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Executive Summary

This report, which updates a recent HUD report to Congress, uses the best available data—including the first analysis of a special supplement to the 1995 American Housing Survey (AHS) on home accessibility needs and modifications—to develop a baseline of information on elderly housing conditions, needs, and strategies. Its dual message is clear:

Overall, older Americans are among the best housed citizens of a well-housed Nation. The majority of elderly households lead vigorous lives in quality housing that is within their means and located in neighborhoods that they like. When housing problems arise, most elders today have the financial resources to address them.

However, millions of elderly households continue to live in housing that costs too much, is in substandard condition, or fails to accommodate their physical capabilities or assistance needs. For many, the day-to-day economics and month-by-month housing situations of their working years have left their later years insecure. Many more face the prospect of their hard-won housing security slipping away at some point in their lives, a casualty of declining health, dwindling wealth, a deteriorating home, or the death of a helpmate.

To help these seniors access the housing and services they need, the Clinton Administration created a Housing Security Plan for Older Americans. Enacted into law as part of HUD's new budget, this plan complements efforts to stabilize Social Security by ensuring decent housing for our growing elderly population in the next century.

Elderly Housing Needs

This report identifies serious challenges to each of the three key dimensions of elderly housing conditions: adequacy, affordability, and accessibility.

Adequacy

Six percent of seniors (1.45 million households) live in housing that needs repair and/or rehabilitation. One-half million of these households live in severely substandard dwellings that pose a threat to their safety and welfare.

The worst housing conditions affect homeowners and renters alike. However, homeowners are much more likely to have the financial resources to address their repair/rehabilitation needs. More than three-fourths of severely inadequate units (380,000) are owner occupied, but 40 percent of these homeowners have annual incomes or financial assets (or both) in excess of \$25,000. On the other hand, 55 percent of severely affected renters have annual incomes of less than \$10,000 and no assets—and thus little capacity to find better housing at market rents.

Available data suggest that approximately 7 percent of public housing for the elderly and 7 percent of Section 202 housing may have at least moderate physical deficiencies. Most HUD-assisted housing for the elderly seems to be in very good condition—better, in fact, than the market-rate rental stock, in which physical problems are twice as common. However, such

comparisons must be strongly qualified until the first consistent, nationwide physical inspection data on HUD-assisted housing, now being collected by HUD's Real Estate Assessment Center, become available next year.

Affordability

High housing costs are the most widespread housing problem among older Americans.

More than 7.4 million households—30 percent of all elderly households—pay more than they can afford for housing.

Approximately 1.7 million elders with low incomes are in urgent need of affordable housing. These elders currently spend more than half their income on shelter. These households, who total 7 percent of all U.S. seniors, are almost equally divided between homeowners and renters. However, their circumstances are quite different.

America's 807,000 severely cost-burdened elderly homeowners are evenly divided between two groups: those who are still paying off a mortgage and those who own their homes free and clear but report problems in meeting the other costs of ownership. Cost burdens are more common among the former group, but this group also has higher incomes with which to address them. Not surprisingly, affordability woes among the latter group are highly concentrated at the bottom of the income/asset scale: 60 percent of mortgage-free homeowners with severe affordability problems have incomes of less than \$10,000 per year.

The majority of elderly renters must pay too much for housing. The most desperate affordability gaps are concentrated among some 892,000 low-income/low-asset seniors whose rent consumes more than 50 percent of their incomes.

HUD assists approximately 1.5 million elderly low-income renter households with public and assisted housing and tenant-based rental assistance designed to provide decent, safe, and affordable housing opportunities. However, there simply is not enough of such housing assistance to go around.

Accessibility

Approximately 1.1 million elderly households report unmet needs for home modifications.

However, this number is only a small share of the 20 percent of seniors who have physical limitations. The incidence of physical limitations—and of the need for modifications to address them—increases sharply with age. One in eight households headed by a person age 85 or older needs functional modifications to their home. The demand for such changes is likely to increase in future years as older, frailer persons become a larger share of the elderly population.

There is a shortage of fully accessible housing in both the owner-occupied and, particularly, the rental stock. AHS data indicate that grab bars and handrails are the only universal design elements that have penetrated the housing market to any significant extent.

Appropriateness

The findings of this report show clearly that a fourth dimension of elderly housing conditions—appropriateness—needs to be added to the three already explicitly considered here. The concept of appropriateness recognizes the incredible diversity of seniors' housing and assistance needs. As a Nation we are committed to ensuring that our elders are able to age in a setting that gives them maximum independence and dignity, while safeguarding their safety and welfare. This means that elderly households must have access to flexible packages of housing and supportive services that are integrated and delivered in ways that have the most potential to meet their desire to age in place.

In recent years, both the private and public sectors have begun to respond to the need for alternatives between no assistance and nursing home care. However, elderly housing opportunities remain too often fixed on these two poles of the eldercare continuum. In-home personal assistance and healthcare services are increasingly available options for many households. And there has been explosive growth in the development of assisted living communities that provide a service-enriched residential environment where seniors can receive congregate and personal assistance services while retaining their essential independence.

Options for low-income seniors who wish to age in place in their communities are often much more limited. Public, private, and nonprofit owners of HUD-assisted elderly housing have worked hard to bring supportive services into their conventional multifamily housing models through the use of service coordinators, for example. Nonetheless, there is mounting evidence that many of their increasingly frail residents have more comprehensive assistance needs that demand supportive environments such as assisted living. Without extending such options to lower income seniors, the number of households forced prematurely into institutional living will certainly increase.

New Initiatives

Just as we work to save Social Security, our Nation must also work to provide housing security for seniors. HUD scored a significant victory on this front in its new budget for Fiscal Year 2000, which includes the elements of an innovative Housing Security Plan for Older Americans. This plan will help communities assemble and coordinate a comprehensive continuum of care to meet the changing housing and service needs of their elders.

The Clinton Administration's Housing Security Plan embodies three overarching goals:

Help Seniors Remain in Their Own Homes

As this report notes, almost 1 million elderly homeowners have serious home rehabilitation and modification needs that, if unmet, could force them to move or seriously diminish their quality of life. The first priority of the Housing Security Plan is to help such seniors remain in their own homes. As part of the plan, HUD will:

Expand the successful Healthy Homes initiative to show elderly homeowners how they can convert the equity in their own homes into funds for needed health and safety home

improvements, including home rehabilitation loans, through HUD's reverse mortgage program. This money can be used for a range of needs, such as home-based services or accessibility features, that allow our elders to stay in their own homes.

Expand Affordable Housing Opportunities for Lower Income Seniors

For those seniors who choose not to remain in their family home, there must be affordable housing options nearby. This report has highlighted the significant unmet need for affordable rental housing for low-income elderly households. The Housing Security Plan for Older Americans responds with initiatives to:

Support the highly successful Section 202 Supportive Housing for the Elderly program with \$710 million in FY 2000 funding that will enable nonprofit owners to serve more than 6,000 additional elderly households.

Enable nonprofit sponsors to use Section 202 to assemble mixed-financing projects. These measures will leverage a wider range of private funds for Section 202 projects through such mechanisms as Low-Income Housing Tax Credits (LIHTCs) and State bond issues.

Improve the Range and Coordination of Housing/Service Combinations

For many aging seniors, the availability of social services where they live can make the difference between being able to live independently or having to live institutionally. The Housing Security Plan for Older Americans will save the higher costs associated with full-time elder services and healthcare in several ways:

Dramatically expand the successful Service Coordinator program with \$50 million in Section 202 funding to ensure that all of HUD's elderly housing provides the services that seniors need.

Provide \$50 million in FY 2000 Section 202 grant funds to convert some existing Section 202 housing units to assisted living so that these facilities can better meet the changing needs of their aging population. Assisted living has become a tremendously popular option for higher-income elderly, but until now lower-income seniors could not afford this choice.

Change current law to allow vouchers to cover the rent portion of assisted living costs. Low-income seniors should not be locked out of assisted living facilities simply because a housing voucher issued by one Government agency cannot work in conjunction with Medicaid payments issued by another agency of the same Government.

Collaborate with the U.S. Department of Health and Human Services to better integrate housing assistance with Medicaid funding for services.

The initiatives presented here are the first step in a comprehensive approach to serving the elderly—one that meets their need not just for housing, but also for the other services that ensure quality of life. But the road to true housing security for all seniors will be a long one and will require further steps as bold as any contemplated to date.

Introduction

Decent, affordable housing stands with adequate income and quality health care as the chief pillars on which a secure retirement is built. Generally speaking, Americans approaching retirement age are the best housed citizens of a well-housed Nation; three out of four own their homes, and their affordability problems, though significant, are less frequent than among younger households. For seniors, however, reduced income and increasing frailty can place at risk years of financial, physical, and emotional investment in home and neighborhood.

For millions of low-income elderly households that do not have the asset of a home to fall back on, this vague fear can too easily become a painful reality. For almost 40 years, the Federal Government has been helping even the lowest income seniors achieve peace of mind through assistance designed to improve the supply and affordability of safe, decent rental housing. A multifaceted approach to elderly housing needs has evolved over the years, combining public housing and subsidies for privately owned units, tenant-based rental assistance, and supportive services to enrich these living environments. However, the need for such affordable housing opportunities continues to far outstrip the supply: in 1995 more than 1 million very low-income elderly renters lived in inadequate housing or paid more than half their income in rent.

The analysis that follows presents a basic statistical profile of America's senior citizens and the homes in which they live. It explores the complex interplay between people and housing along three key dimensions.

The report begins by reviewing some of the basic indicators of housing *demand and supply*. The characteristics of the elderly—demographic traits such as age and gender, living arrangements, and locational choices—can begin to suggest some aspects of the housing that seniors need. The analysis then looks at the adequacy of the elderly occupied housing stock in light of these needs. To what extent does its age, size, type, and physical condition offer safe, decent living environments for every segment of the senior population: affluent and poor, vigorous and frail, white and minority?

The report then focuses on *income and affordability*, examining the dynamics of housing supply and elderly demand in their familiar economic context. It looks at the economic resources of older Americans—their accumulated assets as well as their income—and whether the housing they occupy fits their budget. Do their low rates of mortgage debt mean that older homeowners can fully offset reduced incomes with reduced housing costs? Are elderly renters on fixed incomes able to obtain affordable housing in the private market?

The dynamics of *disability and accessibility* are a pivotal issue in housing the elderly. As our elders live longer, their ability to “age in place” will depend in large measure on whether their homes accommodate the physical limitations that accompany aging. As part of its analysis of this issue, HUD presents here the first published results of a special supplement to the 1995 American Housing Survey (AHS), which examines the need for and incidence of home modifications among elderly householders. In addition, the report uses internal HUD data—including recent figures on assisted households, as well as on project-level physical and financial characteristics—to provide a

snapshot of the condition of HUD-assisted housing for the elderly. This exercise allows policymakers to focus on the gap between elderly housing needs and the magnitude of current Federal resources. Do existing elderly housing programs serve the segments of the population with the most severe housing deficits? Do they provide high-quality assistance and the range of housing and supportive service options that older Americans need?

Finally, the report outlines the Administration's Housing Security Plan for Older Americans, a framework for national action that meets seniors' most urgent housing needs and respects their dignity, independence, and diversity. The plan tailors Federal rules and resources to supporting a continuum-of-care approach that helps communities develop a seamless array of integrated housing and supportive service solutions for their elders. The Housing Security Plan's policy and programs reflect the commitment that President Clinton shares with Congress to improving the current fortunes and future prospects of America's elderly.

Identifying the Housing Needs of Older Americans

The elderly are as diverse as any other group of Americans. They cannot be pigeonholed by their ancestry or their aspirations, their personal health or economic status, their lifestyles or the places they live.

The housing stock should match the full spectrum of older Americans' circumstances. The types of dwellings available—as well as their cost, size, physical adequacy, age, location, and amenities—should fit the budgets of their occupants, accommodate their physical limitations, and provide them with a safe and decent environment.

This section presents an analysis of the match between seniors' housing needs and the actual housing that older households occupy. It provides facts and forecasts from the U.S. Census Bureau and other sources to describe the elderly population of today and tomorrow, as well as the housing conditions they encounter.

Although an individual fact or trend presented here may seem stark and the policy response self-evident, this report recognizes that national priorities and prescriptions can be drawn only after considering the full complexity of senior housing conditions and needs. This analysis records the changing balance between the forces of demand and supply, income and affordability, disability and accessibility. The detailed statistical portrait that emerges from these pages should offer a firmer foundation from which policymakers and concerned citizens can locate the housing and service gaps that public action must attempt to bridge.

How Old Is Elderly?

This report uses two age thresholds to define elderly status. The statistics presented here on various demographic and economic characteristics of older Americans use the most widely accepted definition, labeling persons age 65 years or older as elderly. However, unless otherwise noted, all data derived from the 1995 American Housing Survey—including the extensive data describing various aspects of housing adequacy, affordability, and accessibility—define the elderly as persons age 62 years or older. This standard, which HUD uses as the eligibility threshold for various forms of elderly housing and assistance, was applied to ensure the comparability of data on the market-rate and HUD-assisted stock.

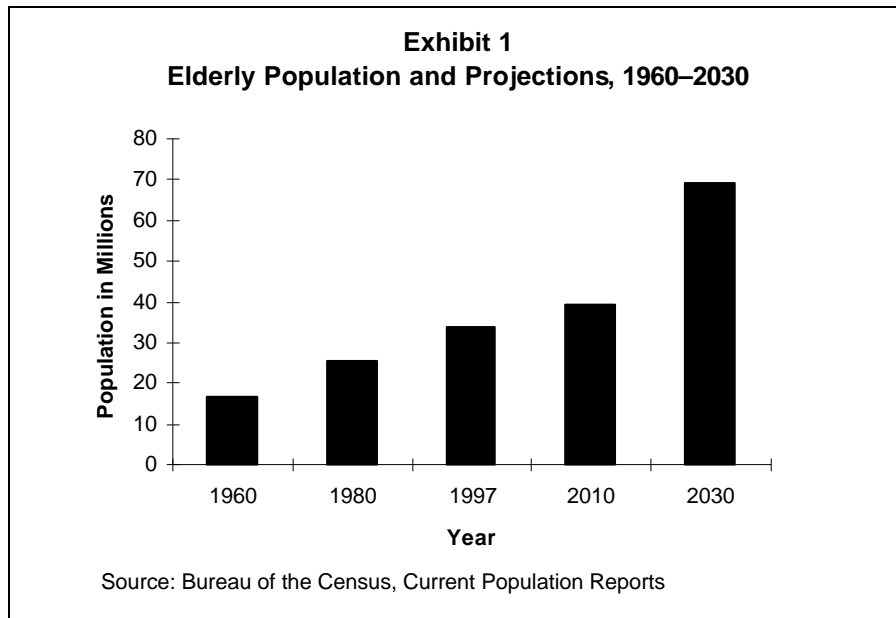
Demand and Supply

Demographic Characteristics of the Elderly Population

The number of older Americans is growing—faster than other segments of the population.

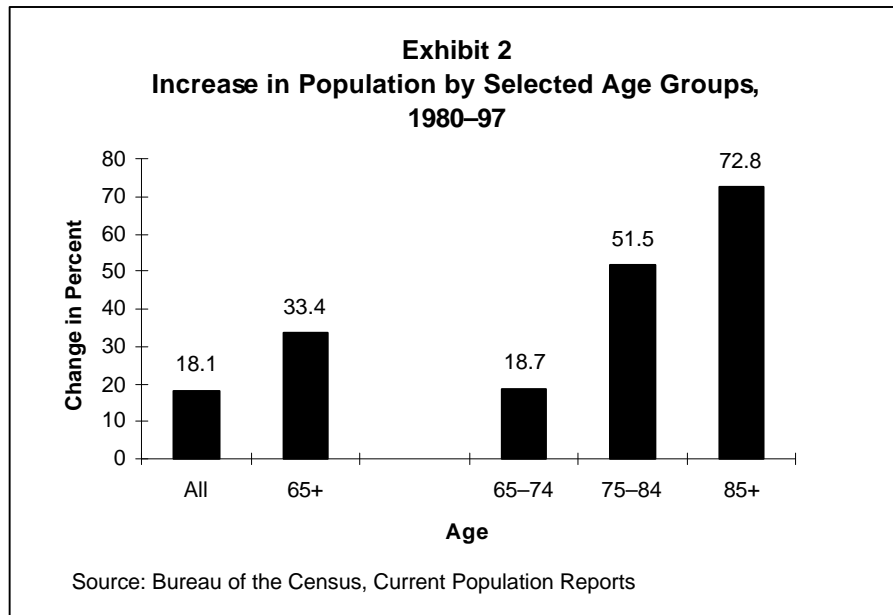
The preeminent fact about the elderly population is its size and comparatively rapid growth: There were 34.1 million people age 65 years or older in the United States in 1997. One in 8 Americans is a senior citizen today, compared to only 1 in 25 at the dawn of the 20th century.

The number of older Americans has increased by more than 9 percent since 1990, compared with a rise of 7 percent among persons under age 65. And this disparity is occurring at a low ebb in elderly population growth. The men and women reaching their 65th birthdays today were born during the Great Depression, when birth rates were particularly low. This relative pause in elderly population increases will end abruptly around 2010, when those born during the post-World War II baby boom begin to retire. Today's elderly population is expected to double by 2030, expanding at a rate of almost 3 percent each year to almost 70 million people (see exhibit 1). The Census Bureau estimates that 20 percent of Americans will be older than retirement age in 2030, compared with less than 13 percent today.



