income owners spent an annual average of at least $257 on home repairs and replacements.

The consequences of housing neglect or deterioration can be serious and extensive. Clearly, inadequate housing has a detrimental effect on the individual household through increased health and safety risks, higher energy prices, decreased property values, and, in the worst case, loss of the home due to abandonment or condemnation. In addition, homes are the primary asset for many of these families, and neglect can adversely impact their ability to transfer wealth to the next generation. Over the long term however, these negative consequences may affect not only the household itself, but also the neighborhood that surrounds it. Dilapidated homes can deflate the market values of neighboring units. Some types of housing inadequacy, such as those that increase the possibility of fire or rodent infestation, affect neighborhood conditions in an even more direct manner. These distressed neighborhood conditions, in turn, have been linked to higher levels of criminal activity. Arguably, programs that assist owners in maintaining their homes benefit not only the families themselves, but the wider community as well.

Special Home Improvement Needs of the Elderly and Disabled

Many lower-income homeowners need help not only to maintain their homes, but also to make modifications that better accommodate disabilities and physical impairments. In addition to owners who live in units with substandard physical conditions, many homeowners occupy units that are not well-suited to the health or disability needs of their occupants. People with physical limitations often require special modifications to their homes in order to move and function within their units or to easily perform daily activities as basic as cooking or bathing. Failure to make accessibility modifications to homes can lead to malnutrition, hazards that prompt falls, or physical isolation among disabled residents.[4] Additions to homes, such as stair-lifts, can improve mobility, and changes such as extra grab bars or bathrooms with additional maneuvering room can help prevent accidents.

Millions of households include people with physical disabilities. Based on the 1995 AHS, about 17 percent, or 3.7 million lower-income owner households, include an individual with some sort of physical limitation. In most cases, the disabled person is elderly.

Many lower-income homeowners have, or live with others who have, mobility problems. According to the 1995 AHS, more than 2 million lower-income owners report household members who have difficulty climbing stairs, entering and exiting the home, or moving around inside (Appendix 6). More than 2 million households also include people with trouble performing daily activities such as bathing, dressing, or completing housework. About 1.8 million lower-income homeowners report a household member with difficulty seeing or hearing, and more than 1.3 million report someone whose disabilities are serious enough to require special home modifications, equipment, or personal assistance.

The likelihood of having a household member with a disability increases as income level declines. While 6 percent of owners with higher incomes report household members with a disability, almost 17 percent of lower-income owners and 20 percent of extremely low income owners report the presence of disabilities. Unfortunately, households that would most benefit from home modifications are often those with the least financial capacity to improve their situations.

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[4] *A Blueprint for Action: A Resource for Promoting Home Modifications*, The Center for Universal Design, North Carolina State University, 1997.

The need for improvements appears great. Although millions of lower-income households have disabled members, relatively few homes have features that can assist people with their physical limitations. According to some data sources, less than 10 percent of all existing residential units have modification features, and few newly constructed units typically contain accessibility features.[5] Data from the 1995 AHS show that there are 1.6 million lower-income homeowners in units that have two or more floors and house a person with a mobility problem (Exhibit 9). Only 39 percent of these owners report having a ramp, an elevator or stair-lift, extra handrails or grab bars, or extra-wide doors and hallways. Wheelchair-bound individuals living in multistory units often have the most serious mobility problems around their homes. Almost 395,000 lower-income owner households live in multistory homes and include people in wheelchairs; less than two-thirds of these owners report having any mobility modifications.

Some argue that hardware features such as door handles instead of knobs, push bars on doors, modified wall sockets or light switches, and modified sink faucets or cabinets can benefit all households with elderly since many older people suffer from disabling conditions or will develop such conditions as they age. These sorts of home modifications, while small, can greatly aid those who return to their homes to recover after outside medical stays, and can help prevent additional injuries or accidents. While home modification data on all elderly households are unavailable, existing data suggest that only a small fraction of households with disabled elderly have such hardware modifications. Less than 7 percent of the 2.6 million lower-income owner households with a disabled elderly person have these features, and only 8 percent of the 1 million single, disabled elderly households report having any of these modifications.

[5] The Center for Universal Design, 1997.

In the coming decades, the need for accessibility modifications is likely to rise. As the population as a whole gets older with the aging of the baby boom generation, more homes will contain frail household members. More owners will therefore either need or greatly benefit from home modifications that aid those with physical limitations. If more of the existing stock is not modified to accommodate people with disabilities, and if new units continue to offer few accessibility features, the gap between the number of people with special housing needs and the supply of units suitable for them will grow.

Meeting the Needs of Lower-Income Owners

Clearly, millions of lower-income owners struggle with high housing cost burdens, live in housing with severe physical problems, or live without home improvements that would enhance their health and safety. With the number of lower-income owner households projected to increase by 6.5 million between 1995 and 2010, meeting the housing needs of lower-income owners will become even more difficult and require greater efforts on the part of government, nonprofit organizations, and charities.

Organizations such as Christmas in April that address the needs of lower-income owners face a daunting challenge. Although the number of lower-income households in need of housing assistance has grown steadily, the financial commitment of the federal government to respond to this growth has weakened. Moreover, most federal housing assistance is directed at renters. The remainder is mostly targeted to reducing the costs of low- and moderate-income home buyers by reducing their interest rates, not to relieving the housing cost burdens of existing lower-income homeowners or helping them repair and improve their homes.

Making progress in meeting the needs of lower-income owner households will therefore continue to depend on philanthropic support and mobilizing volunteers to help with home repairs and improvements. The need for progress will also place mounting pressures on service providers to explore new ways of mobilizing market-based solutions to address at least some of these problems.

Limited Government Subsidies

Federal funds available to meet the housing needs of lower-income Americans were slashed in the 1980s and have remained at low levels ever since (Exhibit 10). The handful of programs that assist lower-income homeowners have not been spared. In fact, the budget authority for the largest remaining federal loan program targeted at lower-income owners, the Section 502 program for rural housing, was cut from $2.8 billion in fiscal year (FY) 1980 to $1 billion in FY 1998. Although the number of lower-income homeowners has been growing, the number receiving direct assistance fell by 35 percent between 1985 and 1997 alone. Given the current climate of federal fiscal austerity, prospects for significant increases in federal housing assistance remain dim.

Not only are fewer lower-income owners than renters assisted, but the nature of the subsidy they receive is less suited to containing their cost burdens. Rental subsidies cap housing payments at 30 percent of income for up to 4.2 million renters of the 5.3 million who currently receive them. No such cap is placed on the housing payments of subsidized homeowners. Although home buyers who receive mortgage interest rate subsidies typically start out with cost burdens below 30 percent of their incomes, reductions in their incomes over time and unforeseen maintenance demands may push their burdens well above 30 percent. Subsidized owners do not automatically receive the offsets that keep subsidized renters' housing cost burdens at 30 percent of their income. According to the American Housing Survey, about 59 percent of lower-income homeowners who reported a subsidized mortgage interest rate from federal, state, and local governments in 1995 spent more than 30 percent of their income for housing and utilities.

Very few lower-income homeowners with housing cost burdens or serious physical housing problems receive government assistance to help relieve those burdens or fix those problems. Rural Housing Service (RHS) Section 502 direct loans are overwhelmingly used to assist first-time buyers with below-market interest rate loans and low down payments. Only a small fraction of the two state- and locally administered federal housing block grant programs - HOME and Community Development Block Grants (CDBG) - are targeted to help existing homeowners repair and rehabilitate their homes. Through the mid-1990s, about $440 million was spent annually through the CDBG program and $250 million through HOME to help homeowners with home improvements. The rest of the annual appropriations of $4.6 billion for CDBG and $1.5 billion for HOME have been used for rental housing and other purposes. Apart from two home weatherization programs,[6] the only other direct federal aid to help lower-income homeowners pay for home repairs and improvements are some small grant and low-interest loan programs administered by the RHS. Finally, the federal government offers Federal Housing Administration (FHA) mortgage insurance on home improvement loans to owners regardless of their incomes. These loans are hardly subsidies, however, since the borrowers pay a premium that is intended to cover the cost of the insurance. Moreover, the

[6] Two federal programs help lower-income homeowners weatherize their homes. The Department of Energy allocates approximately $154 million annually and helps about 75,000 homeowners a year insulate their homes. The Department of Health and Human Services allocates a small portion of the funds appropriated for its Low

program now insures only about 100,000 to 130,000 new loan originations per year, and that number has been falling as the private sector offers competitive home improvement loans.

While many state and local governments offer low-interest loans and grants to help lower-income homeowners maintain and improve their homes, the bulk of the funds for these programs comes from federal block grants. Some matching funds are required of the states and localities under the HOME program, but it is difficult to estimate the amount that is directed toward repair activities. Beyond this source, state housing finance agencies (HFAs) are, in most states, the primary providers of additional financial assistance to lower-income households. However, most HFAs use their mortgage revenue bonding authority to issue below-market rate loans for home buyers, not to make loans to existing owners for home improvements or repairs. In 1997, only five states offered below-market rate loans for housing rehabilitation through their mainstream mortgage revenue bond programs.