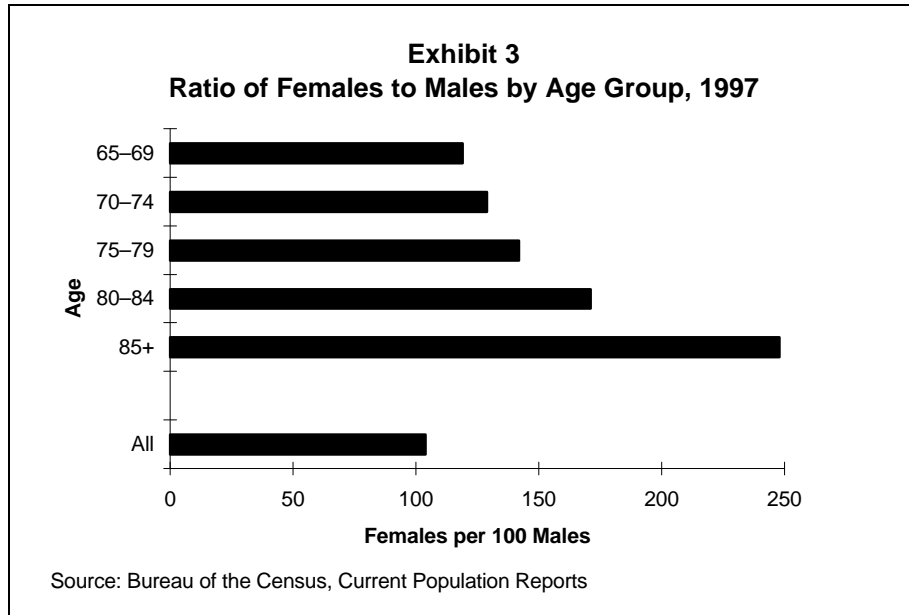
The largest and fastest growing segments of the older population include many people who have historically been vulnerable economically and in the housing market: women, minorities, and the “oldest old.” The explosive growth of the elderly population in the United States sends a straightforward message to those in industry and government whose decisions shape housing markets: More and more of the Nation’s housing must respond to the needs and circumstances of seniors. However, this statement begs the equally important question of *which* groups—*whose* needs—are growing most rapidly among the mass of older Americans? In demographic terms, the initial answers are disquieting, for they point to rising housing demand from households that traditionally have fared poorly in the private market.

The ranks of the oldest Americans—those 85 years old and over—are swelling much more rapidly than those of the “young” elderly. Like the rest of the U.S. population, the elderly are aging. Between 1980 and 1997, the number of persons age 85 and over has shot up by 73 percent, while the elderly population as a whole grew by 33 percent and the total U.S. population by 18 percent (see exhibit 2). The oldest Americans made up less than 9 percent of the elderly population in 1980; they comprise more than 11 percent of the elderly today and may make up 23 percent by 2050.



The significance of this phenomenon for elderly housing cannot be overstated. As this report shows, the incidence of physical and financial problems among the elderly and their corresponding housing needs all increase with age. It is, therefore, reasonable to anticipate that the housing needs of men and women over age 85, which are already the most frequent and most acute of any elderly age group, will demand ever greater attention in the years ahead.

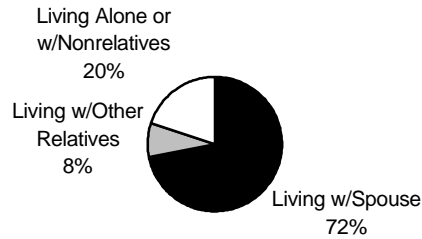
Elderly women greatly outnumber men, particularly as they age. The greater longevity of women (they can expect to live 19 years after reaching their 65th birthday, compared with 15.8 years for men) has led to a significant gender gap among the Nation’s elderly. There were 20 million women and 14 million men age 65 years and older living in the United States in 1997; that is, 143 elderly women for every 100 elderly men. The gender ratio becomes dramatically more disparate as seniors move into their 70s and 80s, rising from 119 women for every 100 men in the 65–69 age group to 248 women for every 100 men age 85 years and older (see exhibit 3).



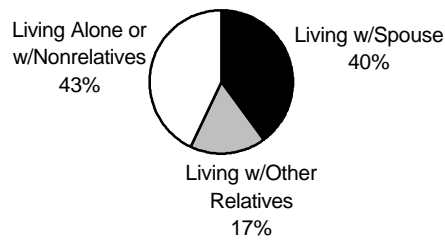
Women are often less well-served by the housing market, primarily because of enduring economic disparities between the genders. The gulf in income and wealth between women and men, which has been shrinking in the general population, remains particularly striking among older households (as described below). Women are also less likely to own their home. In addition, gender differences in elderly housing conditions flow from the consequences of women’s longevity: They are much more likely to live alone and survive to ages when poverty and frailty are more common.

Eighty percent of older men—but only 57 percent of women—lived in families in 1995 (see exhibit 4). Almost half of all elderly women are widows, and many live alone or with nonrelatives; about one in six live with relatives. And their relative isolation naturally increases with age: More than 60 percent of women age 85 years and over lived outside a family setting.

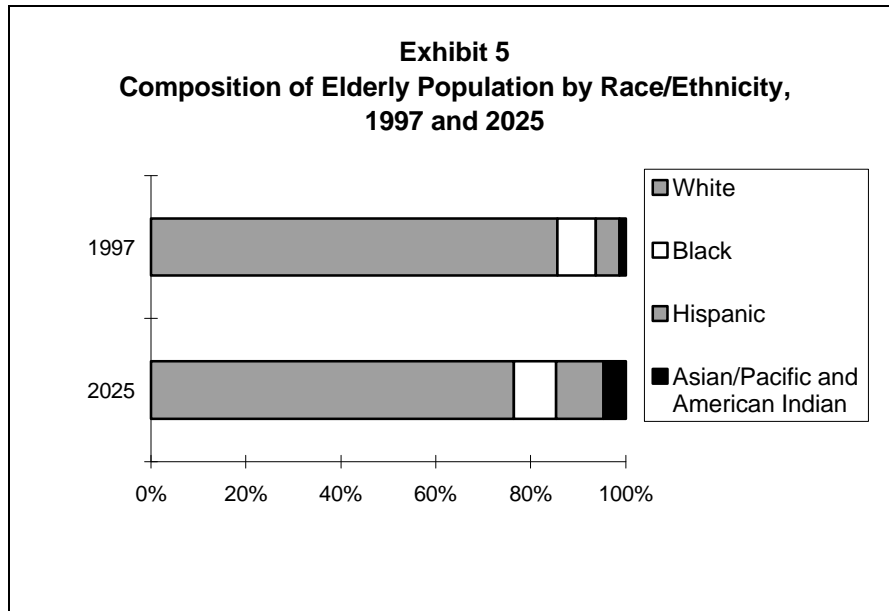
Exhibit 4
Living Arrangements of Males 65 Years and Over, 1995



Living Arrangements of Females 65 Years and Over, 1995



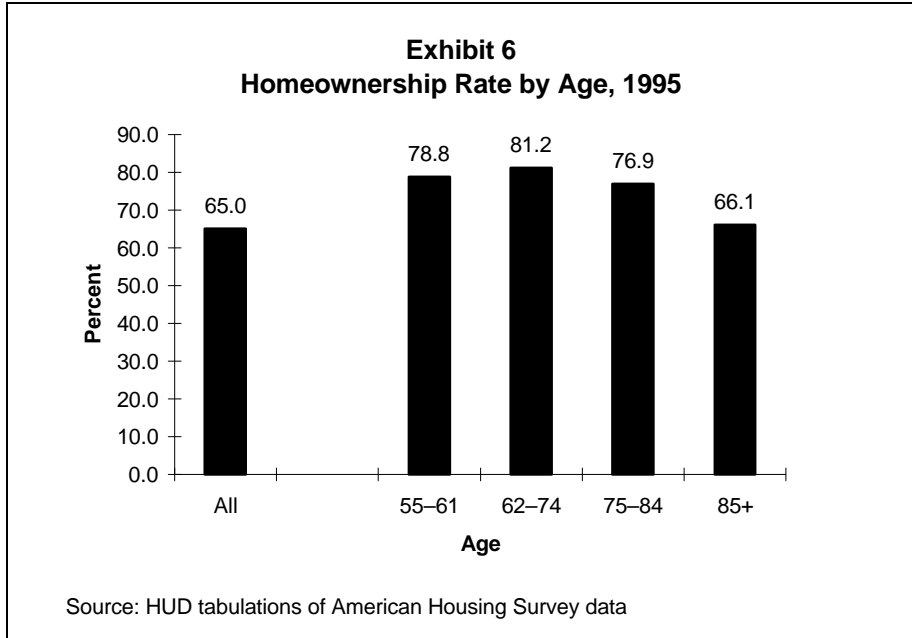
A growing share of America's seniors are minorities. Racial and ethnic minorities are younger on average than whites and have significantly lower life expectancies; nonetheless, their representation in the elderly population is increasing. In 1997, 15 percent of the U.S. elderly population were minorities—8 percent were black. By 2025, 24 percent will be minorities (see exhibit 5).



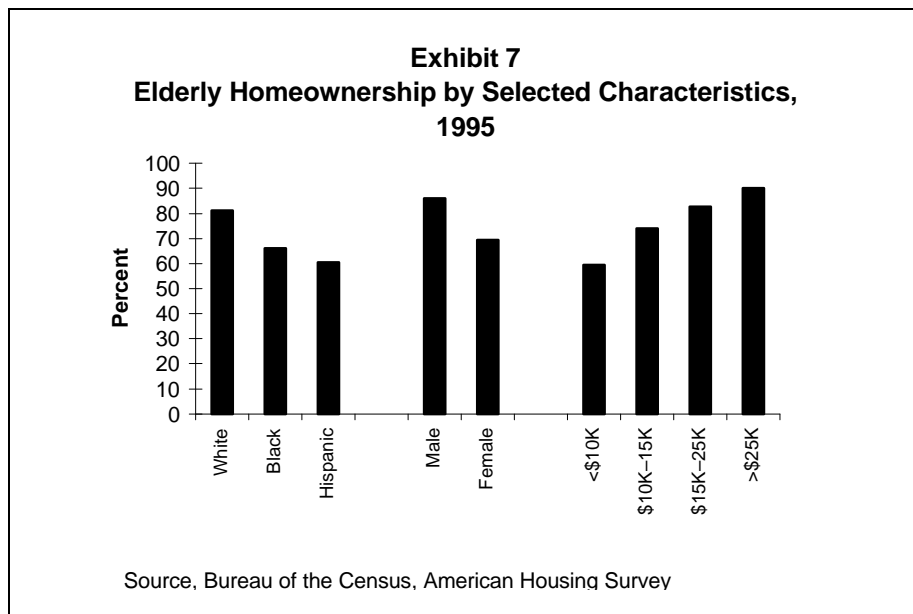
However, minority households—particularly African-Americans—are particularly likely to enter their senior years with lower incomes, fewer assets (including, significantly, less likelihood of homeownership), and the continuing burden of racial discrimination complicating their search for decent, affordable housing.

Almost four of five older Americans own their own home, although homeownership falls dramatically among the oldest elderly. Homeownership is believed to offer great advantages—economic, social, personal, and psychic—to families of every age. But it may only be in a person’s “golden years,” when the burdens of homebuying have largely passed and stability is most indispensable, that the many benefits of homeownership truly manifest themselves.

In many ways, the preponderance of homeownership is the conspicuous strength of elderly housing conditions in the United States. Almost four of five householders age 55 years and older owned their own homes in 1995. Ownership reaches its peak of 81.2 percent among the 62–74-year-old cohort, after which it declines significantly. Barely two-thirds of older Americans age 85 years and over are homeowners. The decline in homeownership is particularly dramatic in rural America, where the incidence of renting rises from less than 13 percent among householders age 62–74 years to almost 30 percent among those age 85 years and over (see exhibit 6).



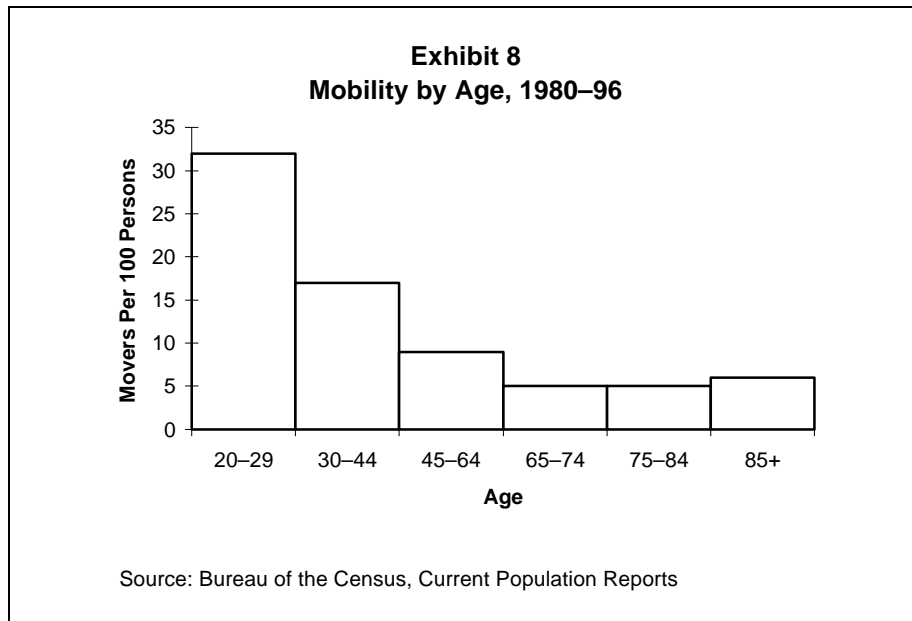
Significant disparities in access to homeownership persist into old age. Nonetheless, even among the most vulnerable demographic groups, most elderly households are owners. The homeownership rate is 65 percent for older African Americans and 60 percent for Hispanic households (by contrast, the rate is 81 percent for non-Hispanic whites). Almost 70 percent of elderly women are homeowners. Even 59 percent of seniors with incomes below \$10,000 per year own a home (see exhibit 7).



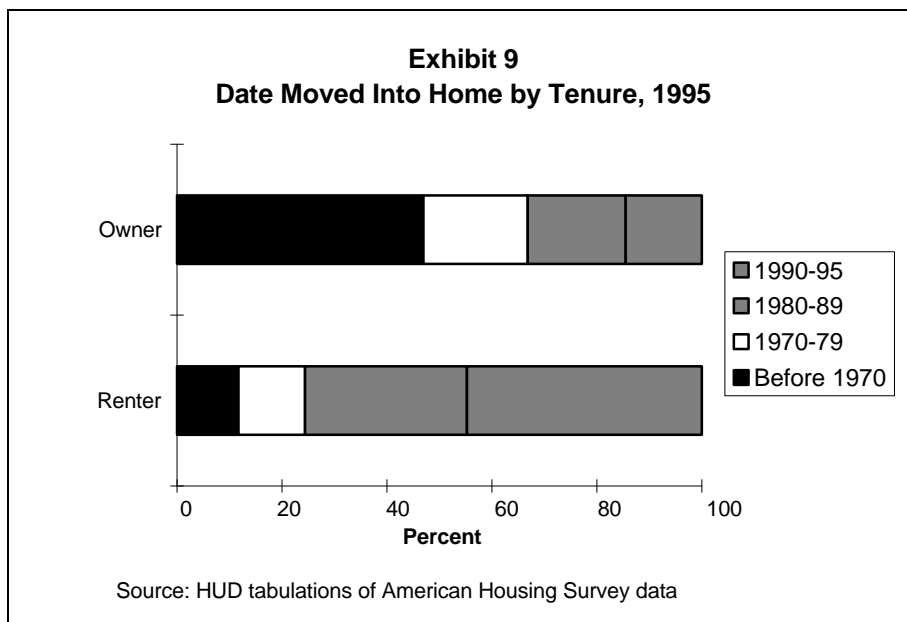
More than 5 million elderly households rent their housing. Many of these households—which tend to be poorer, are more often women and/or minorities, and live alone and in urban communities more frequently than homeowners—have had little opportunity for ownership. However, others (including large numbers of former homeowners) have chosen the convenience and flexibility of rental housing environments. Still others have accepted renting as the price of liquidating the significant equity tied up in their homes.

Approximately 35 percent of elderly renters (an estimated 1.57 million households) owned their previous residence, according to the 1995 American Housing Survey. An unknown share of these households gave up their homes unwillingly, forced out by declining health, depleted financial resources, or seriously substandard housing conditions. As this report shows, many hundreds of thousands of other elderly homeowners today face severe pressures that could eventually displace them as well. Assistance and support that would enable homeowners to age in place undoubtedly represent the single largest category of housing need for elderly Americans.

On the whole, older Americans are more settled than their children... The popular image of legions of seniors pulling up stakes and heading for sunnier climes has a basis in fact, but it does not capture the experience of most older people. Residential mobility decreases throughout our lives: as we form families, as we buy homes (one-third of American renters move in a given year, compared with only about 7 percent of homeowners), and as we age. Persons between the ages of 65 and 85 are least likely to move, with only 5 percent changing residences in a given year (see exhibit 8). Only after age 85 does mobility increase slightly.

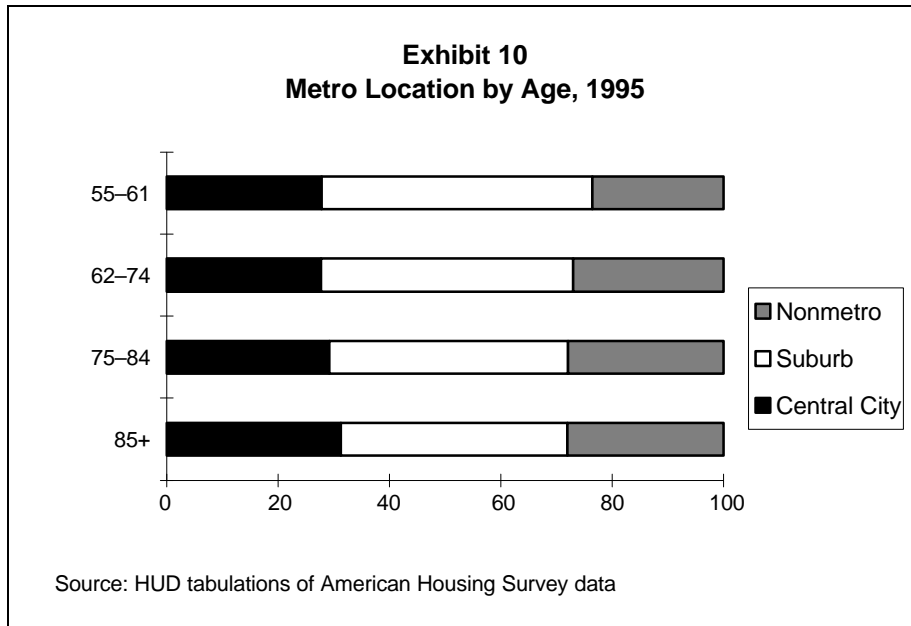


Even among the elderly, tenure is a key factor in mobility: In the 1995 AHS, 45 percent of renters age 62 years and over reported moving into their current residence within the previous 5 years, while only one in seven older homeowners had moved so recently. Almost half of all elderly homeowners had lived in the same home for more than 25 years. These patterns clearly reflect a determination by many elderly households to remain in their homes, although economic reasons (such as seriously eroded home values or a very tight rental market) could also be holding back some who would otherwise wish to move (see exhibit 9).



... and the places in which they settle are somewhat more likely to be rural. Although a plurality of senior citizens live in the suburbs, they are more likely to choose rural areas than younger households. Nearly half of all elderly homeowners live in the suburbs, and a similar percentage of renters live in central cities—although, as noted above, the sharpest increase in the elderly renter population actually occurs with the aging of rural seniors.

In fact, the share of elderly households in both urban and rural places increases with age (see exhibit 10). In large measure, this phenomenon can be seen as the enduring result of decisions made years earlier by now-elderly Americans to remain in their urban or rural homes while some of their neighbors—and later their children—joined the rush to the suburbs.



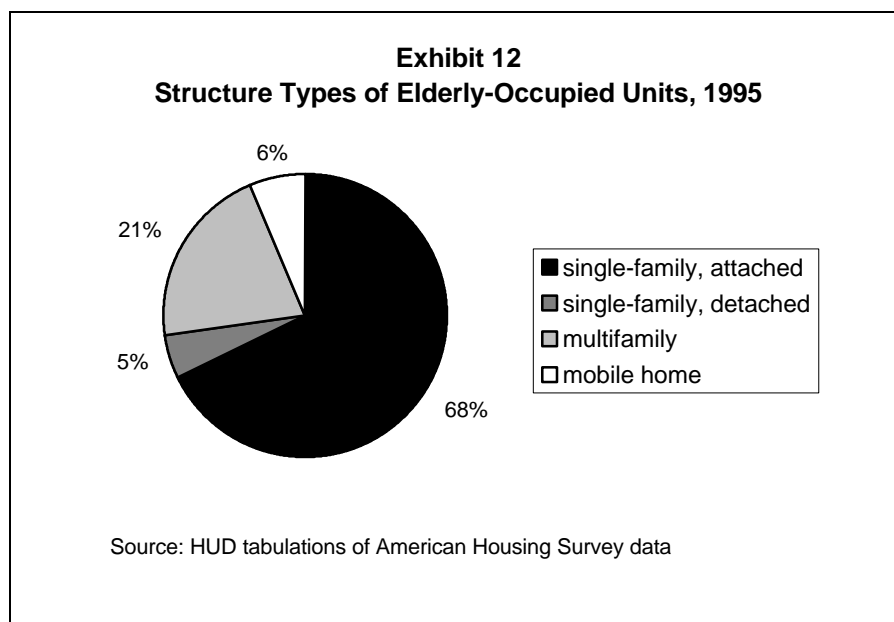
However, the relative concentration of elderly households in nonmetropolitan areas is also in part a likely reflection of lifestyle preferences, which also show up in the movement of significant numbers of elderly households to popular Sun Belt destinations such as Florida and Arizona. Twelve of the 13 States in which the senior population has risen by 14 percent or more since 1990 are in the South and West (see exhibit 11).

Exhibit 11	
13 States With the Fastest Growing Senior Population	10 States Where Seniors' Share of Population Is Largest
Nevada	Florida
Alaska	Pennsylvania
Arizona	Rhode Island
Hawaii	West Virginia
Utah	Iowa
Colorado	Connecticut
New Mexico	North Dakota
Delaware	Arkansas
North Carolina	South Dakota
Wyoming	Massachusetts
South Carolina	
Florida	
Texas	
Source: Bureau of the Census, Current Population Reports	

Characteristics of Elderly-Occupied Housing

The foregoing statistical sketch confirms the large and growing scale of the potential challenges facing the United States in ensuring housing security for its senior citizens today and in the years ahead. Certain broad segments of the elderly population—including but not limited to the oldest homeowners, female-headed households, persons living alone, and minorities—are clearly prey to serious problems in obtaining or retaining quality, affordable housing. This section begins to test the extent to which these vulnerable elderly households are actually living in housing that is physically inadequate to their needs.

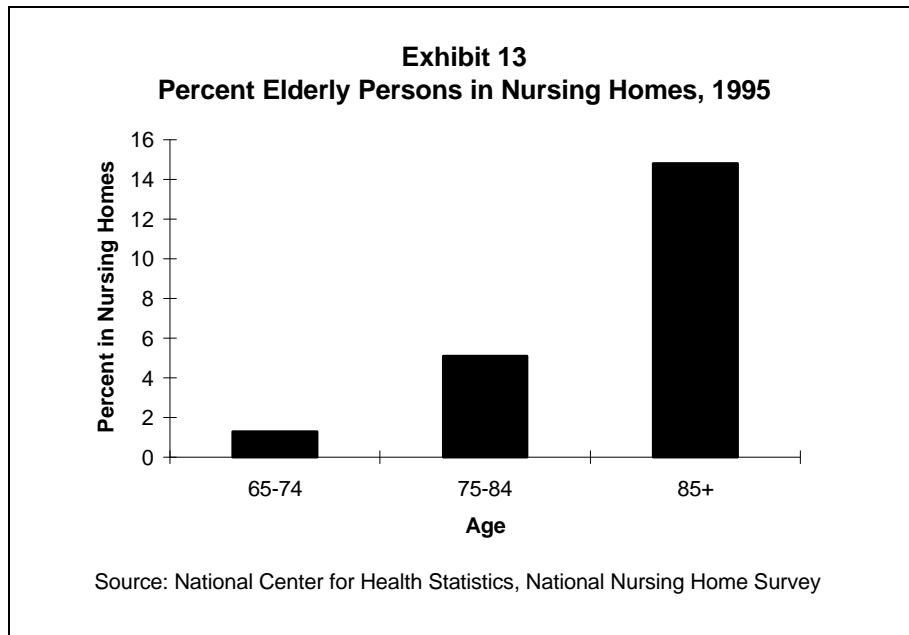
Most elderly households live in single-family homes. Almost three of four households age 62 years and over live in single-family homes. Slightly more than 20 percent live in a multi-unit structure, although this percentage increases with the householder’s age and proximity to the urban core. Approximately 6 percent of seniors, mostly in rural areas, live in manufactured housing (see exhibit 12).



More than 1.5 million elderly persons—disproportionately female and over age 85—live in nursing homes and other residential care facilities. The American Housing Survey does not capture information on nursing homes and other continuing care facilities, which are a vital component of the continuum of housing options serving older Americans. The best information on such living environments comes from the 1995 National Nursing Home Survey, sponsored by the National Center for Health Statistics, which reports an estimated 1.77 million nursing home beds in the United States, an increase of only about 8 percent since 1985. Because of the age of the American Housing Survey sample, few if any units in assisted living facilities are included, and they are not separately identified as assisted living.

However, “nursing home” is used generically to cover a wide range of living arrangements, from small group homes in private residences to large hospital facilities. About two-thirds of nursing homes are operated by for-profit proprietors, with the remainder owned by nonprofit and government agencies.

Although less than 1 percent of the young elderly (ages 65–74) live in nursing homes, their utilization increases dramatically among older persons: Among those 85 years old and over, 15 percent reside in nursing home facilities (see exhibit 13). Predictably, for residential environments that cater to the very old, an overwhelming number of nursing home residents (75 percent) are women.

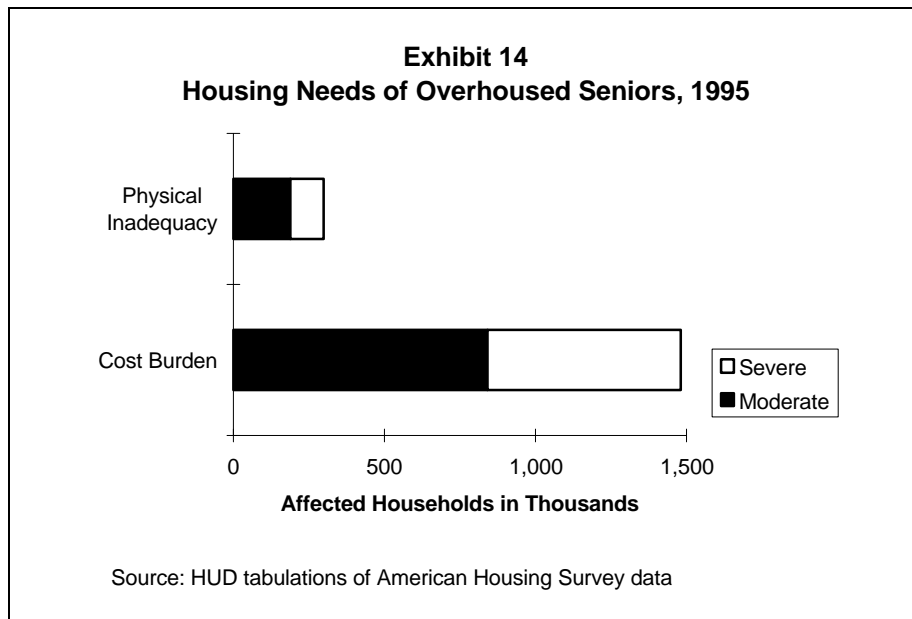


The rapid increase in the ranks of the oldest Americans would seem to strongly suggest a growing need for facilities that can offer an appropriate blend of personal assistance and medical care without needlessly compromising residents’ privacy or autonomy. An increasingly popular option is assisted living developments, which offer residents an extensive range of assistance with activities of daily living (ADLs) within a residential environment that promotes maximum personal independence. Unfortunately, there are no reliable figures on the number of units that are attempting to fill this crucial intermediate niche in the continuum of housing options for seniors—estimates put the number of elderly persons in these developments at between 350,000 and 1 million. The National Study of Assisted Living for the Frail Elderly, sponsored by U.S. Department of Health and Human Services and slated for completion at the end of 1999, should provide a much fuller picture of this emerging phenomenon.

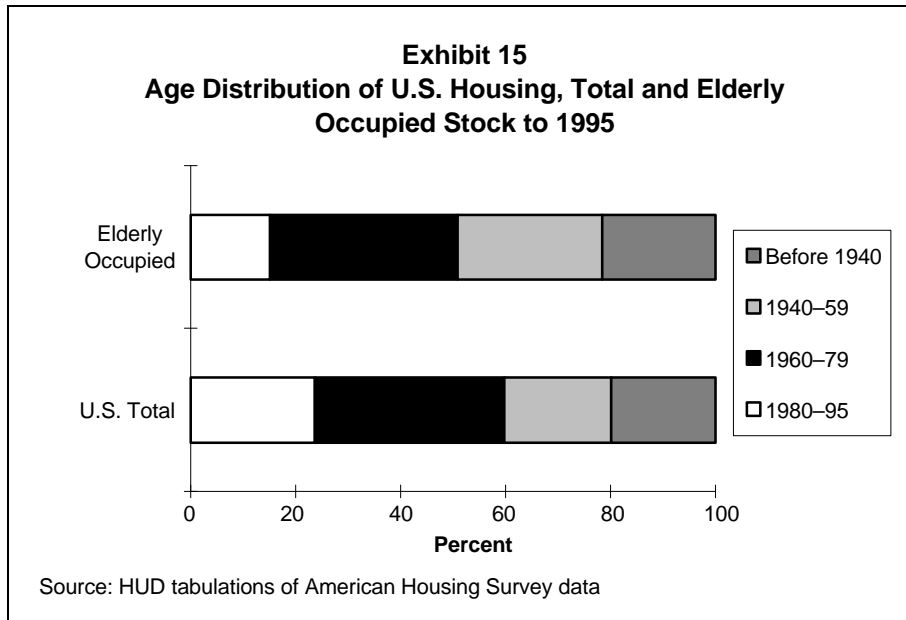
Nearly all elderly households have enough living space . . . for some it may be too much of a good thing. Overcrowding is quite rare among elderly households, affecting fewer than 0.5 percent of them. Instead, they often experience a much less common mismatch, consuming *more* housing than they need.

Approximately one-fifth of older Americans are *overhoused*—that is, they are living with someone else in a dwelling where bedrooms outnumber household members by more than one. Not surprisingly, the vast majority of the 5 million elderly households that meet the definition of overhousing consist of homeowners who presumably continue to live in the home in which they raised their children.

Of course, overhousing is not necessarily a problem. However, for comparatively poor and frail seniors, the cost of maintaining this “extra” housing may add to the already substantial physical and financial burden of aging in place. This is the case for more than 600,000 elderly owners and renters who are paying more than half of their income to stay in an overhoused situation, and for almost 300,000 whose outsized housing has moderate or severe physical problems (see exhibit 14). An additional 3.5 million elderly persons who live alone (and therefore do not meet the definition of overhousing) have three or more bedrooms and thus would seem vulnerable to the same problems.



Older Americans tend to live in older homes. Given their age and lower residential mobility, it is hardly surprising that seniors tend to live in older housing than younger people. Half of all elderly households live in a dwelling built before 1960; the median construction date for the entire U.S. housing stock is 1967 (See exhibit 15).

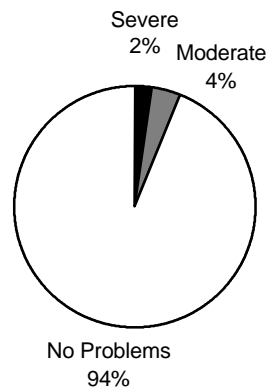


Like overhousing, older housing is not necessarily a problem. It is, however, an indicator of potential risk for vulnerable households—older housing often demands more maintenance and can be expensive to operate. And age of housing is correlated with physical problems: Half of all elderly-occupied units with physical problems were built before 1948.

By and large, the housing occupied by senior citizens is in good condition. Even so, almost 1.5 million households age 62 and over lack safe, decent housing. Not many years ago, the destitution that so often accompanied old age tended to lead to dilapidated housing as well. But elderly households today enjoy housing quality every bit as high as that of other Americans. The homes of 19 of every 20 elderly households have no significant physical problems.

However, this good news must be tempered by the reality that continues to face that 20th household. More than 1.45 million elderly households (6 percent of all seniors) still lack some of the most basic elements of housing security, such as complete plumbing or a reliable source of heat. A half-million of these elderly households live in severely inadequate units (see exhibit 16). In addition, more than 500,000 near-elderly households (age 55–61) have housing problems that may soon follow them into their retirement years.

Exhibit 16
Physical Problems of Elderly-Occupied Housing, 1995



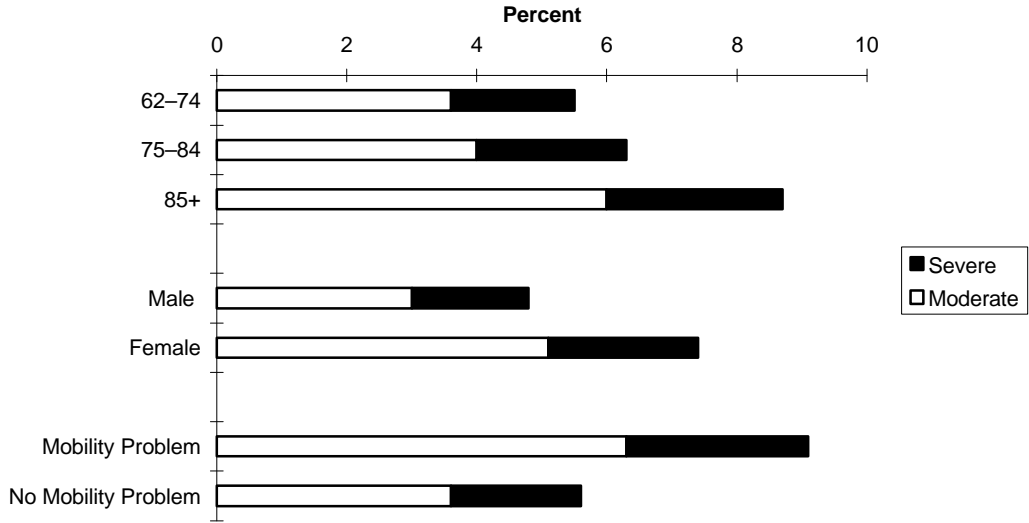
Source: HUD tabulations of American Housing Survey data

Physical housing problems are more frequent among older, frail, and (most dramatically) minority seniors. Some of the most vulnerable demographic groups among America's elderly are at particular risk for moderate and severe housing problems. These problems increase somewhat with the age of the householder, rising from 5.5 percent of the young elderly (ages 62–74) to 8.7 percent among the oldest elderly (180,000 householders ages 85 and over). Physical problems in housing are also more frequent among seniors who are struggling with their own personal physical limitations. Nine percent of units occupied by persons with mobility problems (265,000 elderly households) are inadequate, compared with less than 6 percent of units with unimpaired residents (see exhibit 17).

However, the clearest demographic predictor of housing problems is race or ethnicity. Often consigned to less desirable housing by discrimination as well as by their lower socioeconomic status, elderly black households experience the highest levels of housing inadequacy. One in every 6 elderly black Americans (about 300,000 households) lives in inadequate housing, compared with just 1 of every 23 elderly white households. Although blacks make up less than 10 percent of the elderly population, they live in 23 percent of all housing units with severe housing problems and 30 percent of housing with moderate problems.

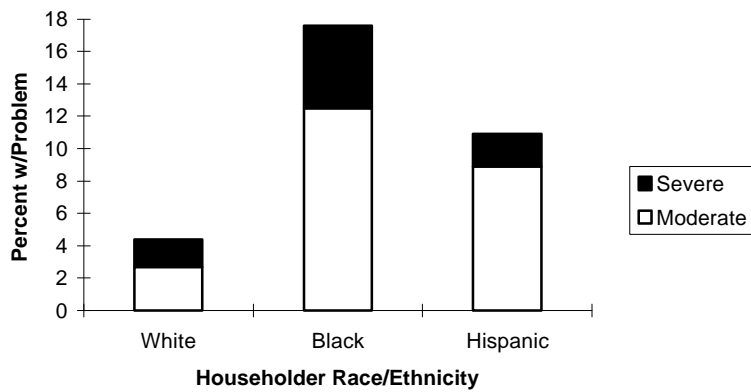
Older Hispanic households in the United States are also disproportionately affected by physical problems with their housing. About 11 percent live in substandard units. However, an unusually large share of these homes have physical problems that are classified as moderate, suggesting that lighter levels of repair and rehabilitation could be effective in aiding much of this vulnerable population (see exhibit 18).