Subsidies will likely remain in short supply, and arguably will do the most good when targeted to those with the least ability to fund their own repairs and improvements. Although it is difficult to put a number on this group, it probably includes most of the 4.5 million extremely low income homeowners with excessive housing cost burdens. It almost certainly includes an estimated 2 million extremely low income owners with less than $20,000 in home equity, half of whom have less than $3,400 in nonhousing wealth. But it also includes lower-income owners with competing demands on their limited incomes who need extensive repairs or expensive improvements to cope with a health or safety problem. Examples include owner households whose members have costly medical conditions, disabilities that require home modifications, asthma and allergy problems that require changes to basements or heating and

Income Energy Assistance Program for weatherization. In 1996, this program helped about 100,000 homeowners insulate their homes.

air conditioning systems, and lead-based paint problems that require abatement to protect young children from harm.

The 290,000 single-parent owners with extremely low incomes and severe cost burdens are among the hardest pressed to meet their repair and improvement needs without subsidies. As welfare reform forces some of these owners to make up for their lost welfare benefits with income from work, their capacities to fund home repairs and improvements may diminish.

Opportunities for Market-Based Solutions

The needs of lower-income homeowners for repair and remodeling will continue to dwarf the resources presently allocated to address them. Instead of relying exclusively on subsidies and volunteer efforts to lower or cover the repair and remodeling costs under all circumstances, housing providers can facilitate market-based solutions in some cases. Market-based solutions are most feasible for lower-income homeowners with significant housing or nonhousing wealth.

Some lower-income owners hold substantial financial assets on which they could draw to fund repairs and renovations. Almost 10 percent of lower-income homeowners have more than $150,000 in nonhousing wealth. Mere asset ownership, however, does not translate directly into reduced housing difficulties. For many of these elderly homeowners, selling assets to fund repair and maintenance today may only preclude them from making other repairs later after their nonhousing assets have diminished. Furthermore, uncertain of future needs for medical care and other possible heavy drains on resources, many owners may prefer to hold on to their assets rather than sell them to pay for other goods and services. Even some of the wealthiest lower-income owners may resist making repairs or improvements because they are uncomfortable supervising or unable to find contractors, so they defer repairs and improvements they could otherwise afford. Of course, utilizing nonhousing wealth to fund housing expenses is an option for only a relatively few lower-income owners. Only about half of elderly lower-income owners and one-quarter of nonelderly owners report any investment income at all. Of those who do report investment income, half of the elderly report $1,330 or less annually and half the nonelderly owners report $600 or less.

Most wealth among lower-income owners is held in the form of home equity. It accounts for 52 percent of the aggregate net wealth of lower-income owner households with an elderly member and 50 percent of the net wealth of households without an elderly person. Half of lower-income elderly owners have 69 percent or more of their net wealth in home equity.

Using reverse mortgages, more elderly owners could tap into their home equity to fund repairs and improvements. Reverse mortgages allow elderly owners to borrow against their home equity and postpone repayment until they move, sell, or die. Large shares of elderly lower-income owners can qualify for reverse mortgage loans because they have significant home equity (Exhibit 11). About 7.6 million of them have home equity of $50,000 or more and 3.2 million have $100,000 or more in home equity.

But reverse mortgages are not without cost, and many elderly resist them. Precisely because home equity is such an important cornerstone of their wealth, elderly owners are cautious in how they use it. Some hope to leave their homes as an inheritance to their heirs and some are afraid to cash out on their home equity for repairs and improvements because they may have medical or other emergencies that they cannot foresee. Still others may fear fraud or abuse from lenders or that they will lose their home if they take out a reverse mortgage. Some elderly homeowners may not even know that a reverse mortgage is an option since such funding instruments have only become widely available over the past few years. Only about 16,000 loans have been originated under the Home Equity Conversion Mortgage program since it was created by the FHA in 1987.

With more lenders beginning to offer reverse mortgage products and the secondary market structuring programs to purchase them, however, more elderly owners may obtain reverse mortgage loans. Service providers that act as liaisons between lenders and elderly lower-income owners could help these owners arrange private-sector solutions to their home repair problems and improvement needs.

Other market-based solutions may be possible for some of the nonelderly lower-income owners who have enough home equity and income to qualify for a second mortgage but not enough savings or investments to cover the costs of significant home improvements. For these owners, a home equity loan or line of credit may allow them to undertake major repairs or improvements by spreading out repayment of the costs over time. Indeed, about 12.9 million, or 84 percent, of nonelderly lower-income owners have mortgage balance to house value ratios of below 80 percent and so have room to borrow against their equity.

The Role of Nonprofit and Philanthropic Organizations

With funding for government subsidies at levels far too low to meet the needs of homeowners with lower wealth and income, community-based organizations are increasingly stepping in to help fill the gap. Although some of these organizations depend on government subsidies to help meet the need, others depend on volunteer efforts or charitable funds from foundations, churches, businesses, and individuals. Many organizations draw on more than one of these sources. The major types of service providers that work in the area of home repair and improvement for lower-income owners are community development corporations (CDCs), faith-based groups, and organizations such as trade unions and Christmas in April that organize volunteer drives.

CDCs and their private-sector counterparts, often working with faith-based groups and volunteers, play a central role in providing home repair and improvement services to lower-income homeowners who receive government subsidies. CDCs typically hire private contractors to renovate and improve homes. CDCs are supported not only by governments and foundations but also by national nonprofit intermediary organizations such as the Neighborhood Reinvestment Corporation, the Local Initiatives Support Corporation, and The Enterprise Foundation. These organizations provide capital that CDCs can use to make loans and grants to lower-income households for repair and rehabilitation. The intermediaries are funded by foundations, government, and businesses.

Faith-based organizations are less likely to provide loans and grants for repair and renovation and more likely to use volunteers and donated materials. Most faith-based efforts are small and local in nature. The largest faith-based housing provider, Habitat for Humanity, focuses on building homes rather than helping existing owners with repairs and improvements. No comparable faith-based organization exists at the national level to support repair and rehabilitation for existing owners.

Businesses also sometimes organize volunteers to conduct "paint-a-thons" or service days to help repair homes for lower-income owners. Labor unions also are active in helping lower-income homeowners repair their homes. Trade union members typically volunteer to make repairs that require their special skills, while less-skilled volunteers perform services such as painting, landscaping, or general cleaning. Efforts organized by businesses and labor unions, however, seldom focus on making sustained significant improvements or meeting extensive or multiple repair needs.

Christmas in April is the only national-level organization that focuses exclusively on the home repair and improvement needs of lower-income homeowners. Unlike most other providers, Christmas in April does not charge for the rehabilitation work done, nor is any repayment expected for the value of the work. It mostly depends on the donation of supplies and labor, with most volunteers coming from businesses and faith-based organizations. In the past ten years, Christmas in April has helped rehabilitate 37,000 homes, a contribution of $497 million worth of work.

While community-based organizations provide an array of valuable services to lower-income owners, one important area in which they could expand is facilitation of market-based solutions for homeowners with housing problems who have the housing wealth, nonhousing wealth, or income to fund repairs and improvements. These organizations could perhaps do more to help elderly homeowners obtain reverse mortgage loans, nonelderly owners obtain conventional home equity loans and lines of credit, and owners select and supervise contractors.

Meeting the needs of lower-income homeowners and their families will remain a significant challenge. With housing subsidies in short supply and mostly concentrated on addressing the chronic needs of lower-income renters, housing providers helping lower-income homeowners will have to continue to do more with less; focus their efforts on the elderly, disabled, and single parents where the need is greatest; and seek creative market-based solutions for needs that can be addressed without direct subsidy.

Summary

Lower-income homeowners face serious housing problems. The majority of homeowners at or near the poverty level are saddled with extreme housing cost burdens, spending more than half of their incomes for mortgage payments, real estate taxes, and other housing-related expenses. With such high cost burdens, many homeowners must divert their meager resources away from other basic necessities to spend on housing. Many homeowners with lower incomes can only afford to live in poor-quality housing and typically have little to spend on home maintenance. Their units generally have higher levels of physical inadequacy than the homes of higher-income owners, often exposing residents to health and safety risks and contributing to broader social problems in surrounding neighborhoods.

The housing needs of lower-income homeowners are great, and likely to grow. Disproportionate shares of lower-income owners are elderly, disabled, single parents with children, and minorities. The elderly and children are particularly vulnerable to problems caused by housing inadequacies, and people with physical limitations often have home modification needs that are both extensive and expensive. In the coming decades, elderly and minority populations will increase sharply. As their ranks grow, the number of lower-income homeowners with specific housing needs can also be expected to swell.