Exhibit 17
Physical Housing Problems by Selected Characteristics of Elderly
Householders, 1995



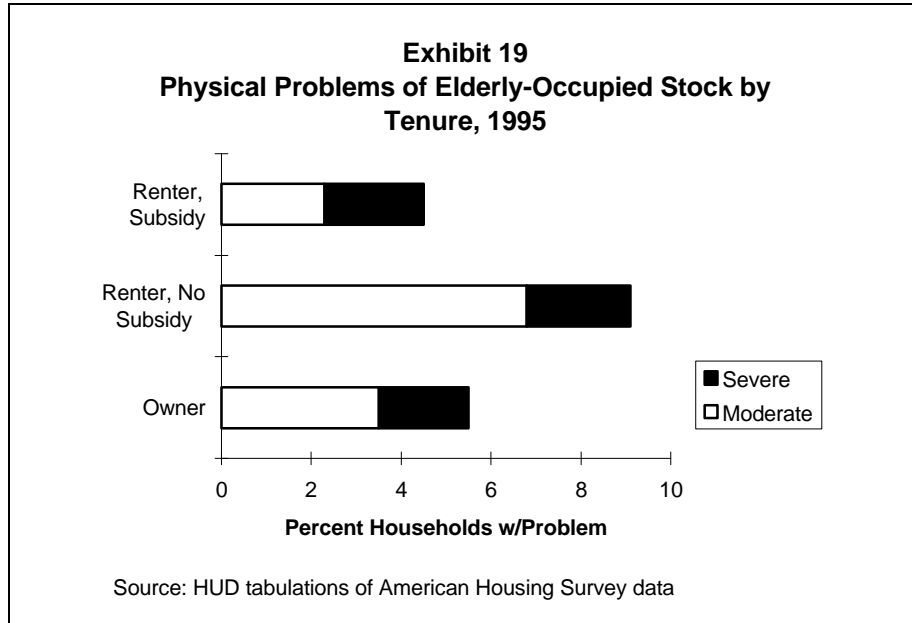
Source: HUD tabulations of American Housing Survey data

Exhibit 18
Physical Problems of Elderly-Occupied Stock by
Householder Race/Ethnicity, 1995



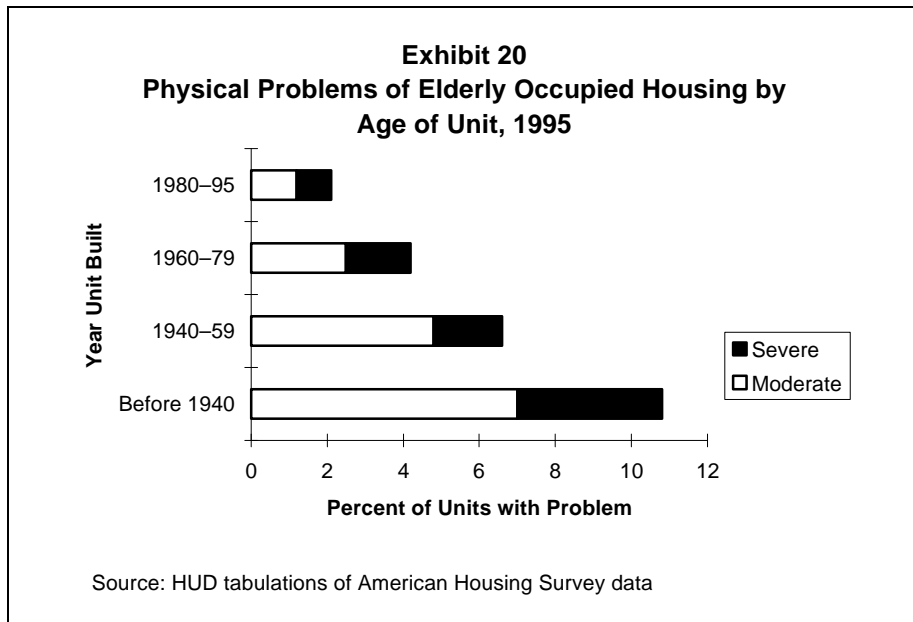
Source: HUD tabulations of American Housing Survey data

Housing problems affect more than 1 million homeowners and 400,000 renters, with problems occurring much more frequently in the oldest units. Not surprisingly, the bulk of problems are found in owner-occupied units, which account for 72 percent of physical housing deficiencies and almost 79 percent of the elderly housing stock. The condition of the rental stock is not quite as good as the owner-occupied stock, though the disparity is primarily in the incidence of moderate housing problems (which afflict 3.5 percent of owners but 5.5 percent of renters). This distinction would be more clear if the rental stock did not include publicly assisted units, which experience a rate of physical problems only half as high as that of the market-rate rental stock (4.5 percent, as opposed to 9.1 percent in the unassisted stock) (see exhibit 19).



As suggested above, physical problems increase steadily with the age of the housing unit. Barely 1 of 50 recently built units (those constructed since 1980) had developed problems by 1995, compared with 1 of every 9 homes built before 1940 (see exhibit 20).

This finding also has geographic implications, tending to concentrate housing quality problems somewhat in Eastern rural and central city areas. By far the highest concentration of substandard housing is found in the South, particularly the rural South, where an older housing stock combines with another extremely potent predictor of lower quality housing: race. Fully 15 percent of elderly occupied rural housing in the South has moderate or severe physical problems.



Throughout the South, elderly black households bear a singular housing burden, the historical legacy of grinding poverty and segregation. The American Housing Survey estimates that *24 percent* of the homes of elderly Southern blacks have moderate (76,641 households) or severe (220,104 households) physical housing problems (see exhibit 21).

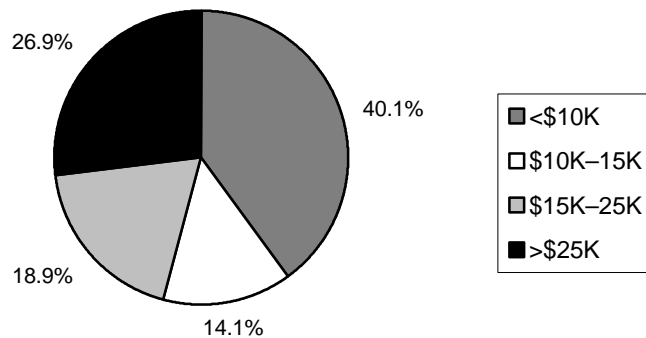
Half of all elderly households living in units with physical problems may not have the financial resources to correct them. Not surprisingly, housing quality falls with the householder's income and wealth. Ten percent of elderly households with incomes below \$10,000 (628,000 households) live in physically substandard housing. Seniors in this lower income bracket are 25 percent of the population age 62 years and over, but they experience 43 percent of its poor housing conditions. On the other hand, more than one-fourth of severely inadequate housing is occupied by more affluent seniors (incomes over \$25,000), who presumably could afford to pay for needed repairs (see exhibit 22).

Although retired persons tend to have lower incomes, many can tap other financial assets, such as savings and investments, to keep their homes in good repair even when ready cash is short. Only 3 percent of elderly households with financial assets of more than \$25,000 (and 6 percent of those with more modest assets) also had substandard housing conditions. Those who do not have even a small nest egg are in a more vulnerable position: About 11 percent of seniors without financial assets (some 680,000 households) have moderate or severe physical deficiencies in their homes.

Exhibit 21
Percent Elderly With Physical Housing Problems
by Region and Householder Race/Ethnicity

	White, Non-Hispanic	White, Hispanic	Black
Northeast			
Severe Problem	77,669	1,848	19,794
(percent)	(1.6)	(1.4)	(4.7)
Moderate Problem	75,293	9,584	24,294
(percent)	(1.6)	(7.1)	(5.8)
Total	152,962	11,432	44,088
(percent)	(3.3)	(8.5)	(10.5)
Midwest			
Severe Problem	84,054	1,640	16,394
(percent)	(1.6)	(3.3)	(4.0)
Moderate Problem	54,883	1,679	34,781
(percent)	(1.0)	(3.3)	(8.4)
Total	138,937	3,319	51,775
(percent)	(2.6)	(6.6)	(12.4)
South			
Severe Problem	126,020	10,792	76,641
(percent)	(1.9)	(2.9)	(6.2)
Moderate Problem	378,550	50,488	220,104
(percent)	(5.6)	(13.4)	(17.7)
Total	504,570	61,280	296,745
(percent)	(7.5)	(16.2)	(23.9)
West			
Severe Problem	57,258	3,747	3,543
(percent)	(1.5)	(1.1)	(1.8)
Moderate Problem	59,219	18,926	5,899
(percent)	(1.5)	(5.6)	(2.9)
Total	116,477	22,673	9,442
(percent)	(3.0)	(6.7)	(4.7)

Exhibit 22
Distribution of Severely Inadequate Housing by
Income of Elderly Household, 1995

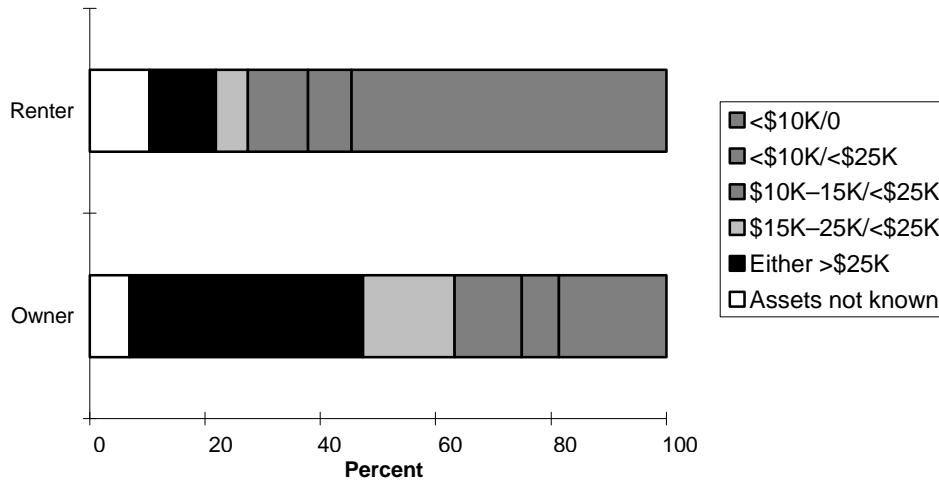


Source: HUD tabulation of American Housing Survey data

Of course, the need for assistance with essential home repairs and rehabilitation is more concentrated among older Americans who lack both adequate income and assets. One in seven elderly households with incomes below \$10,000 with no savings in reserve have physical problems with their housing and little prospect for correcting them without help.

Considering their ability to pay throws the housing quality problems of renters into sharp relief. More than half of all elderly renters living in severely inadequate housing have incomes under \$10,000 and no financial assets. Such households confront a serious dilemma: They have little chance of renting better housing in the private market except by paying higher rents that would diminish their ability to cover other necessities. Only a small percentage of poorly housed homeowners are poor themselves: In fact, 40 percent of owners with severe physical problems have incomes or accumulated financial assets in excess of \$25,000 (see exhibit 23). Only 25 percent earn less than \$10,000 per year.

Exhibit 23
Severely Inadequate Housing by Tenure and Income/Assets of
Elderly Householders, 1995



Source: HUD tabulations of American Housing Survey data

Income and Affordability

“Early in this century,” President Clinton noted in his 1999 State of the Union address, “being old meant being poor.” Social Security has removed this dreadful prospect for generations of Americans, allowing them to view retirement as not just an end, but as a new beginning.

However, the most fundamental economic fact of aging remains: Older Americans have much less income with which to meet continuing costs such as housing and growing challenges such as health care. To cover their obligations, many elderly households must rely at least in part on the assets they have accumulated through a lifetime of work—everything from personal savings to nonfinancial assets such as home equity.

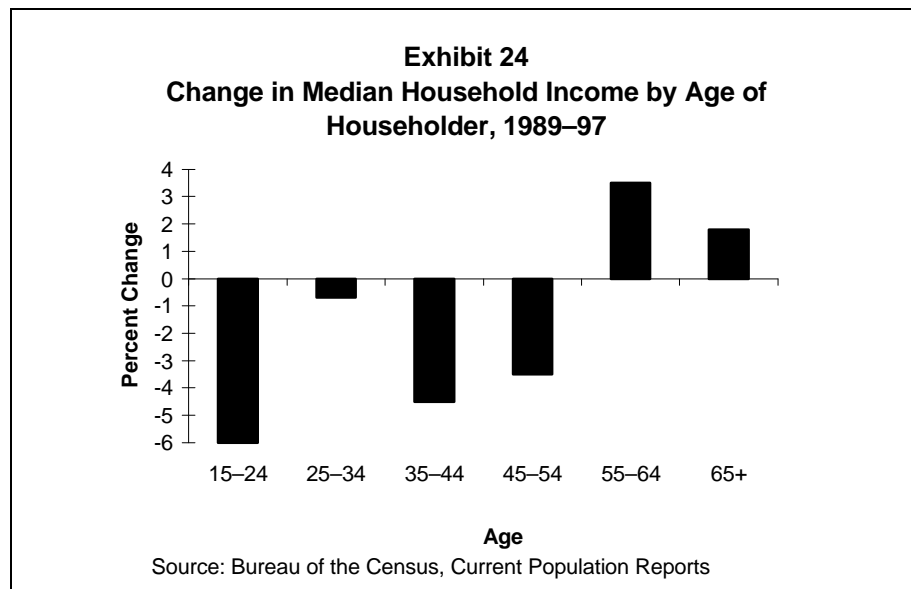
This section examines the economic health of elderly households and the extent to which their financial resources are adequate to meet their housing expenses.

Economic Characteristics of the Elderly Population

Older Americans have made impressive strides toward economic security. Although they still make only about half as much as other households, they have experienced the fastest income growth of any age group in recent decades. In 1997 the median income of households headed by a person 65 years old or over was \$20,761. This may seem like a meager amount next to the \$42,365 median income for U.S. households headed by a person under age 65.

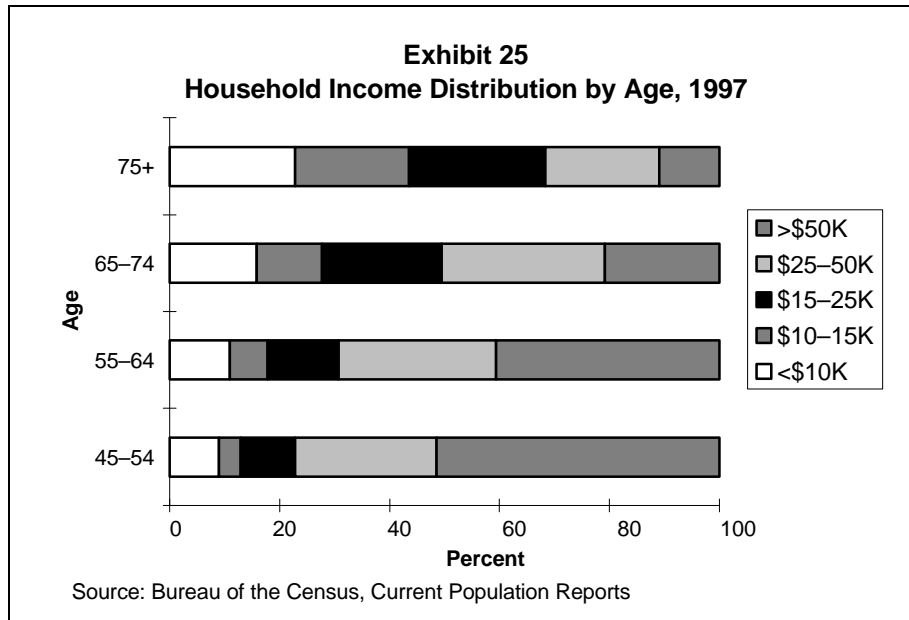
Nonetheless, it represents the continuation of decades of impressive income growth for America’s seniors.

Between 1959 and 1989, the incomes of persons aged 65 years and older more than doubled. And even though all incomes dipped during and after the sharp recession of the early 1990s, the elderly were hurt less and rebounded more strongly than any other age group except for the near-elderly (ages 55–64) (see exhibit 24). Recently, seniors have been faring even better: In 1996–97 their incomes shot up by 4.4 percent compared with a still-solid 1.2 percent for households under age 65.



Approximately one in five elderly households lives on an income of less than \$10,000 per year, while one in six takes in more than \$50,000.

The distribution of incomes among the elderly also reflects an inexorable decline from the years of peak earning power. More than half of all households ages 45–54 made more than \$50,000 in 1997, but only one-ninth of households age 75 years and older had such high incomes. At the same time, the share of households in the lowest income bracket (under \$10,000), just 11 percent among the near-elderly, doubles by age 75. These households are particularly likely to qualify for one or more forms of housing assistance (see exhibit 25).



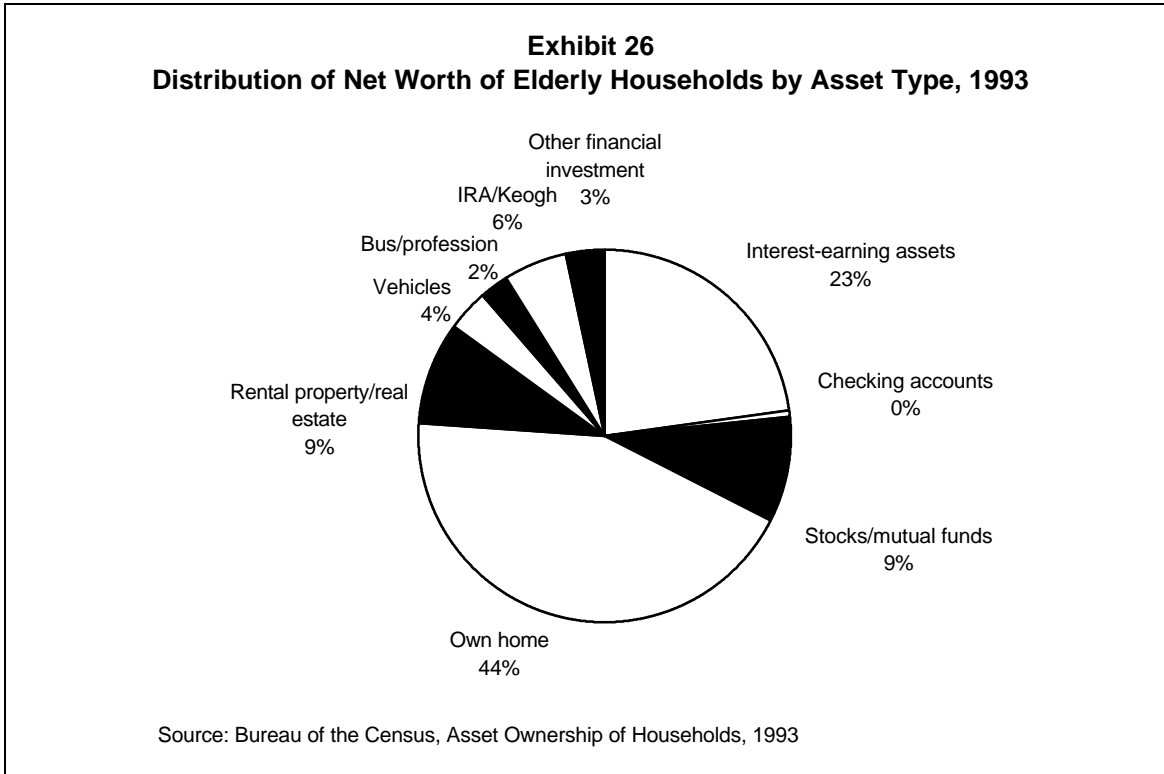
Elderly women, minorities, and renters have markedly lower incomes. Among the elderly, as among younger Americans, median personal income for women is only about 55 percent of median income for men. Almost half of all women age 65 and over have incomes under \$10,000 per year, compared to less than one-fifth of elderly men. These low incomes are particularly likely to point to real economic distress because disproportionately large numbers of older women live alone instead of pooling their incomes in families. The median income of black and Hispanic seniors was two-thirds that of the \$21,374 median income for non-Hispanic whites in 1997. However, elderly blacks are more likely to have low incomes (below \$10,000) than their Hispanic peers.