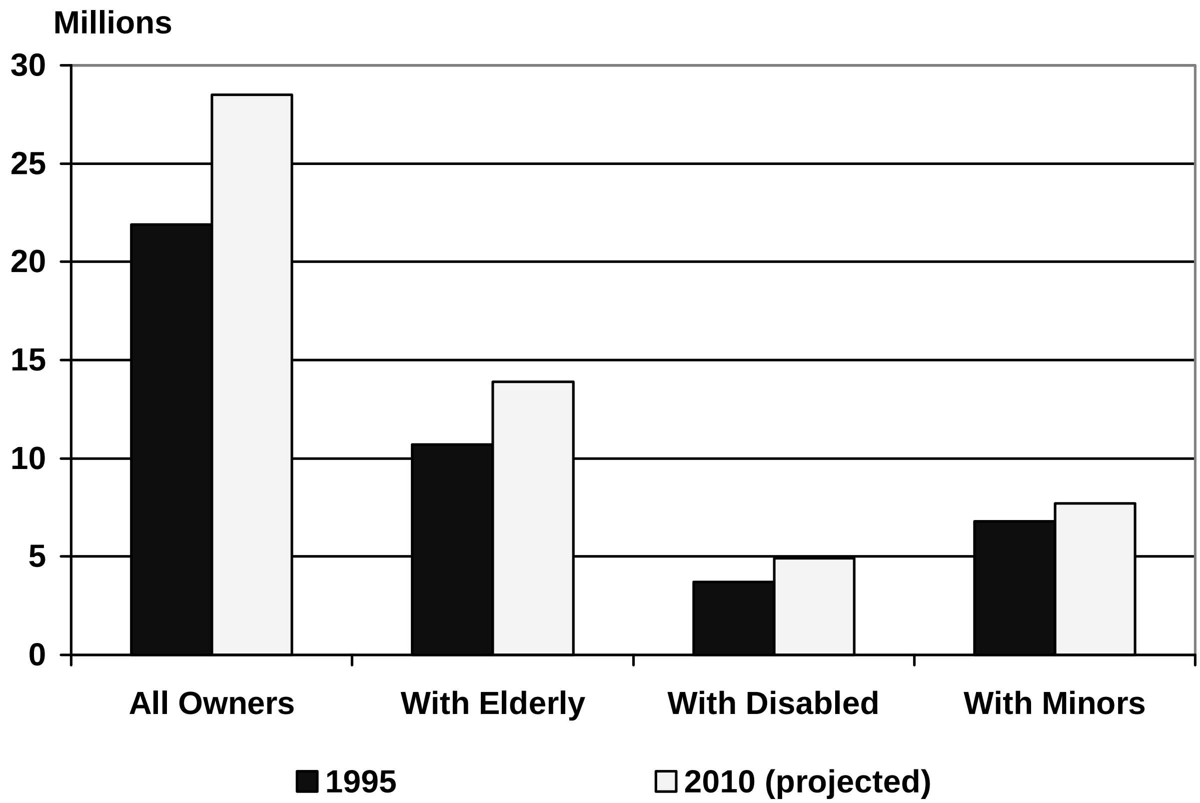
Few government programs address the housing needs of existing lower-income homeowners. While some lower-income homeowners have home equity and other sources of nonhousing wealth that can be used to obtain private-sector loans for home repairs and improvements, many do not and are therefore beyond the reach of market-based solutions. Without government aid or private sector support, these homeowners cannot pay for home repairs and thus risk deterioration of their homes.

Housing and service providers such as Christmas in April address the housing problems of owners underserved by meager government subsidies and who lack the income or wealth necessary for market-based solutions. Already, these groups are providing valuable services through organized community efforts that direct assistance and draw attention to the housing needs of lower-income homeowners. As populations with special housing needs grow in the future, the roles that nonprofit groups, churches, and other local organizations play should expand as well. Assisting lower-income homeowners through direct assistance for home rehabilitation and maintenance, helping them obtain home equity loans and reverse mortgages, and helping them select and supervise remodeling contractors are all important roles that service providers could play. Through these efforts, homeownership can truly attain its place in the American dream, providing stable shelter, financial security, community stability, and a means by which the wealth of lower- and moderate-income people can be handed down through the generations.

Exhibit 1

Lower-Income Owner Households Will Increase

Number of Lower-Income Households: 1995 and 2010



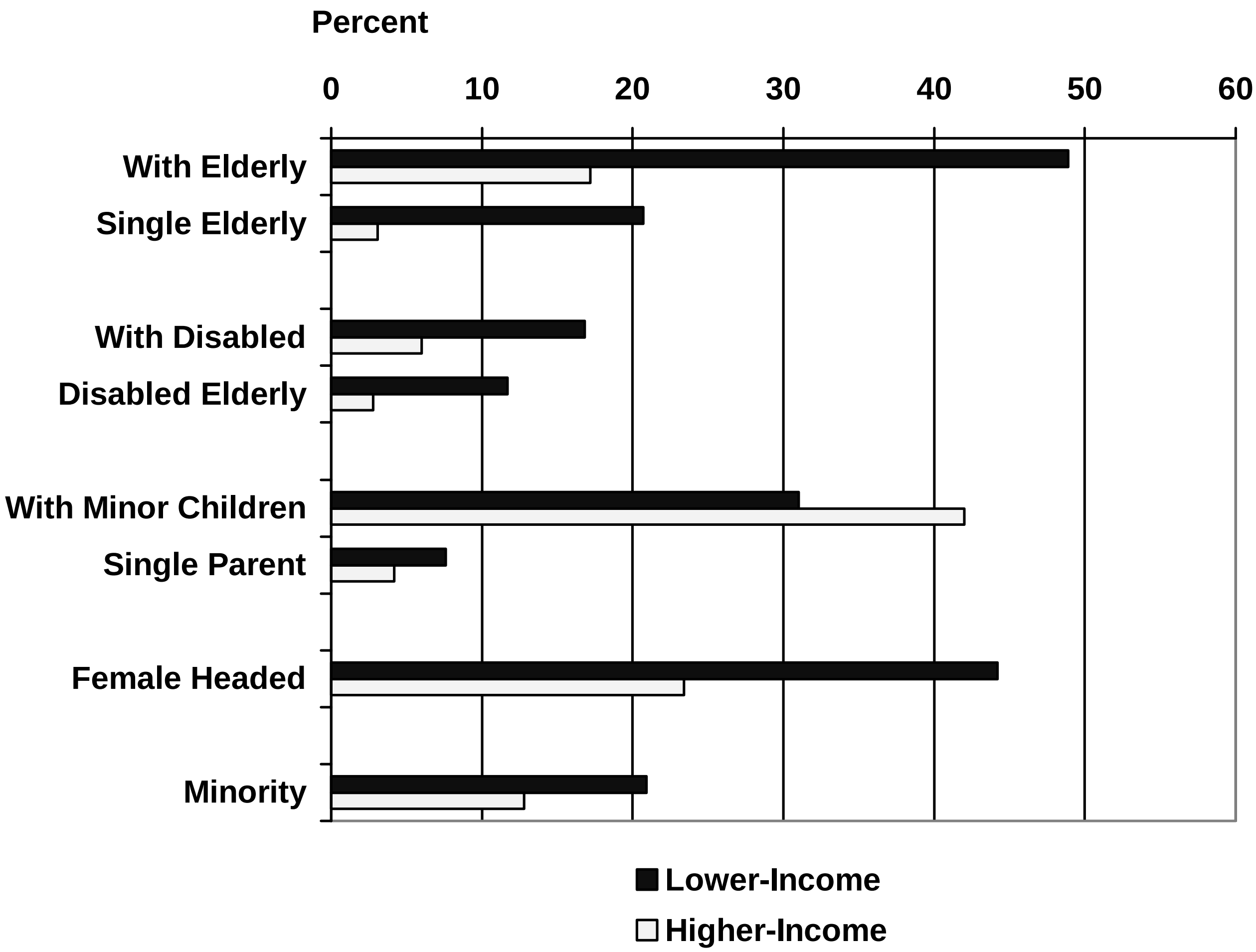
Notes: Lower-income is less than 80 percent of area median income. Elderly is any household member age 65 or over; minor children are household members under age 18. Disabled is having difficulty with mobility or performing daily activities, having sight or hearing impairments, and requiring special home modifications, equipment, or personal assistance for a physical limitation.

Source: Tabulations of the 1995 American Housing Survey and projections by the Joint Center for Housing Studies.

Exhibit 2

Elderly and Disabled Are Over-Represented Among Lower-Income Owners

Household Types as a Share of Owner Households: 1995



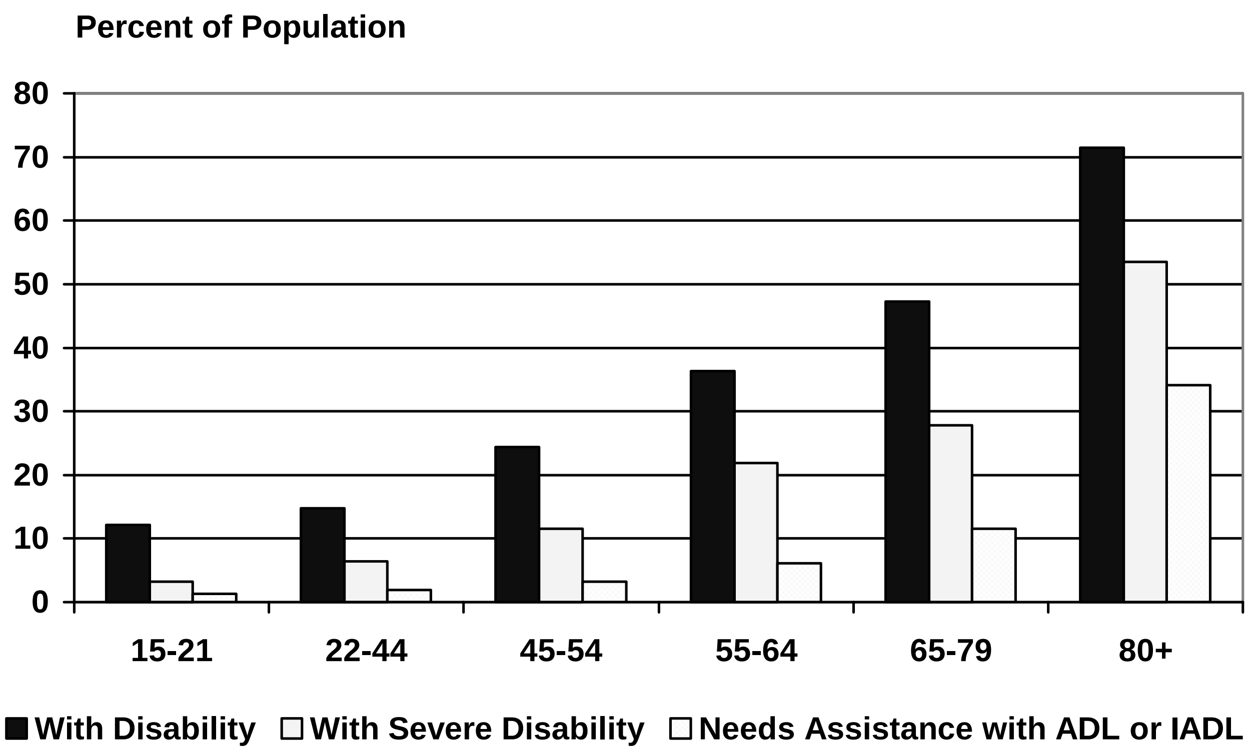
Notes: Lower-Income is less than 80 percent of area median income; higher-income is above 80 percent. Elderly is any household member age 65 or over; minor children are household members under age 18. Disabled is having difficulty with mobility or performing daily activities, having sight or hearing impairments, or requiring special home modifications, equipment or personal assistance for a physical limitation. Minority is black; other races such as Asian, Pacific Islander, and Native American; and Hispanics of all races.

Source: Appendix 1.

Exhibit 3

Disabilities Rise With Age

Percent of Population with Disabilities, by Age: 1994-95



Notes: A disability is defined as using a wheelchair; having used a cane or similar aid for six months or longer; having difficulty with a functional activity or other daily activities; or having a developmental, mental or emotional disability. Functional activities include hearing normal conversations and climbing stairs without resting.

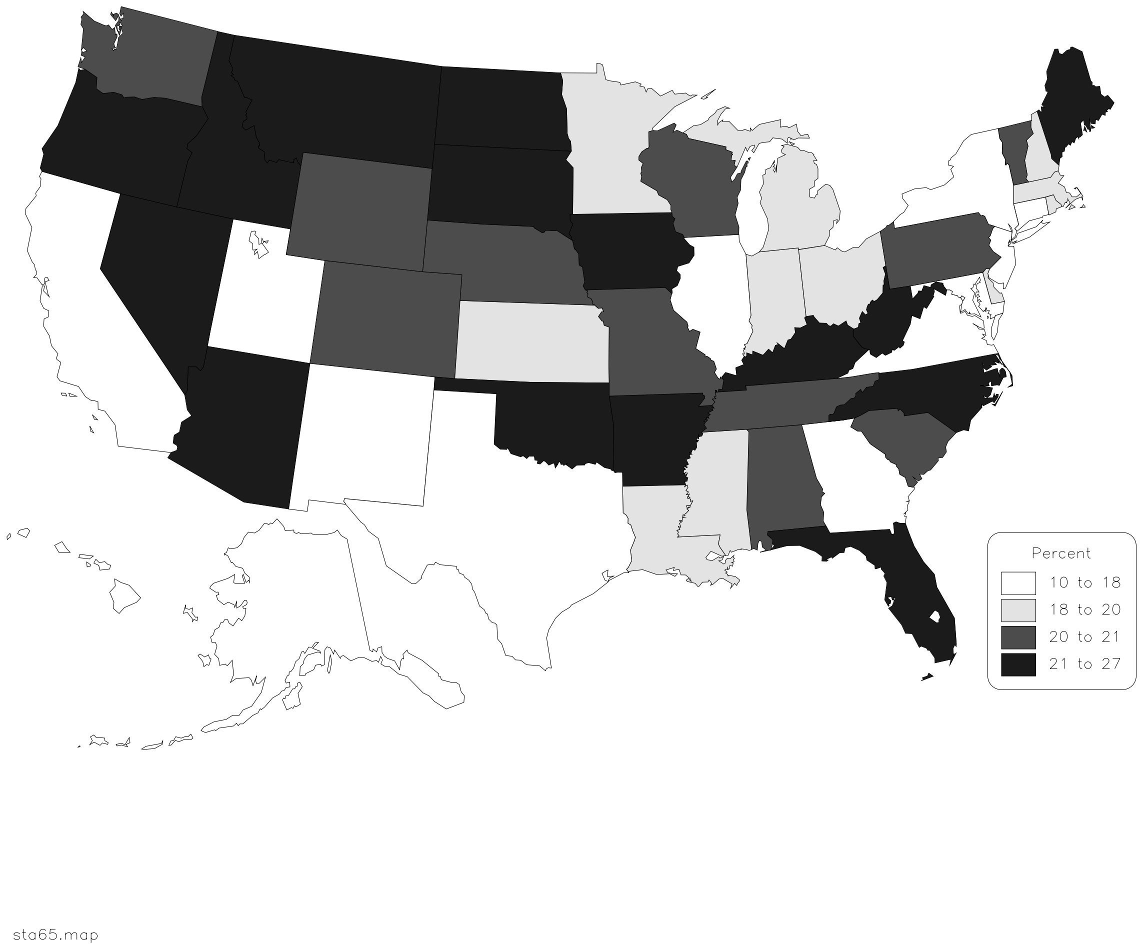
* Activities of daily living (ADL) include dressing, eating, and taking a bath or shower. Instrumental activities of daily living (IADL) include getting around the home, keeping track of money and bills, and preparing meals.

Source: Survey of Income and Program Participation, 1994-95.

Exhibit 4

Great Plains and Other States Will Have Large Shares of Elderly

Share of Population Ages 65+: 2025

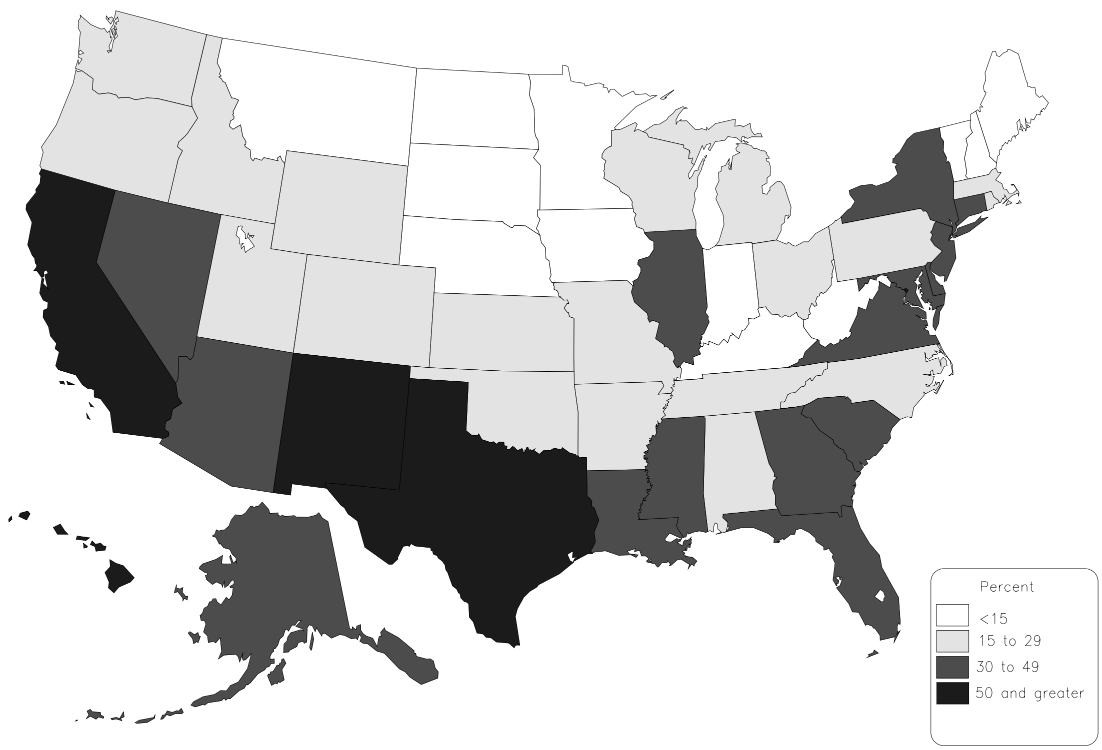


Source: Census Bureau., Population Projections for States by Age, Sex, Race, and Hispanic Origin: 1995 to 2025, Series A.