The higher incomes of homeowners in relation to renters are, to some extent, an artifact of self-selection: Financing requirements and the costs of ownership have served as barriers to many would-be homebuyers. In 1995, according to data collected for the American Housing Survey, 48 percent of renters, but only 19 percent of owners, had incomes below the \$10,000 threshold.

Elderly households derive their incomes from a wide array of sources. The Census Bureau reports that 92 percent of older persons received Social Security benefits in 1997. One-third received a public or private pension. Most had income from assets, such as interest (62 percent) and dividends (20 percent) on savings and investments, or rental income (10 percent).

In addition, approximately one-sixth of seniors receives income from work. There is no more telling sign of the increased economic security of America's elderly than their decreased labor force participation. In 1900, two in three older men worked; today about 17 percent are in the labor force. The share of elderly women who perform paid work actually rose earlier in this century, but has fallen from its historical peak of about 11 percent in the late 1950s to 8.6 percent in 1997. There are now some 3.7 million working seniors. Though half work only part-time, the average income for workers over age 65 was still a fairly robust \$21,588 in 1997.

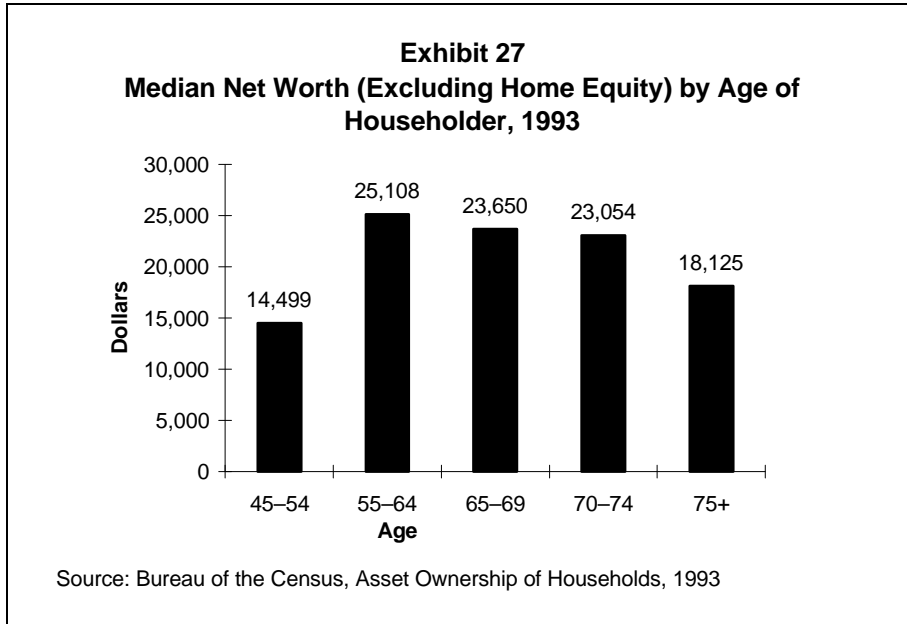
Most elderly households have built up significant assets—equity in a home is by far the largest of these, adding to the wide disparity in wealth between elderly owners and renters. Adults continually invoke “saving for retirement” as a personal goal. And by the time they retire, most households have accumulated substantial assets to see them through their remaining years. The median net worth of households headed by a person age 65 years and older was \$86,324 in 1993, according to the Census Bureau.



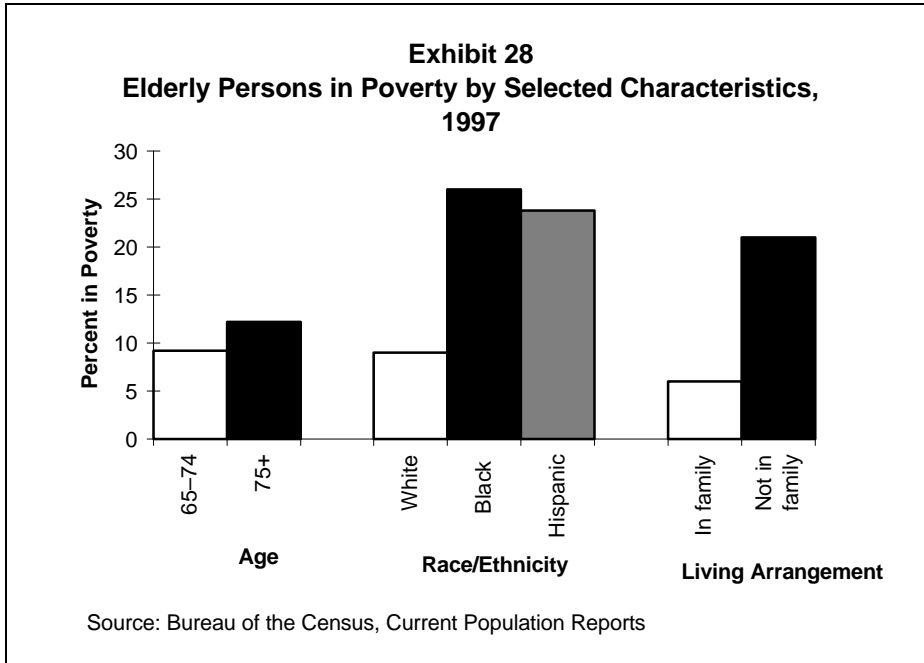
Home equity is the largest single component of household wealth for older Americans, accounting for 43.6 percent of their total net worth (see exhibit 26). According to the Federal Reserve Board’s 1995 Survey of Consumer Finances, elderly homeowners had median home equity of approximately \$76,000. Yet this predominant asset type can account for only part of the incredible gap in wealth between owners and renters. In 1995 the median net worth of elderly homeowners was \$141,300, but for renters it was a meager \$6,460, less than 5 percent as much.* Owners are more likely than renters to hold every type of financial asset, and to have more value in them.

* The significant gap between estimates of median wealth generated by the Census Bureau and the Federal Reserve Board derive in large measure from their different approaches to sampling. The Census Bureau’s estimates are drawn from the Survey of Income and Program Participation, which uses a sample that reflects the demographic and income distribution of the general population. On the other hand, the Fed’s Survey of Consumer Finances makes a special effort to survey higher income households, which are more likely to have accumulated assets than less affluent households. It is among this higher income population that most personal wealth in the U.S. is concentrated.

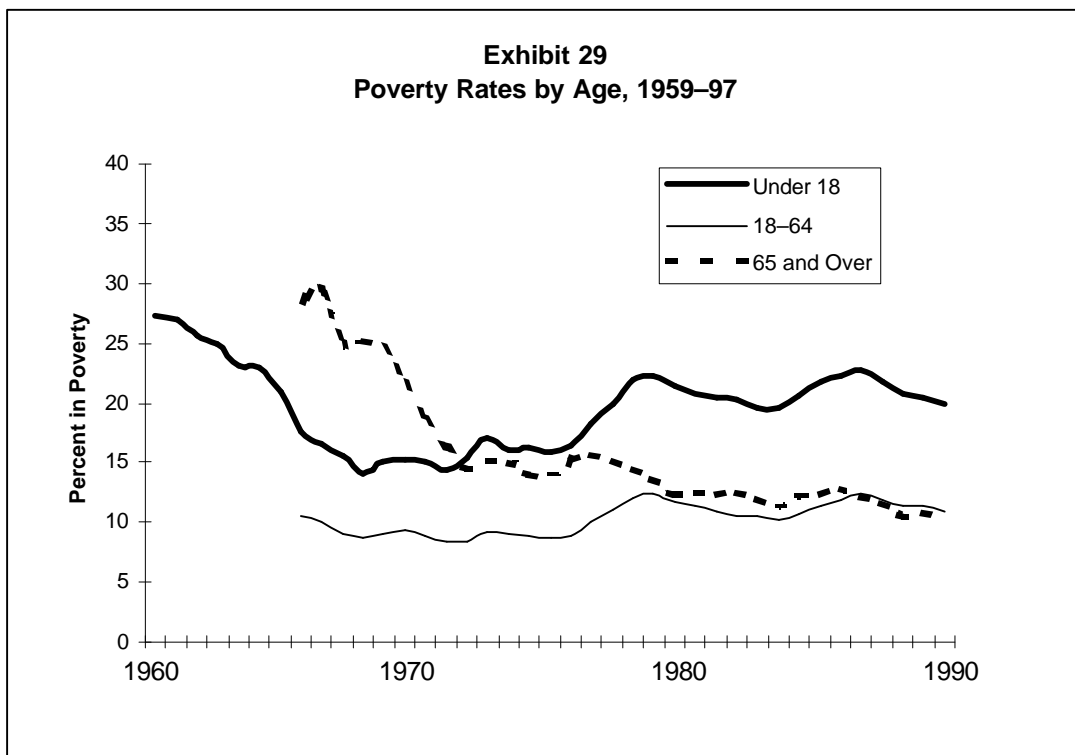
However, it is the more liquid and income-generating financial assets on which elderly households can draw most readily to meet their housing costs. Excluding the value of home equity, seniors had a much more modest median net worth (\$20,642) in 1993. These assets decreased with age to \$18,125 for households headed by a person age 75 years or over (see exhibit 27). Financial assets vary most dramatically by tenure and race: Half of all elderly renters, as well as older Hispanic and black households, with incomes under \$25,000 per year reported that they had no assets in 1995.



In a reversal of the historical pattern, seniors today are *less likely to be poor than the nonelderly. Nonetheless, many elderly households live in a precarious financial position, with little income and no assets to fall back on.* Despite the improved economic status of the overall elderly population, 3.38 million older Americans (10.5 percent of elderly people) were still living in poverty in 1997. The poverty rate is somewhat higher (12.2 percent) among persons age 75 years and older. One-fourth of black and Hispanic seniors are poor, compared with 9 percent of white seniors. And older persons living alone or with nonrelatives are more than three times as likely to be poor as those in families (see exhibit 28).



Although these figures tell of millions of vulnerable lives, they also confirm some positive trends. As recently as the late 1950s, one-third of senior citizens lived in poverty; today it is 1 in 10 (see exhibit 29). Elderly poverty has continued to fall, even as its incidence among nonelderly adults has leveled off in recent years. The rising economic tide has even lifted a majority of black seniors out of poverty for the first time. Only for older Hispanics have poverty rates refused to abate.

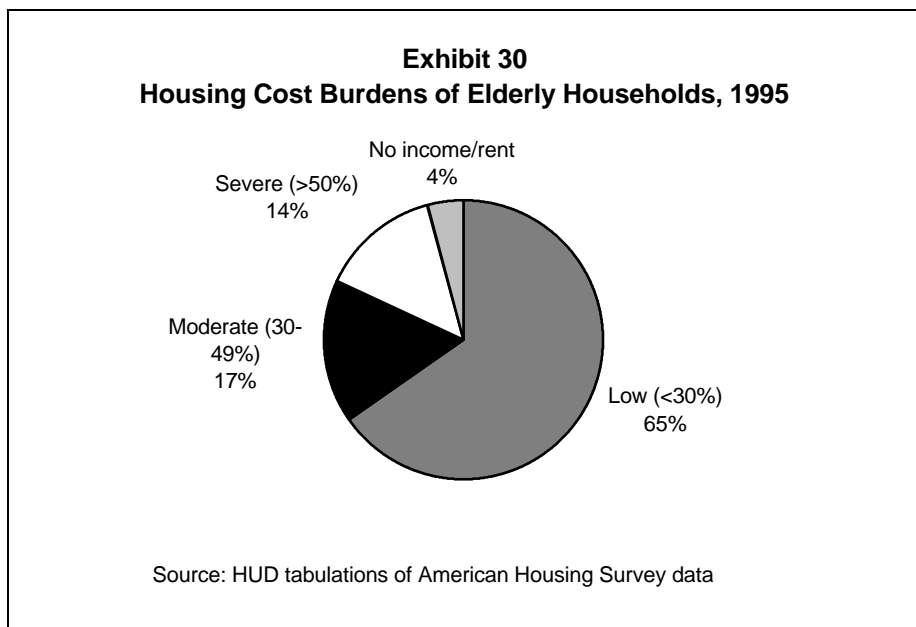


These advances are hard won and fragile for many seniors. A disturbingly large proportion of elderly Americans live close to the edge, where any unexpected economic jolt can plunge them into poverty. In addition to the 10.5 percent of seniors whose incomes fall below the poverty threshold, another 13.4 percent are *near-poor*, with incomes of 100 to 150 percent of poverty.

Many of these households lack not only the income, but the underlying financial assets to pay for housing and other necessities. According to the 1995 AHS, 13 percent of all elderly households—including more than 20 percent of those headed by women or by persons age 85 years and older, as well as more than 30 percent of renters and black or Hispanic households—have incomes of less than \$10,000 *and* no financial assets. These households are likely to have particular difficulties in obtaining and maintaining decent, affordable housing.

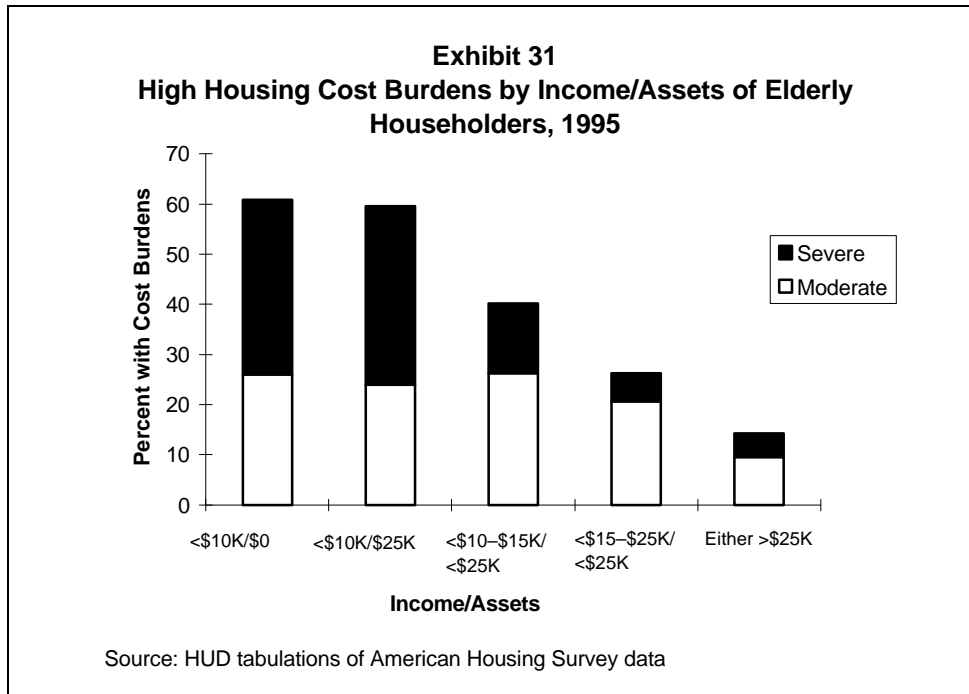
Affordability of Elderly-Occupied Housing

Thirty percent of elderly households have high housing costs: They pay more than 30 percent of their income for shelter. Fourteen percent pay more than half of their income for housing. As expected, affordability problems are highly concentrated among lower income households with few assets. Driven by necessity or by choice, many Americans occupy housing that costs more than the 30 percent of household income often considered to be the standard for affordability (see exhibit 30). However, the first concern of public policy must be those households whose limited financial resources prevent them from obtaining decent, affordable housing in their community.



This would seem to be the situation facing about one in eight older Americans. More than 2.9 million elderly households with incomes of less than \$10,000 and few financial assets have high housing cost burdens. The affordability gap is particularly wide for 1.7 million of these households (7 percent of the U.S. elderly population), which pay more than half their income for housing. This combination of severe housing cost burdens and few resources is referred to here as *urgent*

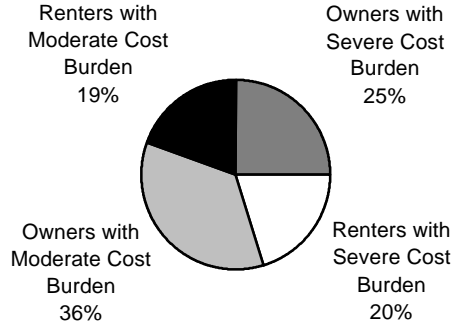
affordability needs.* Among low-income/low-asset elderly households, affordability problems are the norm and severe problems are more common than more moderate ones (see exhibit 31).



Elderly renters are three times more likely than homeowners to have severe housing affordability problems. Affordability problems are divided fairly evenly between elderly homeowners and renters, but their circumstances—and therefore the possible public responses—would seem to be quite different (see exhibit 32).

* Though similar in purpose, this term should not be confused with the *worst case* needs on which HUD reports to Congress. *Urgent* affordability needs apply to homeowners as well as renters, employ a different income standard, and consider households' financial assets as well. And, unlike worst case needs, urgent needs do not include households that have severely inadequate housing. Finally, worst case needs calculations define the elderly as householders age 65 or older, whereas this report (as noted earlier) uses age 62 as the lower age boundary.