Exhibit 5

Minorities Will Be Concentrated in Southern and Coastal States

Share of Minorities by State: 2025

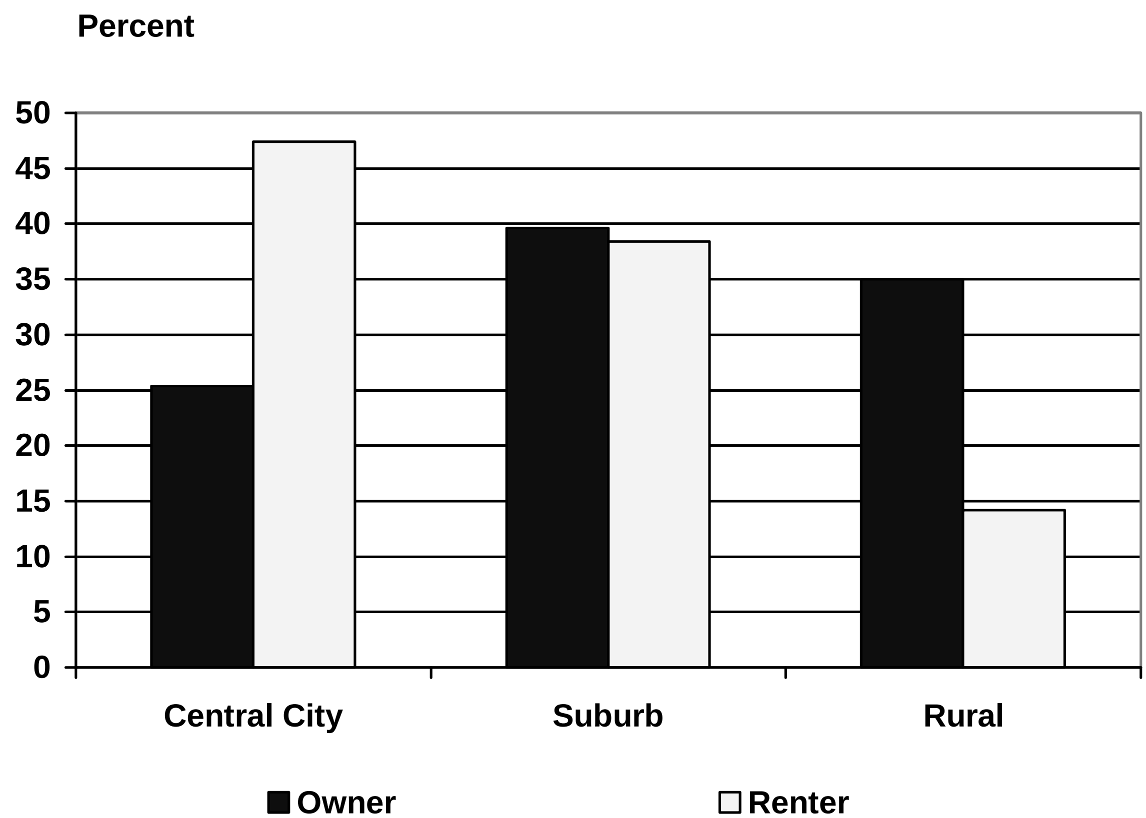


Source: Census Bureau, Population Projections for States by Age, Sex, Race , and Hispanic Origin: 1995 to 2025, Series A.

Exhibit 6

Lower-Income Owners Are Less Likely to Live in Central Cities

Distribution of Households by Location: 1995



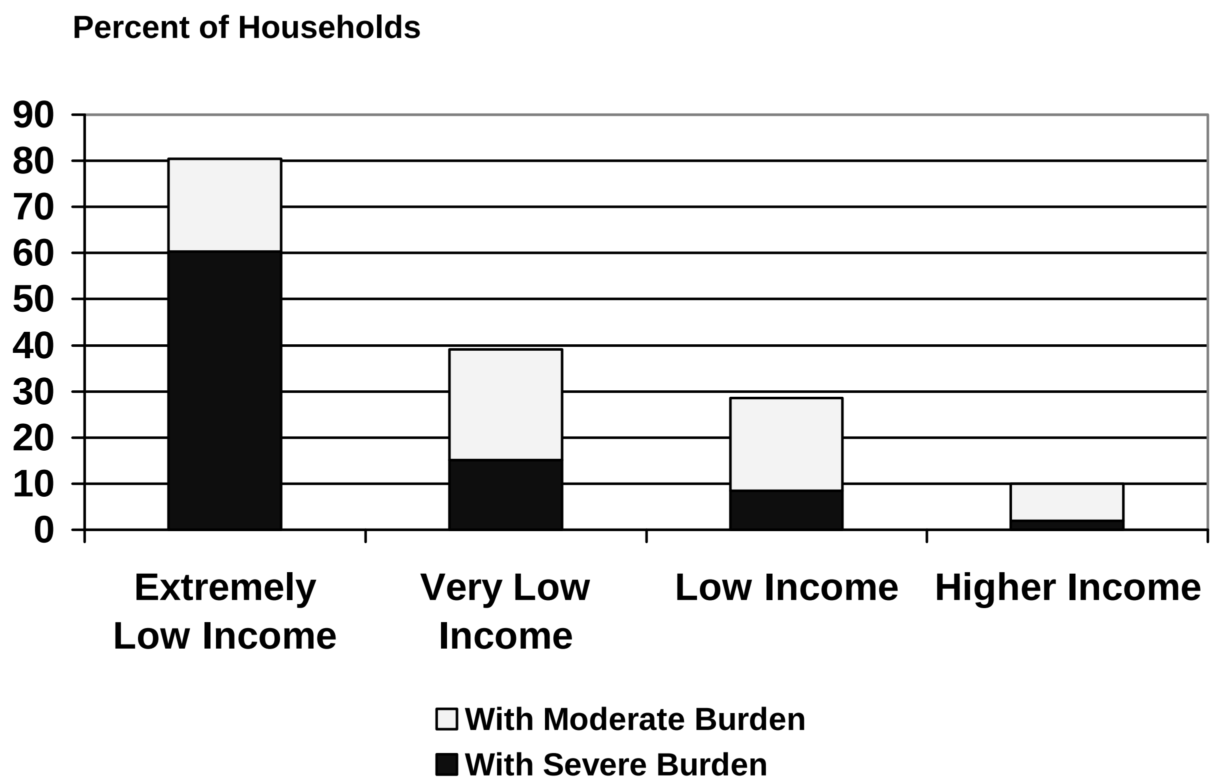
Note: Suburb is defined as non-central city urban areas, both inside and outside metropolitan area boundaries. Rural defined as all other areas outside central cities and suburbs.

Source: Tabulations of the 1995 American Housing Survey by the Joint Center for Housing Studies.

Exhibit 7

Cost Burdens Are Most Prevalent Among Extremely Low Income Owners

Percent of Owner Households with Moderate or Severe Cost Burdens, by Income Level: 1995



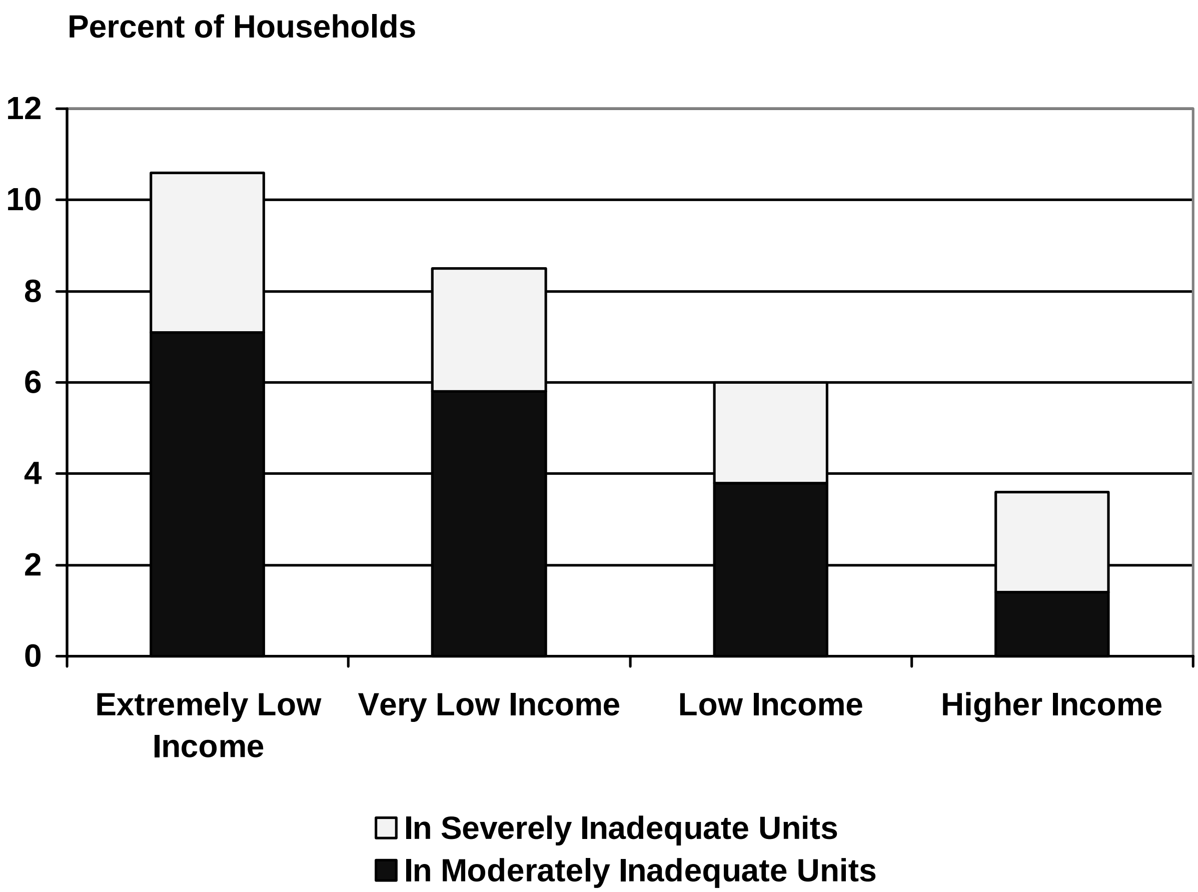
Notes: Households with severe burdens pay over 50 percent of their incomes for housing, including mortgage payments, real estate taxes, property insurance, utilities, fuel, trash services, condominium fees, and routine maintenance costs. Households with moderate burdens pay between 30 percent and 50 percent of their income for housing. Extremely low income is below 30 percent of area median; very low is between 30 and 50 percent; low is between 50 and 80 percent; and higher is above 80 percent of area median.