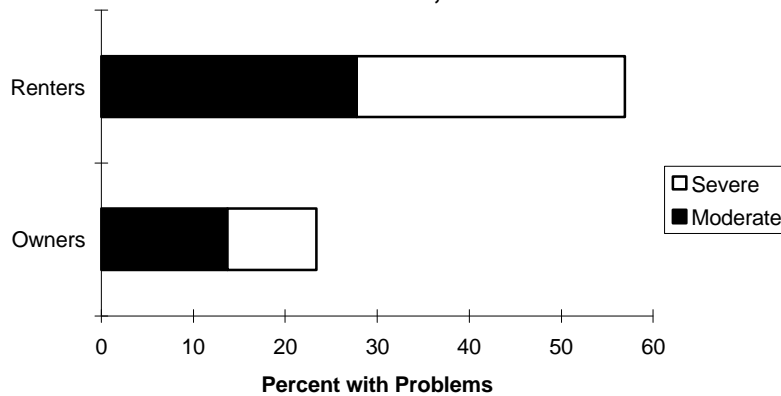
Exhibit 32
Distribution of Housing Cost Burdens by Tenure of
Elderly Householder, 1995



Source: HUD tabulations of American Housing Survey data

The majority of elderly renters cannot afford their current housing units, according to the AHS. Twenty-nine percent of renters have severe rent burdens; another 28 percent have moderate rent burdens (see exhibit 33). Severe burdens in particular are focused among the poorest renter households: Of the 1.5 million affected households, 43 percent have incomes under \$10,000 and no assets. Using a different definition (see note on previous page), HUD has estimated that slightly more than 1 million very low-income elderly renters have worst case needs for housing assistance.

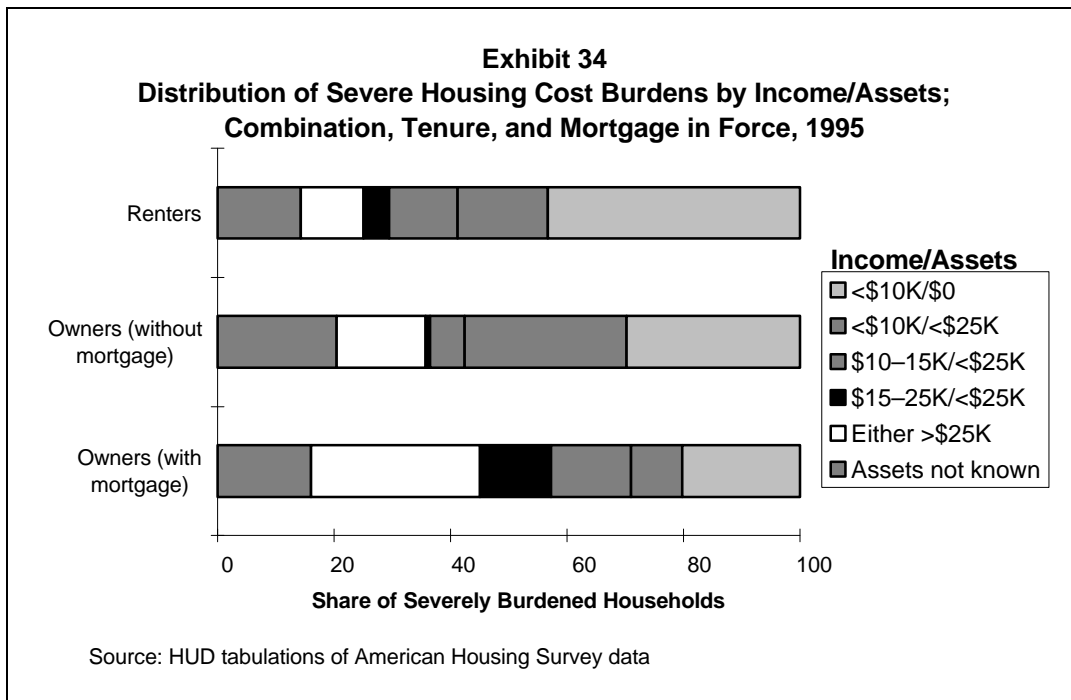
Exhibit 33
High Housing Cost Burdens of Elderly Households by
Tenure, 1995



Source: HUD tabulations of American Housing Survey data

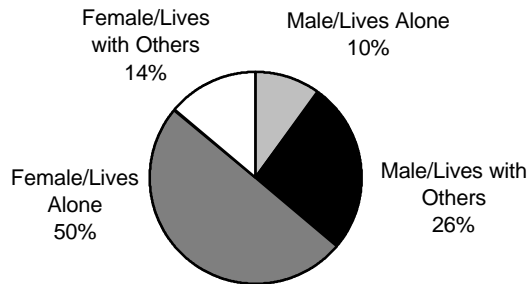
Half of all severely cost-burdened homeowners are among the 4.4 million elderly households trying to pay off a mortgage. Cost burdens are more common among these homeowners, but they also have higher incomes with which to address those burdens. Their affordability problems are spread fairly evenly along the income/asset spectrum: Only 29 percent of mortgage-paying owners spending more than half their income on housing have household incomes below \$10,000 (see exhibit 34).

The other half of severe housing cost burdens among homeowners affect households who own their homes free and clear, but report problems in dealing with the other cost components of ownership, such as utilities, taxes, and insurance. Not surprisingly, this group’s affordability woes are highly concentrated at the bottom of the income/asset scale: 60 percent of severe problems are encountered among households whose needs qualify as urgent. Interestingly, these households are more likely to have physical housing problems as well (perhaps because houses free of a mortgage tend to be older), although maintenance costs are not included in cost burden calculations.



Other demographic characteristics—age, race, gender, household type—of severely cost-burdened households are closely correlated with income disparities. The incidence of severe housing affordability problems increases with age, rising from about 13 percent among elderly householders age 62–74 to 20 percent of those age 85 and older. Two-thirds of senior households with these problems are women; two-thirds live alone (see exhibit 35).

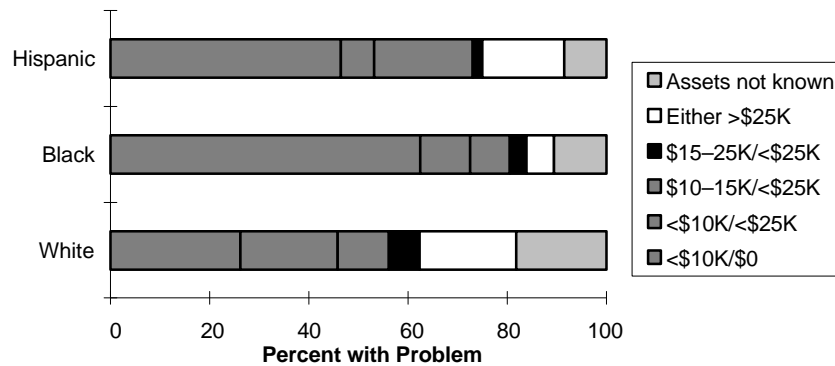
Exhibit 35
Distribution of Severe Housing Cost Burden by
Gender and Living Arrangements of Elderly
Householders, 1995



Source: HUD tabulations of American Housing Survey data

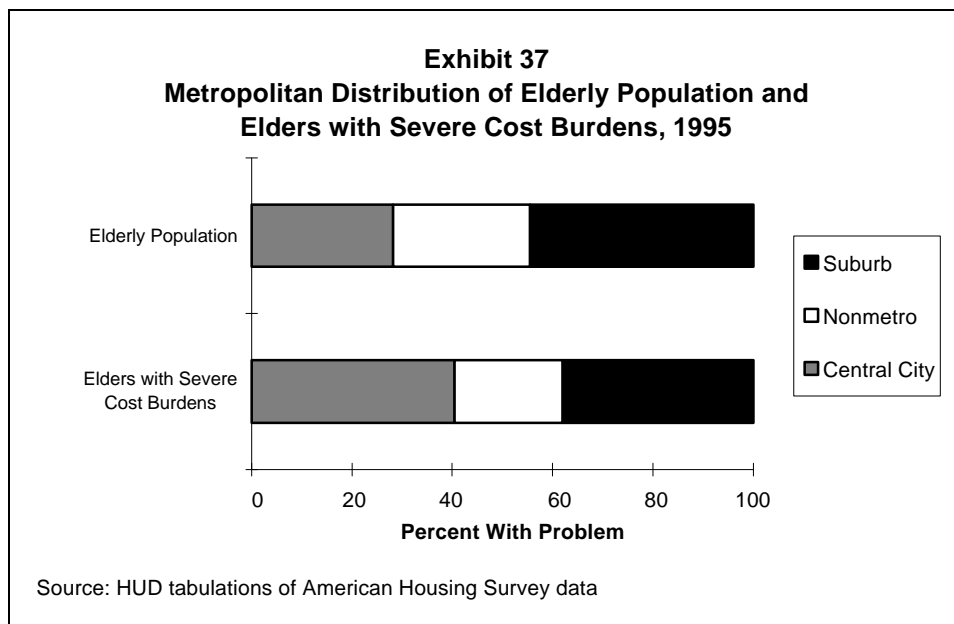
Whites make up three-fourths of severely cost-burdened households, but affordability problems among minorities are disproportionately concentrated among poorer households. More than 62 percent of black seniors with severe cost burdens, and 45 percent of their Hispanic peers, lack both income and assets to improve their housing situation, compared to only one-fourth of whites who bear very high housing costs (see exhibit 36).

Exhibit 36
Distribution of Severe Housing Cost Burdens by
Race/Ethnicity and Income/Assets of Elderly
Householders, 1995



Source: HUD tabulations of American Housing Survey data

Central cities have the highest incidence of elderly households with severe housing cost burdens (18 percent) and the largest number of low-income elderly households affected (687,000) (see exhibit 37).



Disability and Accessibility

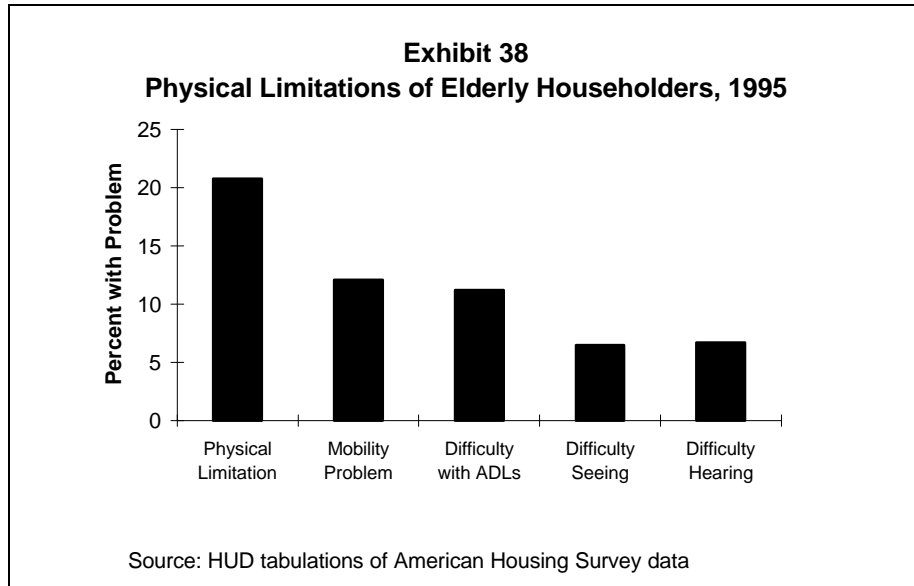
With the aging of the elderly population and the growth of a national commitment to helping older Americans age in place, promoting home modifications and supportive services to accommodate the limitations of increasing frailty has emerged as a major challenge for policymakers. Until now, efforts to gauge the true extent of this challenge have been hampered by the lack of consistent, reliable national data on the need for physical modifications and improvements that would enable more senior citizens to maintain their independence. In response, HUD supplemented the 1995 American Housing Survey with questions about the incidence of physical disabilities among the elderly and near-elderly, and about the need for modifications to owner-occupied and rental housing that would meet the functional needs of their residents. This section provides a first glimpse of these important data.

Disability Characteristics of the Elderly Population

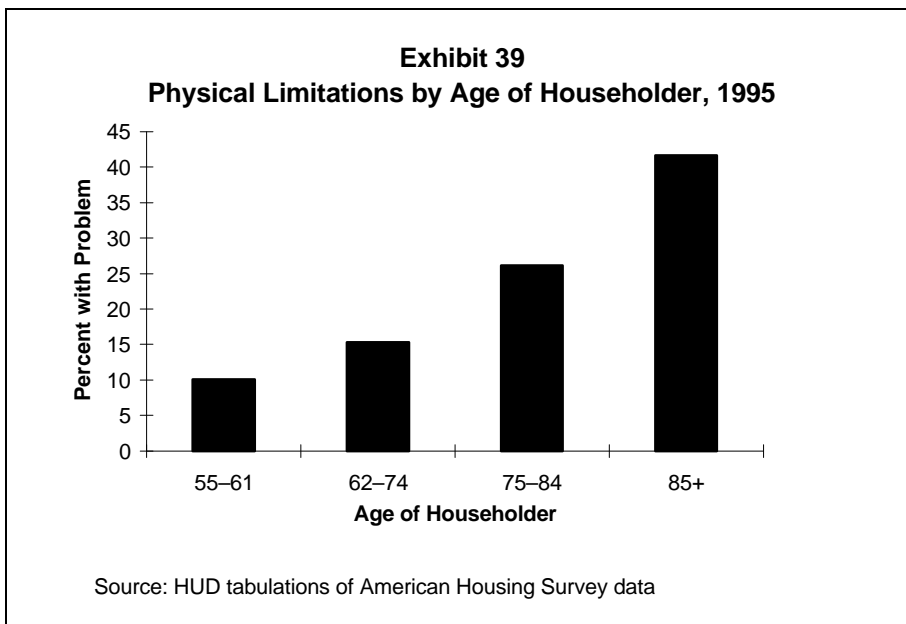
More than 5 million households headed by a person age 62 or older have at least one member with a physical limitation. Estimates of disabilities among the elderly vary widely. A Census Bureau survey undertaken at about the same time as the AHS found that 52 percent of Americans age 65 and older had some type of physical or mental disability. *

* Bureau of the Census, *Americans with Disabilities: 1994-95* (P70-61), September 1997.

Using a narrower definition of disability that excludes mental impairments, AHS data reveal that 20 percent of households age 62 and older report having someone with at least one physical limitation. These limitations include problems with mobility (reported by 12.1 percent of households), seeing (6.5 percent) or hearing (6.7 percent), or performing any of the basic activities of daily living (ADL, 11.2 percent), such as dressing and bathing oneself (see exhibit 38).



The incidence of physical limitations increases sharply among older elderly households. Only 1 in 10 households among the near-elderly claims any significant personal physical problems; the proportion increases to 4 in 10 households headed by a person age 85 years or older (see exhibit 39). Problems with ADLs also multiply with age, affecting only 8 percent of elderly householders under age 75 before rising to 25 percent of the oldest elderly.



The dynamics of disability along three specific socioeconomic variables have particular salience for housing policy. It is important, for example, to understand the distribution of physical limitations among *household types* because the type and urgency of assistance needed may depend on whether another person is present with whom daily activities may be shared. The *income/asset level* of affected households reflects their ability to pay for structural modifications or personal assistance that would compensate for physical limitations. And knowing the *tenure* of elderly households with physical limitations helps identify the dominant customer group for any public or private modification initiatives.

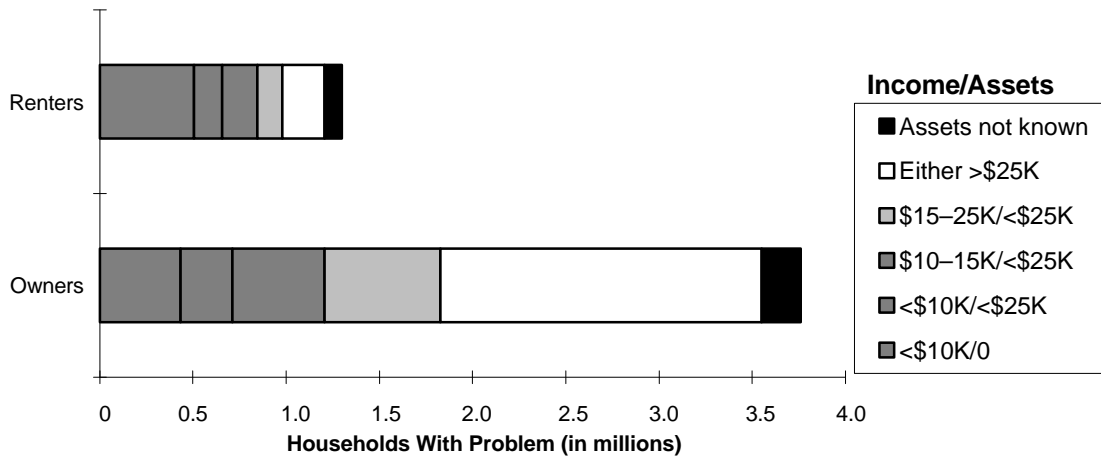
Almost 42 percent of elderly households reporting physical limitations (almost 3 million households) are composed of a single person living alone. This phenomenon is primarily one of later years: Approximately 70 percent of younger elderly households with disabilities have multiple members and therefore may be able to work cooperatively to compensate for frailties before they become debilitating.

About half of householders with physical limitations seem to have adequate economic resources to pay for at least some home modifications or compensating services. More than one-fourth of impaired households, however, have incomes under \$10,000 and few (if any) financial assets.

More affluent elderly households are slightly less likely to report having physical limitations in the first place.

Three-fourths of elderly households with physical limitations are homeowners. These 3.76 million elderly households have more responsibility for and control over modifications, and substantially more resources to undertake them. Limitations among renters are much more concentrated at lower incomes: 50 percent of elderly renters with physical limitations (approximately 650,000 households)—but only 18 percent of homeowners—have low income/asset levels (see exhibit 40).

Exhibit 40
Physical Limitations of Elderly Households by Tenure and Income/Assets
Combination, 1995

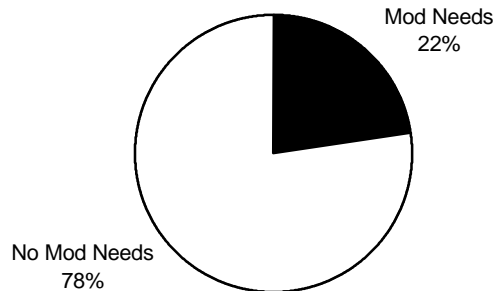


Source: HUD tabulations of American Housing Survey data

Accessibility of Elderly-Occupied Housing

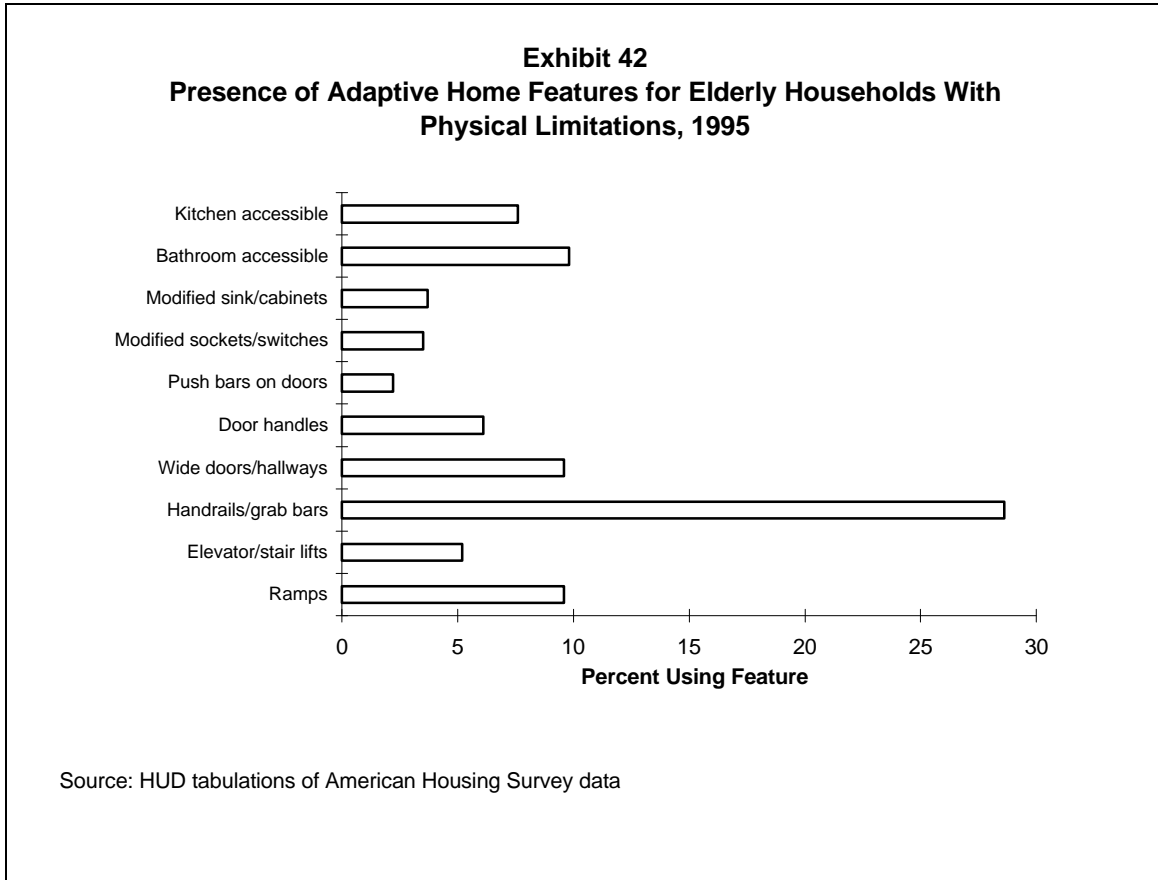
About 1.14 million elderly households (less than 5 percent of the elderly population) reported needing home modifications in 1995. Not all physical limitations require compensating structural modifications to the affected person’s dwelling. In fact, most seniors denied needing any changes in their homes’ features. Even among those who acknowledged at least one physical limitation, three-fourths said that their homes had no unmet needs for structural modifications (see exhibit 41).

Exhibit 41
Unmet Structural Modification Needs of Elderly
Households with Physical Limitations, 1995

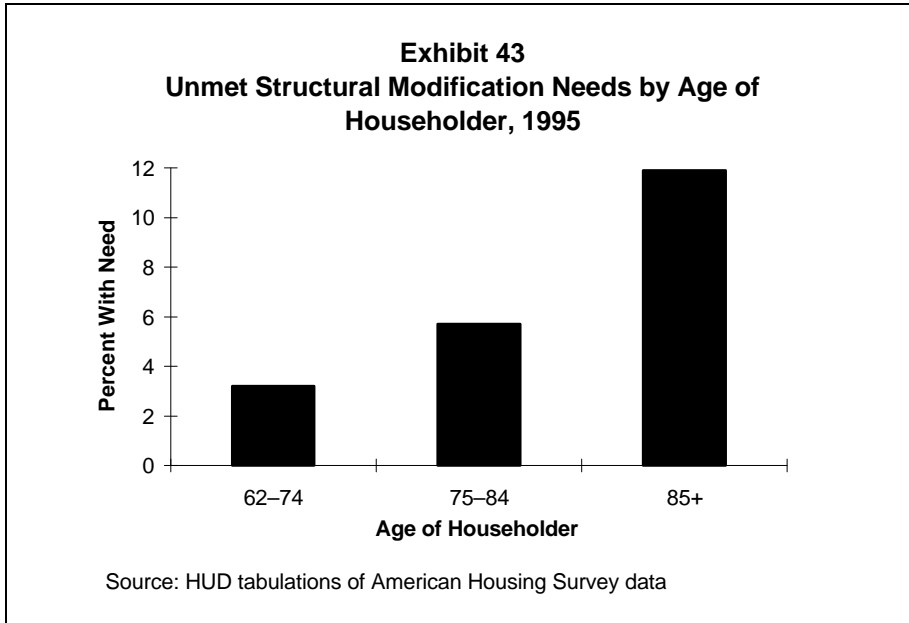


Source: HUD tabulations of American Housing Survey data

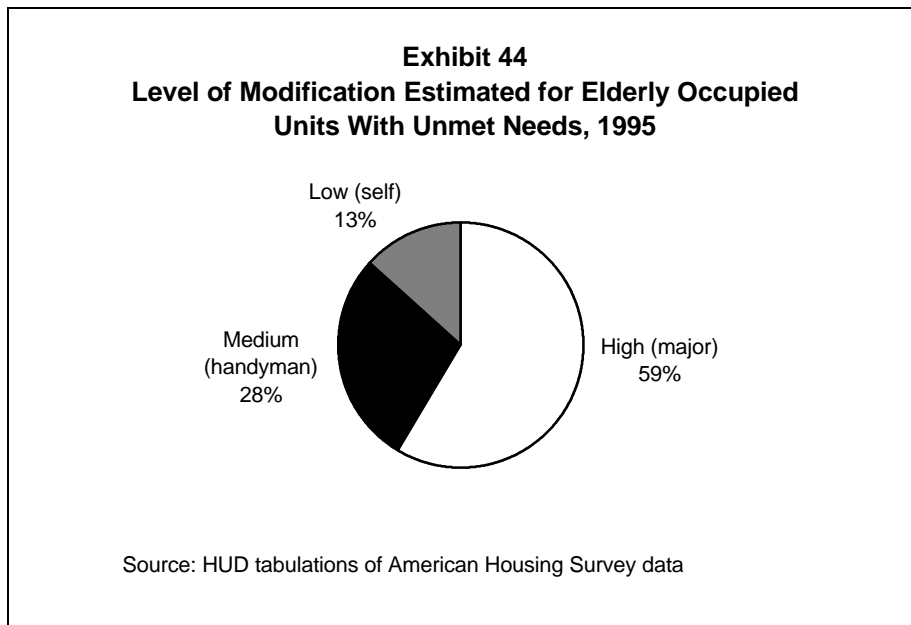
This finding is not necessarily an indication that most elderly occupied housing already boasts accessibility and functionality improvements. Of a roster of increasingly standard structural adaptations to mobility and ADL problems, only one—extra handrails or grab bars—currently appears in more than 10 percent of homes whose members report physical limitations (see exhibit 42).



Home modification needs are most common among older households, renters, and occupants of older and physically substandard units. Just as physical limitations increase with age, so does the need for home modifications to accommodate these infirmities. Twelve percent of households headed by a person age 85 years or older have unmet home modification needs, compared with only 3 percent of young elderly households (ages 62–74) (see exhibit 43).



Unmet modification needs vary with the age and condition of the housing unit as well. Nine percent of homes with existing physical problems also need functional modifications; only 4 percent of homes in otherwise good condition need such improvements.



Most seniors who have unmet modification needs estimate that their homes would require major rehabilitation or repair work. Approximately 670,000 homes, or 59 percent of elderly occupied units with unmet modification needs, needed major work to be restored to functional adequacy, as reported by their residents in 1995 (see exhibit 44). Do-it-yourself work would resolve only 13 percent of unmet modification needs. Only units built since 1980 have reduced modification requirements.

Condition of the HUD-Assisted Elderly Housing Stock

HUD works with State and local governments, housing authorities, nonprofit agencies, and private lenders and property owners to serve the diverse housing needs of older Americans. HUD's role is crucial: Without Federal assistance, additional millions of seniors would be paying unaffordable rents or living in substandard housing, crowded together with relatives, or forced into institutions or even homelessness.

HUD helps house-rich, cash-poor seniors gather the resources and assistance that will allow them to age in place. The Home Equity Conversion Mortgage program has enabled approximately 30,000 seniors to safely tap the equity in their homes to meet both emergency and ongoing expenses—without having to repay the mortgage as long as they live in their home. Flexible funding provided to States and localities through HUD's Community Development Block Grants, as well as the HOME Investment Partnerships program, is a mainstay of community-based efforts to rehabilitate and repair the houses of low-income elderly homeowners.

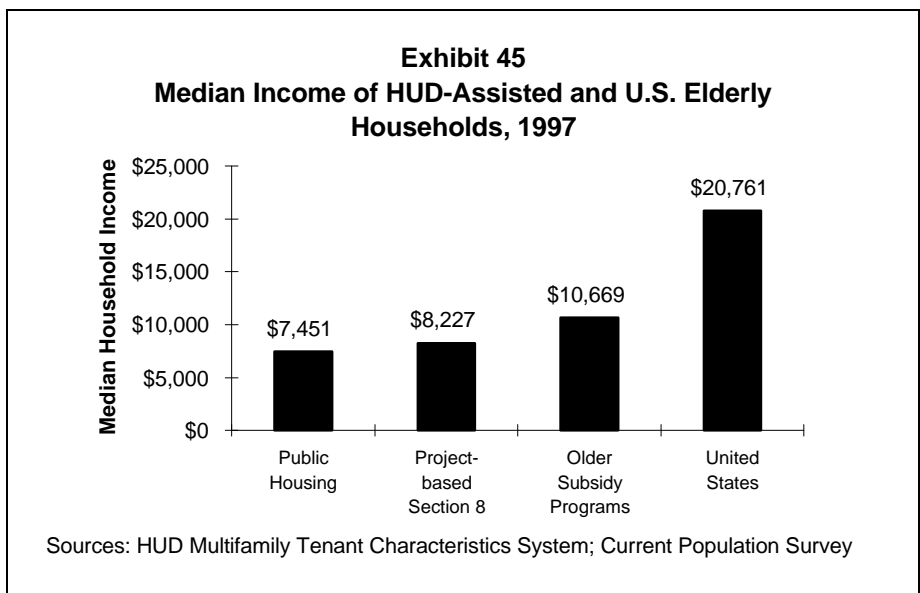
The primary direct Federal investments in housing America's elderly have focused on the urgent needs of low-income renters. As the preceding analysis confirms, these older households are among the Nation's most vulnerable: They lack the economic resources to compete for the limited supply of decent, low-cost rental housing while meeting other basic expenses. HUD assistance stands between many elderly renters and what one of their ancestors in the 1930s called the "stark terror of penniless, helpless old age."

HUD creates a range of affordable rental housing opportunities for older Americans through public housing, project- and tenant-based rental assistance, multifamily mortgage insurance and interest subsidies, and capital advances for the development of low-rent senior housing. This report focuses on the condition of the three largest single components of HUD-assisted rental housing for seniors: public and Indian housing; the subsidized multifamily housing stock; and Section 202, HUD's successful elderly housing production program. Together these programs provide housing security for an estimated 1.5 million senior households.

Public and Indian Housing

Households headed by a person age 62 or older are a significant part of the public housing population. In 1997 one-third of public housing's 1.32 million units were occupied by households headed by a person age 62 or older. A sizable percentage of these approximately 416,000 elderly households are in general-occupancy public housing. However, the majority live in developments where they, usually together with nonelderly disabled households, are the primary occupants. These projects include a limited number offering congregate services for the frail elderly.

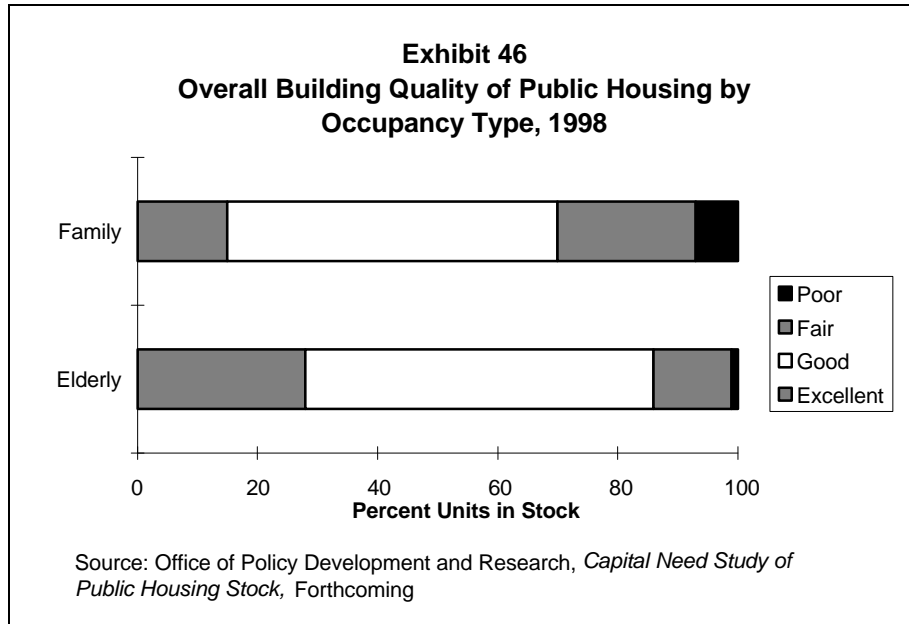
Public housing residents are older, poorer, and perhaps frailer than most elderly households. Fifteen percent of elderly public housing households are headed by someone over age 85, compared with about 9 percent of elderly households nationwide. Consistent with its longstanding mission of serving the poorest Americans, elderly residents of public housing have a median household income of only \$7,451, or 35 percent of the median for all U.S. elderly households (see exhibit 45).



According to HUD’s Multifamily Tenant Characteristics System (MTCS), 27 percent of elderly public housing residents have a disability. Although HUD includes mental disability in its definition for tenant certification purposes, it seems reasonable to compare this finding with the incidence of physical limitations cited in the AHS (that is, 20 percent of all elderly households). Certainly, the rapid growth of the frail elderly population has presented a formidable challenge for many public housing authorities. A significant share of residents of elderly housing projects today are longtime residents who have aged in place with their public housing communities, most of which were built in the 1960s and early 1970s. These older and frailer residents require increasingly intensive levels of personal assistance.

Preliminary data from a forthcoming study of the capital needs of the public housing stock indicate that the vast majority of elderly public housing is in very good condition and located in safe, pleasant neighborhoods. Public housing developments in which at least 40 percent of households are headed by a person age 62 or older, defined as *elderly* for the purposes of this analysis, are much less likely than family public housing to be afflicted by physical deterioration, neighborhood blight, or high crime. More than 90 percent of units in public housing developments for the elderly are in good repair, with maintenance/repair backlogs of less than \$5,000 per unit. Inspectors rated the overall quality of buildings in 86 percent of elderly housing projects as *good* or *excellent*, compared with 70 percent of family public housing units (see

exhibit 46). Almost 90 percent of elderly developments were located in neighborhoods judged to be *good* or *excellent*; the surroundings of only 4 percent of public housing for the elderly showed signs of drug or gang activity, compared with the vicinity of 30 percent of family public housing neighborhoods.



HUD-Subsidized Multifamily Housing

Elderly households occupy 44 percent of the units in HUD-assisted multifamily housing. For more than 30 years, HUD has encouraged private property owners to build, rehabilitate, and operate affordable rental housing through an array of programs that combine mortgage insurance with interest subsidies (as in Section 236) or that have project-based rental assistance (as in Section 8 New Construction/Substantial Rehabilitation).

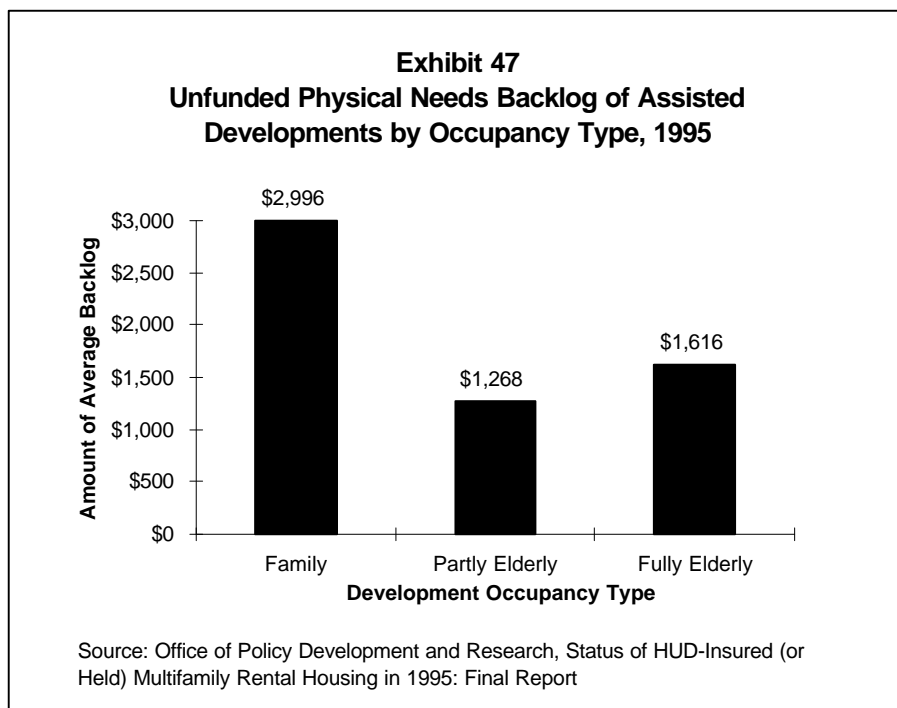
Data from the Department’s Tenant Rental Assistance and Certification System (TRACS), which contains information on residents of HUD-assisted projects, reveal that at least 760,000 elderly households lived in subsidized multifamily housing* in 1997. Elderly representation varies widely with the type of assistance: 60 percent of householders in Section 8 New Construction/Substantial Rehabilitation developments are senior citizens, while elderly households are only 20 percent of the population in properties subsidized under HUD’s older programs.