Source: Appendix 2.

Exhibit 8

Inadequate Housing Is Most Prevalent Among Extremely Low Income Owners

Percent of Owners with Inadequate Homes, by Income Level: 1995



Notes: Moderately and severely inadequate defined by the American Housing Survey as having different levels of problems in plumbing, heating, electrical systems, upkeep, common hallways, or kitchen equipment. Extremely low income is less than 30 percent of area median income; very low is between 30 and 50 percent; low is between 50 and 80 percent; higher is over 80 percent.

Source: Tabulations of the 1995 American Housing Survey by the Joint Center for Housing Studies, Appendix 2.

Exhibit 9

Few Homes Have Disability Modifications

Home Modifications Among Lower-Income Owners: 1995
(Thousands of Households)

	All Households with a Disabled Person	With Elderly Disabled	Single Elderly Disabled	In Multistory Units with a Mobility Disability	In Multistory Units with Wheelchairs
All Lower-income Owner-Occupied Units	3,682	2,562	1,019	1,568	395
With a Mobility Modification	1,097	836	339	609	249
Ramp	305	207	66	164	127
Elevator or Stair Lift	28	31	13	25	17
Extra Handrails or Grab Bars	851	679	274	486	181
Extra-Wide Doors or Hallways	217	154	52	111	64
With Special Hardware Modifications	242	170	82	119	41
Door Handles Instead of Knobs	138	94	32	64	25
Push Bars on Doors	33	26	8	6	6
Modified Wall Sockets or Light Switches	76	53	24	42	16
Modified Sink Faucets or Cabinets	86	65	33	36	25

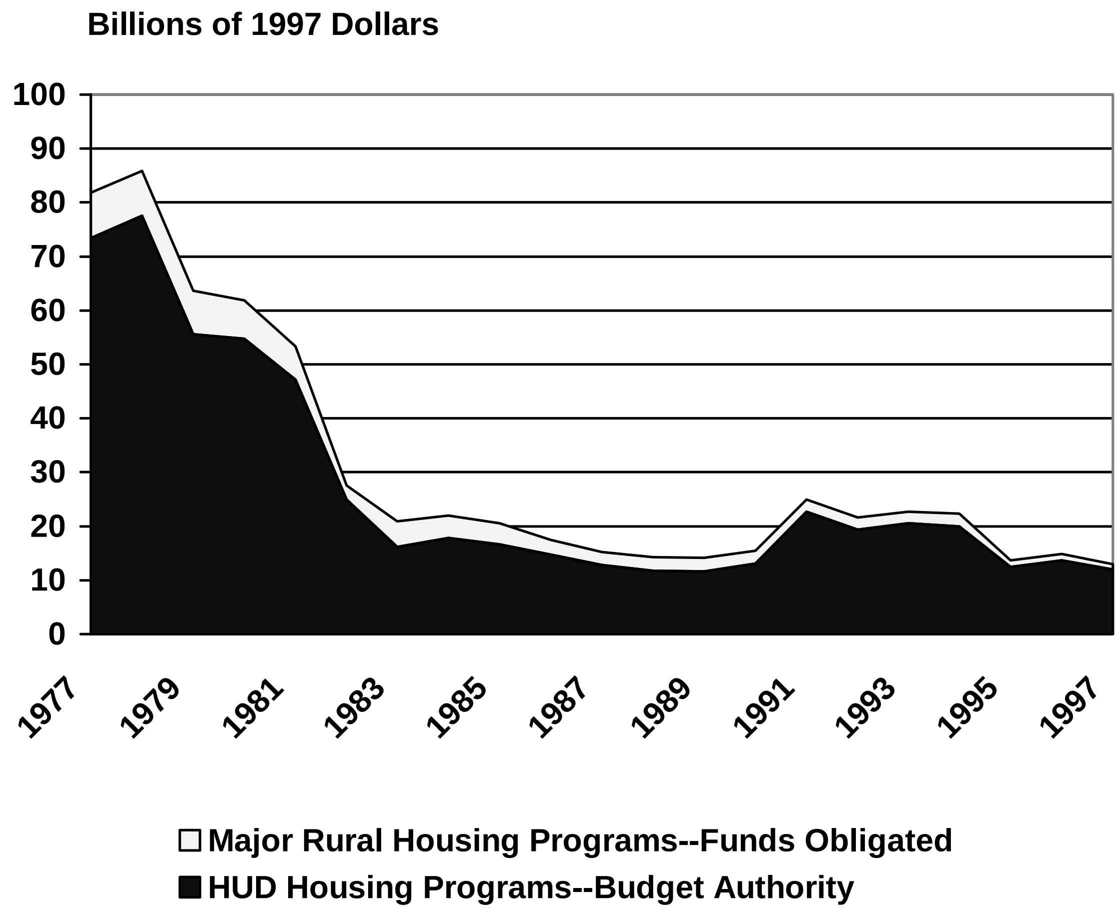
Notes: The 1995 American Housing Survey only asks households about home modifications if there is a disabled person in the unit. In this table, mobility disability is defined as having difficulty entering or exiting the house, climbing up and down stairs, or moving around the home. Elderly is any household member age 65 or over. Lower-income is less than 80 percent of area median income.

Source: Tabulations of the 1995 American Housing Survey by the Joint Center for Housing Studies.

Exhibit 10

Funding for the Housing Programs is at Historically Low Levels

Level of Federal Government Funding for Housing Assistance: 1977-97



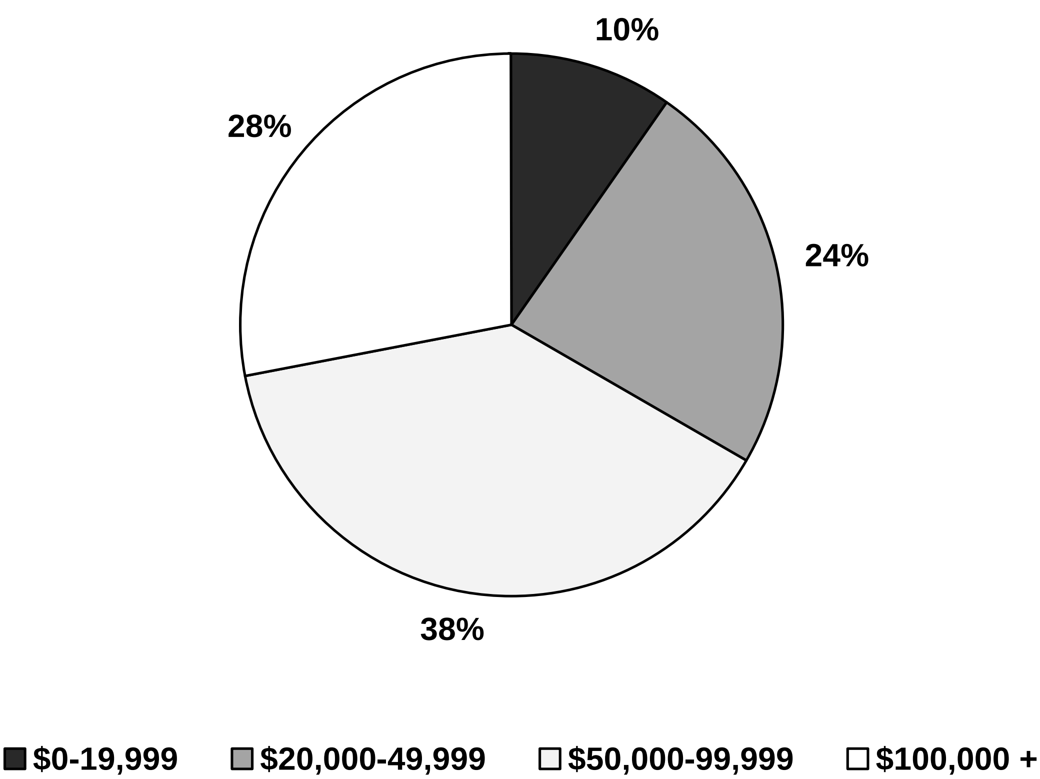
Note: Major rural housing programs include the Section 502 direct homeownership loan program and Section 515 rental program.

Source: HUD data from the House Ways and Means Committee Green Book, 1998. Rural housing program data from the Rural Housing Service.

Exhibit 11

Many Lower-Income Elderly Have Significant Home Equity

Distribution of Lower-Income Elderly Homeowners by Home Equity Level: 1995



Notes: Home equity is value of primary residence less mortgage debt. Elderly is age 65 years or older. Lower-income is less than 80 percent of area median.