The seniors served by subsidized rental developments have slightly higher incomes than those in public housing, but still receive less than half of the national median income for elderly households. According to a recent HUD analysis of TRACS data, elderly tenants in developments receiving Section 8 project-based assistance had a median household income of

* In addition to project-based Section 8 assistance, projects included in this analysis may have been subsidized under one of HUD’s older subsidy programs, including Section 236, Section 8 Loan Management Set Aside (LMSA) or Property Disposition, Rental Assistance Program, Rent Supplement, and Property Disposition.

\$8,227 in 1997, about 40 percent of the national median income for elderly households. Elderly residents of non-Section 8 units in subsidized developments had a higher median income of \$10,669.

While a small but significant share of HUD-assisted multifamily properties show signs of increased physical needs, those intended for elderly populations are generally in better condition. A new analysis of the HUD-insured multifamily stock** in 1995 indicates that developments designed to aid a primarily elderly population are in better condition than other assisted properties. Developments featuring higher levels of elderly occupancy*** had lower average backlogs of repair and replacement needs and more financial reserves to correct them than family projects (see exhibit 47).



Current results from HUD’s recently inaugurated property inspection initiative confirm that, while a small portion of HUD stock has significant physical needs, the physical condition of most HUD-assisted and -insured multifamily housing stock is very good. Initial findings from inspections of almost 10,000 projects nationwide carried out through HUD’s Real Estate Assessment Center (REAC) indicate that 84 percent of assisted multifamily housing is in good or excellent shape.

The serious rehabilitation/modernization needs of many assisted properties in poor condition will be addressed soon through HUD’s Mark-to-Market program, which will restructure mortgages

** About 86 percent of the HUD-insured stock is also subsidized through project-based rental assistance or mortgage interest subsidies.

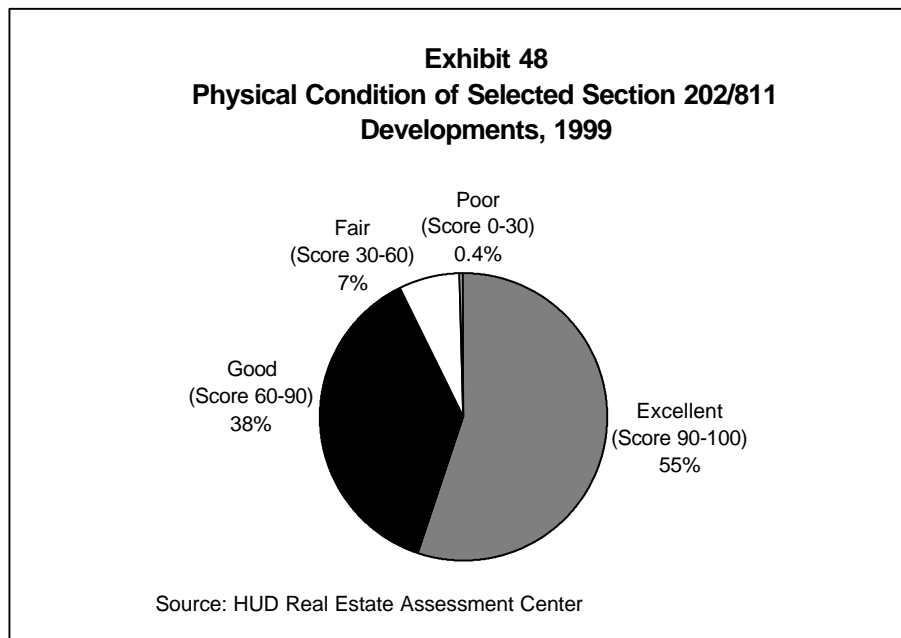
*** The “Partly Elderly” and “Fully Elderly” classifications used in HUD’s report does not reflect the actual age composition of a development’s residents, but instead commitments to a defined level of elderly occupancy made by its owners when entering into one of several HUD programs.

and reduce rents on insured and assisted properties that currently have above-market rents. As part of the Mark-to-Market process, owners must remedy their properties' physical needs as a condition of mortgage debt restructuring and continuing Section 8 assistance.

Section 202 Housing

Since 1959 Section 202 has supported the development of more than 350,000 units of affordable rental housing for elderly households. The first results from new inspections of a sample of the Section 202 stock suggest that the overwhelming majority of assisted properties are in good physical condition. For almost 40 years, Section 202 has been an important component of the Nation's strategy for expanding affordable housing opportunities for low-income, elderly renters. It is the only multifamily housing production program specifically targeted to serve older Americans and the first major housing initiative to turn to nonprofit organizations as project sponsors.

In the coming months, a wealth of important new information about the condition of Section 202 projects will become available as HUD's new REAC completes its first round of inspections of all Section 202 and other HUD-assisted properties. Initial results are encouraging: Of the first 2,689 Section 202 and Section 811 properties inspected, 93 percent were judged to be in good or excellent physical condition; less than 1 percent had severe physical problems (see exhibit 48).



Although this housing is believed to be in good condition, Section 202 managers face an emerging problem common to other forms of public and assisted housing for the elderly. Many residents who moved into their units as comparatively young and vigorous seniors have grown older with the housing. Newly admitted residents are also older today, with the average age in the late 70s in many cases. As a result, the average age of all Section 202 residents is now 80 and will continue

to rise. The Department estimates that 90 percent of resident householders are women living alone.*

The availability and scope of supportive services have been increasing to serve this aging population. In a 1988 survey of Section 202 projects, 27 percent reported providing some form of meal program or other supportive services for their residents. Today, half of all Section 202 projects have elderly service coordinators on staff to arrange for the delivery of a variety of supportive services by project staff or partners in the community.

Nonetheless, more fundamental changes are needed in some cases to continue serving the low-income elderly population that is aging in place, both in HUD-assisted housing and in the Nation at large. Without additional housing and supportive service options, such as assisted living, many of these older elderly persons may be forced to move into more restrictive, institutional settings. This issue is one of several facets of elderly housing need that will be addressed in the final section of this report.

* See HUD Notice H98-12, "Use of Section 202 Projects to Support Assisted Living for Frail Elderly and People with Disabilities" (February 23, 1998).

Meeting the Housing Needs of Older Americans

Principal Findings of This Report

Older Americans are the best housed citizens of a well-housed Nation. They can be justly proud of the homes they have created for themselves and their children. The majority of elderly householders lead vigorous lives in quality housing that is within their means and in neighborhoods that they like. When housing problems arise, most elders have the financial resources to address them.

But their struggle for a decent home and a life with dignity is not over, and our obligation to help them is not fully discharged. There are millions of households for whom the day-to-day economics and month-by-month housing situations of their working years have left their later years insecure. And millions more can see the possibility of their hard-won housing security slipping away, a casualty of declining health, dwindling wealth, a deteriorating home, or the death of a helpmate.

This report begins the work of describing the scale and dynamics of America's elderly housing needs. It uncovers serious challenges along each of the three key dimensions of housing conditions: adequacy, affordability, accessibility. Moreover, the findings of this report show that a fourth dimension—the appropriateness of senior housing—must be added to the continuing discussion of this issue.

Adequacy

Six percent of seniors (1.45 million households) live in housing units that need repair and/or rehabilitation. One-third of these households live in severely substandard dwellings that pose a threat to their safety and welfare.

These numbers, though imposing, also reflect the tremendous strides made in recent decades in a quiet crusade to eliminate dangerous and unsanitary housing conditions. It was not so many years ago that poor housing conditions were commonplace, particularly among the elderly. State and local governments and community-based nonprofit groups, with funding from CDBG, HOME, and other Federal programs, continue to work hard to ensure that no family is forced to live in blighted conditions. They know that more remains to be done.

The worst housing conditions affect homeowners and renters alike. However, homeowners are much more likely to have the financial resources to address their repair/rehabilitation needs. More than three-fourths of severely inadequate units (380,000) are owner occupied, but 40 percent of these homeowners have annual incomes or financial assets (or both) in excess of \$25,000. On the other hand, 55 percent of severely affected renters have incomes of less than \$10,000 and no assets—and thus little capacity to find better housing at market rents.

Partial, indirect data suggest that approximately 7 percent of public housing for the elderly and 7 percent of Section 202 housing may have at least moderate physical deficiencies.

Overall, the stock of HUD-assisted housing for the elderly seems to be in very good condition—markedly better, in fact, than assisted housing for nonelderly families and better than the market-

rate rental stock, in which physical problems are twice as common. However, such comparisons must be strongly qualified until the first consistent, nationwide physical inspection data on HUD-assisted housing, now being collected by REAC, become available in early 2000.

Ironically, overhousing may be a problem for up to 900,000 elderly households. These households endure high housing costs and/or low housing quality for much more housing than they need.

Affordability

High housing costs are the most widespread housing problem among older Americans.

More than 7.4 million households—30 percent of all elderly households—pay more than they can afford for housing.

Approximately 1.7 million elders with low incomes are in urgent need of affordable housing. These elders, who total 7 percent of all U.S. seniors, currently spend more than half their income on shelter and are almost equally divided between homeowners and renters. However, their circumstances are quite different.

The majority of elderly renters must pay too much for housing; the most desperate affordability gaps are concentrated among some 892,000 low-income/low-asset seniors whose rent consumes more than 50 percent of their incomes. HUD's most recent annual report to Congress on worst case needs places the number of very low-income elderly renter households with a severe rent burden at slightly more than 1 million. In the past, Congress has given households with such worst case housing needs the highest priority for Federal housing assistance. However, this requirement was recently repealed, leaving such priorities at the discretion of local public housing authorities.

HUD assists approximately 1.5 million elderly, low-income, renter households with public and assisted housing and tenant-based rental assistance designed to provide decent, safe, affordable housing opportunities. However, there simply is not enough of such housing assistance to go around.

America's 807,000 severely cost-burdened elderly homeowners are evenly divided between two groups: those who are still paying off a mortgage, and those who own their homes free and clear but report problems in meeting the other costs of ownership. Cost burdens are more common to the former group, but they also have higher incomes with which to address them. Not surprisingly, affordability woes among the latter are highly concentrated at the bottom of the income/asset scale: 60 percent of their severe problems are encountered among households whose needs qualify as urgent. Whether—and, if so, how—to assist owners who may be forced to give up their homes is one of elderly housing's thorniest policy problems.

Accessibility

Approximately 1.1 million elderly households report unmet needs for home modifications, but these are only a small percentage of the 20 percent of seniors who have physical limitations. The incidence of physical limitations—and of the need for modifications to address

them—increases sharply with age. One in eight households headed by a person age 85 or older needs functional modifications to their home. The demand for such changes is likely to increase in future years as older, frailer persons become a larger share of the elderly population.

There is a shortage of fully accessible housing in both the owner-occupied and, particularly, the rental stock. AHS data indicate that grab bars and handrails are the only universal design elements that have penetrated the housing market to any significant extent. HUD does not currently have data on the extent to which the senior housing it supports possesses key accessibility features. However, as a result of the Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973, HUD has implemented development regulations that ensure that most recently built, assisted properties offer fully accessible units.

Appropriateness

The findings of this report show clearly that a fourth dimension of elderly housing conditions—appropriateness—needs to be added to the three already explicitly considered here. The concept of appropriateness recognizes the incredible diversity of seniors’ housing and assistance needs. As a Nation, we are committed to ensuring that our elders are able to age in a setting that gives them maximum independence and dignity while safeguarding their safety and welfare. This means that elderly households must have access to flexible packages of housing and supportive services that are integrated and delivered in ways that give them the best opportunity to age in place.

In recent years, both the private and public sectors have begun to respond to the need for alternatives between no assistance and nursing home care. However, elderly housing opportunities too often remain fixed on these two poles of the eldercare continuum. In-home personal assistance and health care services are an increasingly available option for many households. And there has been explosive growth in the development of assisted living communities that provide a service-enriched residential environment where seniors can receive congregate and personal assistance services while retaining their essential independence.

However, as one elderly housing professional recently told *The Washington Post*, “There is an awful lot going on in the field of elderly housing, but most of it is on the high end of the business.” Options for low-income seniors who wish to age in place in their communities are often much more limited. Public, private, and nonprofit owners of HUD-assisted elderly housing have worked hard to bring supportive services into their conventional multifamily housing models through the use of service coordinators, for example. Nonetheless, there is mounting evidence that many of their increasingly frail residents have more comprehensive assistance needs that demand supportive environments such as those offered by assisted living. Without extending such options to lower income seniors, the number of households forced prematurely into institutional living will certainly increase.

Encouraging New and Innovative Approaches: HUD's Housing Security Plan for Older Americans

Just as we work to save Social Security, our Nation must also work to provide housing security for seniors. HUD scored a significant victory on this front in its new budget for Fiscal Year 2000, which includes elements of an innovative Housing Security Plan for Older Americans. This plan will help communities assemble and coordinate a comprehensive continuum of care to meet the changing housing and service needs of their elders.

This plan is in part the product of extensive consultation with experts in the field of elderly housing, including the American Association of Retired Persons, the American Association of Homes and Services for the Aging, B'nai B'rith, and other members of the Elderly Housing Coalition.

The administration's Housing Security Plan for Older Americans embodies three overarching goals:

- Help seniors remain in their own homes and connected to their families and communities.
- Expand affordable housing opportunities for lower income seniors.
- Improve the range and coordination of affordable housing and supportive service combinations available to seniors.

HUD will achieve these goals through the innovative new budget initiatives that fill gaps in the existing array of assistance, strengthen already successful programs to broaden their impact, and improve the flexibility of and coordination between funding sources in ways that facilitate the creation of a community-based continuum of care for elderly Americans. These measures are summarized briefly below.

Help Seniors Remain in Their Own Homes

As this report notes, almost 1 million elderly homeowners have serious home rehabilitation and modification needs that, if unmet, could force them to move or seriously diminish their quality of life. The first priority of the Housing Security Plan is to help such seniors remain in their own homes.

Traditionally, home rehabilitation and modification efforts have focused on providing direct grant and loan assistance to low- and moderate-income homeowners. The Housing Security Plan highlights another approach: helping elderly homeowners tap the equity in their homes without paying regular debt service or requiring an infusion of public assistance. HUD will **expand the successful Healthy Homes initiative** to focus on the needs of older homeowners, providing information on how to convert the equity in their own homes into funds for needed health and safety home improvements, including home rehabilitation loans, through HUD's reverse mortgage program.

Expand Affordable Housing Opportunities for Lower Income Seniors

This report has highlighted the significant unmet need for affordable rental housing for low-income elderly households. HUD's Housing Security Plan for Older Americans responds by including \$710 million for the highly successful **Section 202 Supportive Housing for the Elderly** program. This new funding will enable nonprofit owners to construct housing for more than 6,000 additional elderly households.

In addition, changes encouraged by the budget will expand the impact of this funding and the overall supply of affordable rental housing by making it possible for sponsors to **use Section 202 to assemble mixed-financing projects**. This measure will leverage a wider range of private funds for Section 202 projects through such mechanisms as Low-Income Housing Tax Credits (LIHTC) and State bond issues.

Other HUD initiatives will also promote better senior housing opportunities. For example, a portion of the 60,000 **"fair share" Section 8 vouchers** gained by the Administration will aid poor, elderly renters, many of whom have been "waiting in vain" on housing assistance waiting lists. Home rehabilitation and repair for elderly homeowners will be encouraged by new funding for the HOME program, while revitalization of Public Housing will be accomplished through expanded capital funding.

Improve the Range and Coordination of Housing/Service Combinations

For many aging seniors, the availability of social services where they live can make the difference between being able to live independently or having to live institutionally. The Housing Security Plan for Older Americans saves the higher costs associated with full-time elder services and healthcare in two ways: by transforming HUD's existing senior housing and by expanding current social services programs.

Included in the \$710 million for Section 202 described above is **\$50 million to convert some existing Section 202 housing units to assisted living** so these facilities can better meet the changing needs of their aging population. HUD is working with the U.S. Department of Health and Human Services (HHS) to ensure that necessary services are available for the residents of these buildings.

In addition, a change to current law was passed to allow vouchers to cover the rent portion of assisted living costs. Low-income seniors should not be locked out of assisted living facilities simply because a housing voucher issued by one Government agency cannot work in conjunction with Medicaid payments issued by another agency of the same Government.

Also included in the \$710 million for Section 202 is \$50 million to **significantly expand the successful Service Coordinator program** for the elderly, which benefits residents of HUD-assisted housing. By increasing funding, seniors will not have to leave their homes to obtain the supportive services they need.

Finally, effective partnerships with other Federal, State, and local entities will be essential in improving elderly housing conditions and enabling more seniors to remain in their homes. As part

of its Housing Security Plan for Older Americans, HUD is **collaborating with HHS to better integrate housing assistance with Medicaid funding for services.**

HUD believes that the elements of the Housing Security Plan for Older Americans directly address the principal findings of this report. New funding for Section 202 that can be used in mixed-finance projects is an innovative approach that promises to expand the supply of housing for the elderly at lower costs and with increased efficiency. It also offers opportunities for new partnerships with private industry and nonprofit organizations. Expanding the Service Coordinator program will facilitate increased services and onsite care by service providers.

The conversion of some Section 202 units for assisted living offers an opportunity to work in a more creative partnership with HHS, as well as to meet the needs of residents who are aging in place in older Section 202 buildings. Similarly, the proposal to use Section 8 in existing assisted living will promote the HHS partnership while meeting the immediate need of elders for assisted living, whether they currently reside in other assisted housing or their own homes.

Conclusion

The new initiatives presented in this report represent a first step in undertaking a comprehensive approach to serving the elderly—one that meets their need not just for housing, but also for the other services that ensure quality of life. But the road to true housing security for all seniors will be a long one and will require further steps as bold as any contemplated to date. In the coming years, lawmakers may be called upon to consider, for example, proposals that would:

- Expand the use of Section 8 vouchers to help low-income seniors meet the continuing costs of homeownership, or to enable families to use their rental property to house their elders affordably.
- Increase affordable housing opportunities for frail elders through funding that would assist public housing authorities and owners of project-based Section 8 properties in upgrading their facilities or converting some units to assisted living.
- Create a targeted tax credit that would help defray the costs of accessibility modifications needed to allow seniors to age in their own homes or with relatives.
- Find new ways of combining existing HUD insurance and subsidy programs to spur the development of new assisted living facilities affordable to the lowest income seniors.
- Help seniors who don't live in HUD-assisted housing remain in their homes by allowing Service Coordinators to serve income-eligible seniors in the neighborhoods where HUD properties are located.
- Improve further the coordination of housing assistance with other Federal health and social benefits for the elderly.

We look forward to working with Congress to develop additional housing and supportive service strategies that will fulfill what President Clinton has called “our generation’s historic responsibility to establish true security for 21st-century seniors.”