Source: Tabulations of the 1995 Survey of Consumer Finance by the Joint Center for Housing Studies.

Appendix 1

Demographic Characteristics of Owner Households by Income: 1995

	Number of Owner Households (thousands)					Share of Total Owner Households (percent)				
	Extremely Low	Very Low	Low	All Lower	All Higher	Extremely Low	Very Low	Low	All Lower	All Higher
Total	5,638	6,069	10,240	21,950	41,590	100.0	100.0	100.0	100.0	100.0
Elderly Status										
With Elderly	2,941	3,502	4,298	10,740	7,151	52.2	57.7	42.0	48.9	17.2
Single Elderly	1,726	1,609	1,208	4,543	1,280	30.6	26.5	11.8	20.7	3.1
Without Elderly	2,697	2,567	5,947	11,211	34,438	47.8	42.3	58.1	51.1	82.8
Disability Status										
With Disabled	1,101	1,209	1,372	3,682	2,515	19.5	19.9	13.4	16.8	6.0
Disabled Elderly	781	885	897	2,562	1,172	13.9	14.6	8.8	11.7	2.8
Without Disabled	4,537	4,859	8,873	18,270	39,070	80.5	80.1	86.7	83.2	93.9
Children Status										
With Minor Children	1,468	1,664	3,681	6,812	17,457	26.0	27.4	35.9	31.0	42.0
Single Parent	410	477	776	1,663	1,757	7.3	7.9	7.6	7.6	4.2
Without Minor Childr	4,169	4,405	6,564	15,140	24,130	73.9	72.6	64.1	69.0	58.0
Gender of Owner										
Male	2,558	3,112	6,578	12,250	31,850	45.4	51.3	64.2	55.8	76.6
Female	3,080	2,956	3,667	9,702	9,744	54.6	48.7	35.8	44.2	23.4
Race of Owner										
White	4,203	4,804	8,365	17,370	36,250	74.5	79.2	81.7	79.1	87.2
Black	869	721	982	2,572	2,460	15.4	11.9	9.6	11.7	5.9
Hispanic	436	425	679	1,540	1,705	7.7	7.0	6.6	7.0	4.1
Other	129	119	218	466	1,172	2.3	2.0	2.1	2.1	2.8
Region										
Northeast	1,020	1,203	1,810	4,033	7,828	18.1	19.8	17.7	18.4	18.8
Midwest	1,349	1,489	2,950	5,788	10,780	23.9	24.5	28.8	26.4	25.9
South	2,253	2,338	3,555	8,146	14,810	40.0	38.5	34.7	37.1	35.6
West	1,016	1,038	1,930	3,985	8,172	18.0	17.1	18.8	18.2	19.6
Location										
Center City	1,506	1,518	2,550	5,575	9,234	26.7	25.0	24.9	25.4	22.2
Suburb	2,130	2,374	4,180	8,684	18,870	37.8	39.1	40.8	39.6	45.4
Rural	2,001	2,177	3,515	7,693	13,490	35.5	35.9	34.3	35.0	32.4

Notes: Extremely low income is less than 30 percent of area median income; very low is between 30 and 50 percent; low is between 50 and 80 percent; lower is under 80 percent; higher is above 80 percent. Elderly is age 65 or over. Disabled is having difficulty with movement around the house; performing daily activities such as grooming and bathing; having eyesight or hearing impairments; or requiring special home modifications, equipment, or personal assistance for a physical limitation. Minor children are household members under age 18. Hispanics may be of any race, and Other races include Asians, Pacific Islanders, Native Americans, and all other groups not shown separately. Suburb defined as all non-center city urban areas, both inside and outside metropolitan area boundaries. Rural defined as all other areas outside center cities and suburbs.

Source: Joint Center tabulations of the 1995 American Housing Survey.

Appendix 2

Housing Problems Among Owner Households by Income: 1995

	Number of Owner Households (thousands)					Share of Total Owner Households (percent)				
	Extremely Low	Very Low	Low	All Lower	All Higher	Extremely Low	Very Low	Low	All Lower	All Higher
Total	5,638	6,069	10,240	21,950	41,590	100.0	100.0	100.0	100.0	100.0
Structure Type										
Single-family	4,613	4,863	8,511	17,990	37,210	81.8	80.1	83.1	82.0	89.5
Multifamily	363	391	616	1,370	2,143	6.4	6.4	6.0	6.2	5.2
Manufactured	661	815	1,118	2,593	2,240	11.7	13.4	10.9	11.8	5.4
Year Structure Built										
pre-1940	1,333	1,442	2,069	4,844	6,224	23.6	23.8	20.2	22.1	15.0
1940-59	1,565	1,721	2,695	5,981	7,488	27.8	28.4	26.3	27.2	18.0
1960-79	2,007	1,944	3,482	7,432	15,260	35.6	32.0	34.0	33.9	36.7
1980-95	733	962	1,999	3,694	12,610	13.0	15.9	19.5	16.8	30.3
Unit Quality										
Inadequate	596	515	617	1,728	1,516	10.6	8.5	6.0	7.9	3.6
Unit Problems										
Open cracks in walls or ceiling; holes in floor; broken plaster or peeling paint of over 1 square foot	509	396	576	1,481	1,700	9.0	6.5	5.6	6.7	4.1
House was uncomfortably cold last winter for more than 24 hours	311	309	415	1,036	1,485	5.5	5.1	4.1	4.7	3.6
Main sources of heat are unvented room heaters, portable electric heaters, or stove(s)	614	533	573	1,721	1,392	10.9	8.8	5.6	7.8	3.3
Water leaked into home from outside in the last year	1,041	1,150	1,882	4,072	7,470	18.5	18.9	18.4	18.6	18.0
Water leaked from inside the building in the last year	507	607	939	2,052	4,273	9.0	10.0	9.2	9.3	10.3
With Cost Burdens										
Moderate	1,131	1,454	2,129	4,715	3,309	20.1	24.0	20.8	21.5	8.0
Severe	3,401	918	860	5,179	815	60.3	15.1	8.4	23.6	2.0

Notes: Extremely low income is less than 30 percent of area median income; very low is between 30 and 50 percent; low is between 50 and 80 percent; lower is under 80 percent; higher is above 80 percent. Inadequate units, as defined by the AHS, are those with deficiencies in any of the following areas: plumbing, heating, electricity, internal structure/upkeep, common hallways, and kitchens. Households with moderate cost burdens pay between 30 and 50 percent of their incomes for gross housing costs; those with severe burdens pay over 50 percent.

Source: Joint Center tabulations of the 1995 American Housing Survey.

Appendix 3

Housing Problems Among Owner Households by Elderly Status: 1995

	Number of Owner Households (thousands)						Share of Total Owner Households (percent)					
	Lower-Income			Higher-Income			Lower-Income			Higher-Income		
	Without Elderly	With Elderly	Single Elderly	Without Elderly	With Elderly	Single Elderly	Without Elderly	With Elderly	Single Elderly	Without Elderly	With Elderly	Single Elderly
Total	11,211	10,740	4,543	34,438	7,151	1,280	100.0	100.0	100.0	100.0	100.0	100.0
Structure Type												
Single-family	9,019	8,969	3,695	30,902	6,303	970	80.4	83.5	81.3	89.7	88.1	75.8
Multifamily	604	766	379	1,607	536	204	5.4	7.1	8.3	4.7	7.5	15.9
Manufactured	1,588	1,005	469	1,927	312	106	14.2	9.4	10.3	5.6	4.4	8.3
Year Structure Built												
pre-1940	2,240	2,604	1,278	5,025	1,198	230	20.0	24.2	28.1	14.6	16.8	18.0
1940-59	2,391	3,590	1,471	5,626	1,862	351	21.3	33.4	32.4	16.3	26.0	27.4
1960-79	4,051	3,381	1,392	12,563	2,699	475	36.1	31.5	30.6	36.5	37.7	37.1
1980-95	2,529	1,166	402	11,222	1,392	225	22.6	10.9	8.9	32.6	19.5	17.6
Unit Quality												
Inadequate	975	753	345	1,242	274	53	8.7	7.0	7.6	3.6	3.8	4.2
Unit Problems												
Open cracks in walls or ceiling; holes in floor; broken plaster or peeling paint of over 1 square foot	1,016	465	211	1,472	228	48	9.1	4.3	4.6	4.3	3.2	3.8
House was uncomfortably cold last winter for more than 24 hours	660	376	163	1,308	177	36	5.9	3.5	3.6	3.8	2.5	2.8
Main sources of heat are unvented room heaters, portable electric heaters, or stove(s)	978	742	320	1,165	227	52	8.7	6.9	7.1	3.4	3.2	4.1
Water leaked into home from outside in the last year	2,375	1,697	731	6,485	985	164	21.2	15.8	16.1	18.8	13.8	12.8
Water leaked from inside the building in the last year	1,410	642	280	3,703	570	93	12.6	6.0	6.2	10.8	8.0	7.3
With Cost Burdens												
Moderate	2,699	2,016	1,052	2,933	376	63	24.1	18.8	23.2	8.5	5.3	4.9
Severe	3,287	1,891	942	708	107	20	29.3	17.6	20.7	2.1	1.5	1.6

Notes: Lower income is less than 80 percent of area median income; higher is greater than 80 percent. Elderly is any household member age 65 or over. Inadequate units, as defined by the AHS, are those with deficiencies in any of the following areas: plumbing, heating, electricity, internal structure/upkeep, common hallways, and kitchens. Households with moderate cost burdens pay between 30 and 50 percent of their incomes for gross housing costs; those with severe burdens pay over 50 percent.

Source: Joint Center tabulations of the 1995 American Housing Survey.

Appendix 4

Housing Problems Among Owner Households by Disabled Status: 1995

	Number of Owner Households (thousands)						Share of Total Owner Households (percent)					
	Lower-Income			Higher-Income			Lower-Income			Higher-Income		
	Without Disabled	With Disabled	Elderly Disabled	Without Disabled	With Disabled	Elderly Disabled	Without Disabled	With Disabled	Elderly Disabled	Without Disabled	With Disabled	Elderly Disabled
Total	18,270	3,682	2,562	39,070	2,515	1,172	100.0	100.0	100.0	100.0	100.0	100.0
Structure Type												
Single-family	14,950	3,037	2,166	34,950	2,261	1,077	81.8	82.5	84.5	89.5	89.9	92.0
Multifamily	1,207	164	124	2,016	127	62	6.6	4.4	4.9	5.2	5.0	5.3
Manufactured	2,112	481	272	2,112	128	33	11.6	13.1	10.6	5.4	5.1	2.8
Year Structure Built												
pre-1940	3907	937	687	5,754	470	250	21.4	25.4	26.8	14.7	18.7	21.4
1940-59	4861	1,120	867	6,927	561	309	26.6	30.4	33.9	17.7	22.3	26.4
1960-79	6279	1,153	728	14,310	959	424	34.4	31.3	28.4	36.6	38.1	36.2
1980-95	3222	473	280	12,090	525	189	17.6	12.8	10.9	30.9	20.9	16.1
Unit Quality												
Inadequate	1,344	384	228	1,361	154	87	7.4	10.4	8.9	3.5	6.1	7.4
Unit Problems												
Open cracks in walls or ceiling; holes in floor; broken plaster or peeling paint of over 1 square foot	1,127	353	177	1,539	161	61	6.2	9.6	6.9	3.9	6.4	5.2
House was uncomfortably cold last winter for more than 24 hours	774	262	132	1,358	126	43	4.2	7.1	5.2	3.5	5.0	3.7
Main sources of heat are unvented room heaters, portable electric heaters, or stove(s)	1,386	335	201	1,273	119	54	7.6	9.1	7.9	3.3	4.7	4.6
Water leaked into home from outside in the last year	3,265	807	491	6,959	511	218	17.9	21.9	19.2	17.8	20.3	18.6
Water leaked from inside the building in the last year	1,672	380	191	3,928	345	129	9.2	10.3	7.4	10.1	13.7	11.0
With Cost Burdens												
Moderate	3,981	735	472	3,165	144	44	21.8	19.9	18.4	8.1	5.7	3.8
Severe	4,383	795	482	777	37	12	24.0	21.6	18.8	2.0	1.5	1.0

Notes: Lower income is less than 80 percent of area median income; higher is greater than 80 percent. Disabled is having difficulty with movement around the house; performing daily activities such as grooming and bathing; having eyesight or hearing impairments; or requiring special home modifications, equipment, or personal assistance for a physical limitation. Elderly is age 65 or over. Inadequate units, as defined by the AHS, are those with deficiencies in any of the following areas: plumbing, heating, electricity, ternal structure/upkeep, common hallways, and kitchens. Households with moderate cost burdens pay between 30 and 50 percent of their incomes for gross housing costs; those with severe burdens pay over 50 percent.

Source: Joint Center tabulations of the 1995 American Housing Survey.

Appendix 5

Housing Problems Among Owner Households by Family Status: 1995

	Number of Owner Households (thousands)						Share of Total Owner Households (percent)					
	Lower-Income			Higher-Income			Lower-Income			Higher-Income		
	Without Children	With Children	Single Parent	Without Children	With Children	Single Parent	Without Children	With Children	Single Parent	Without Children	With Children	Single Parent
Total	15,140	6,812	1,663	24,130	17,457	1,757	100.0	100.0	100.0	100.0	100.0	100.0
Structure Type												
Single-family	12,280	5,708	1,336	21,080	16,128	1,548	81.1	83.8	80.3	87.4	92.4	88.1
Multifamily	1,117	253	83	1,670	473	80	7.4	3.7	5.0	6.9	2.7	4.6
Manufactured	1,742	851	244	1,382	858	129	11.5	12.5	14.7	5.7	4.9	7.3
Year Structure Built												
pre-1940	3,443	1,401	343	3,687	2,536	255	22.7	20.6	20.6	15.3	14.5	14.5
1940-59	4,450	1,531	319	4,788	2,700	308	29.4	22.5	19.2	19.8	15.5	17.5
1960-79	5,150	2,282	562	9,245	6,019	615	34.0	33.5	33.8	38.3	34.5	35.0
1980-95	2,095	1,599	440	6,408	6,205	578	13.8	23.5	26.4	26.6	35.5	32.9
Unit Quality												
Inadequate	1,102	626	162	800	716	80	7.3	9.2	9.7	3.3	4.1	4.5
Unit Problems												
Open cracks in walls or ceiling; holes in floor; broken plaster or peeling paint of over 1 square foot	833	648	199	808	892	118	5.5	9.5	12.0	3.3	5.1	6.7
House was uncomfortably cold last winter for more than 24 hours	628	408	121	729	756	108	4.1	6.0	7.3	3.0	4.3	6.1
Main sources of heat are unvented room heaters, portable electric heaters, or stove(s)	1,088	633	116	782	610	68	7.2	9.3	7.0	3.2	3.5	3.8
Water leaked into home from outside in the last year	2,637	1,435	397	3,962	3,508	340	17.4	21.1	23.9	16.4	20.1	19.4
Water leaked from inside the building in the last year	1,120	932	267	2,178	2,095	228	7.4	13.7	16.1	9.0	12.0	13.0
With Cost Burdens												
Moderate	2,988	1,727	479	1,786	1,524	239	19.7	25.4	28.8	7.4	8.7	13.6
Severe	3,405	1,774	501	479	335	54	22.5	26.0	30.1	2.0	1.9	3.1

Notes: Lower income is less than 80 percent of area median income; higher is greater than 80 percent. Children are all household members under age 18. Inadequate units, as defined by the AHS, are those with deficiencies in any of the following areas: plumbing, heating, electricity, internal structure/upkeep, common hallways, and kitchens. Households with moderate cost burdens pay between 30 and 50 percent of their incomes for gross housing costs; those with severe burdens pay over 50 percent.

Source: Joint Center tabulations of the 1995 American Housing Survey.

Appendix 6

Types of Disabilities Among Owner Households: 1995

	Number of Owner Households (thousands)					Share of Total Owner Households (percent)				
	Extremely Low	Very Low	Low	All Lower	All Higher	Extremely Low	Very Low	Low	All Lower	All Higher
Total	5,638	6,069	10,245	21,951	41,590	100.0	100.0	100.0	100.0	100.0
Any Disability	1,101	1,209	1,372	3,682	2,515	19.5	19.9	13.4	16.8	6.0
Difficulty with Mobility	618	645	766	2,029	1,357	11.0	10.6	7.5	9.2	3.3
Climbing stairs	435	485	547	1,467	1,048	7.7	8.0	5.3	6.7	2.5
Entering and exiting home	340	378	453	1,171	762	6.0	6.2	4.4	5.3	1.8
Moving between rooms	163	199	216	579	385	2.9	3.3	2.1	2.6	0.9
Reaching bathroom facilities	228	237	319	785	467	4.1	3.9	3.1	3.6	1.1
Reaching kitchen facilities	173	182	229	584	385	3.1	3.0	2.2	2.7	0.9
Moving through doors	101	159	184	445	333	1.8	2.6	1.8	2.0	0.8
Difficulty with Daily Activities	639	640	725	2,004	1,156	11.3	10.5	7.1	9.1	2.8
Cooking and preparing food	284	304	342	930	591	5.0	5.0	3.3	4.2	1.4
Feeding self	53	63	76	193	169	0.9	1.0	0.7	0.9	0.4
Bathing	414	402	469	1,284	757	7.3	6.6	4.6	5.9	1.8
Grooming and dressing	208	207	241	656	464	3.7	3.4	2.4	3.0	1.1
Performing housework	459	440	489	1,388	832	8.1	7.2	4.8	6.3	2.0
Other Physical Impairments	559	603	660	1,823	1,206	9.9	9.9	6.4	8.3	2.9
Seeing even with glasses	371	388	389	1,148	646	6.6	6.4	3.8	5.2	1.6
Hearing even with aid	298	345	392	1,035	732	5.3	5.7	3.8	4.7	1.8
Require Special Home Modific-ations, Equipment, or Personal Assistance because of Physical Limitation	390	434	490	1,314	967	6.9	7.2	4.8	6.0	2.3

Notes: Extremely low income is less than 30 percent of area median income; very low is between 30 and 50 percent; low is between 50 and 80 percent; lower is under 80 percent; higher is above 80 percent. Elderly is any household member age 65 or over. Disability is having difficulty with mobility; performing daily activities; having eyesight or hearing impairments; or requiring special home modifications, equipment, or personal assistance for a physical limitation.

Source: Joint Center tabulations of the 1995 American Housing Survey.