TESTIMONY

The Recession and Older Americans: Where Do We Go From Here?

Written Testimony of John Taylor, President & CEO

to the

Senate Committee on Health, Education, Labor and Pensions

Subcommittee on Primary Health and Aging

United States Senate

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NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

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As President and CEO of the 600 community-based organizations that make up the National Community Reinvestment Coalition, I thank the Subcommittee on Primary Health and Aging for the opportunity to submit written testimony on the economic security of older Americans in the aftermath of the Great Recession.

The National Community Reinvestment Coalition (NCRC) is committed to promoting fair lending and basic banking services for low- and middle-income communities. NCRC advances policies and programs designed to build and preserve wealth for economically vulnerable Americans. In 2010, NCRC launched National Neighbors Silver, a multi-year initiative to promote affordable, accessible and fair housing for older adults through organizing, advocacy, direct service and outreach.

NCRC urges the committee to examine current housing trends as it considers policy opportunities to enhance financial security for today's seniors and future retirees. The 2007 collapse of the housing market diminished economic stability for older Americans across the income spectrum, among both homeowners and renters.

We believe that housing is at the core of building and maintaining economic security for elders. Today more than 13 million older adults are living on the edge – with incomes less than $22,000 per year.[1] Research shows that increasing housing costs are one of the three primary contributors of rising economic insecurity among older adults.[2] As such, ensuring that today's seniors and future generations are able to age in place requires affordable, accessible and fair housing options. My testimony will shed light on the silent housing crisis that plagues our aging communities and undermines the economic security of low- and middle-income older Americans.

Older homeowners suffer from lost value, cost burden and risk of foreclosure.

[1] National Council on Aging (2011) "Economic Security: Fact Sheet" (NCOA: Washington, DC)
[2] Meschede, T., Sullivan, L., Shapiro, T. (2011) "From Bad to Worse: Senior Economic Insecurity on the Rise" (Institute for Assets and Social Policy: Boston, MA).

Due to diminished home value and increased cost burden, the era of homeownership as a hallmark of retirement security is no more. Lost home equity is a trademark of the recession, affecting many older Americans. In today's economic climate, regardless of mortgage status, seniors experience burdensome housing costs as a result of diminished incomes, utility expenses, property taxes, the need for home maintenance or all of these. Among the most vulnerable are older adults at risk for delinquency or foreclosure. In sum, the recession disturbed both the wealth of older homeowners and their ability to afford basic needs.

Prior to the Great Recession, older adults and their families could depend on home equity in the event of catastrophic costs or to supplement fixed incomes in retirement. Americans of all ages counted on the conventional wisdom that the home would be a source of income when necessary.[3] Recent analysis shows that 10.9 million homeowners (22.5 percent) with a mortgage have negative equity in their homes.[4] And older adults are among those most affected. In fact, according to a recent study by the Federal Reserve Board, this age group experienced more loss in wealth than their younger counterparts. Median loss of wealth among those ages 55-64 totaled $13,700 between 2007-2009. The report states, "Declines in home equity were an important driver of decreases in wealth."[5]

Research further illustrates that housing costs are generally lower for those who own a home outright as opposed to renting or paying a mortgage, creating greater economic stability in retirement.[6] Yet, new research by AARP demonstrates that housing cost burden, defined as spending more than 30% of one's income on housing, persists among homeowners with no mortgage, particularly those who are low-income. In 2009, 49% of these owners (age 50+) with incomes just under $23,000 experienced housing cost burden.[7]

The trends are far worse for older homeowners still paying a mortgage. AARP states, "As of 2009… For many, a higher rate reset in an adjustable-rate mortgage, an increase in energy costs, or a reduction in income became triggers that made a once affordable home unaffordable." Among adults age 65 and older, 67% of those still paying a mortgage were housing burdened. This reality is far more disturbing for older Americans with low-incomes. For those with annual incomes under about $23,000 who were still paying a mortgage, 96% experienced housing cost burden.[8] And for this population the risk of foreclosure looms large.

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[3] Carr, J. H., Anacker, K.B. and M.L. Mulcahy (2011) "The Foreclosure Crisis and Its Impact on Communities of Color: Research and Solutions." (National Community Reinvestment Coalition: Washington, DC)

[4] CoreLogic (2011) "New CoreLogic® Data Reveals Q2 Negative Equity Declines in Hardest Hit Markets and 8 Million Negative Equity Borrowers Have Above Market Rates" (CoreLogic: Santa Ana, CA).

[5] Bricker, J., Bucks, B., Kennickell, A., Mach, T. and K. Moore (2011) "Surveying the Aftermath of the Storm: Changes in Family Finances from 2007 to 2009" (Board of Governors, Federal Reserve System: Washington, DC)

[6] Wider Opportunities for Women and the Gerontology Institute at the University of Massachusetts Boston (2006) "The WOW GI National Elder Economic Security Standard: A Methodology to Determine Economic Security for Elders" (Wider Opportunities for Women: Washington, DC)

[7] Harrell, R. (2011) "Housing for Older Adults: The Impacts of the Recession." (AARP: Washington, DC)

[8] Harrell, R. (2011) "Housing for Older Adults: The Impacts of the Recession." (AARP: Washington, DC)

A recent white paper released by NCRC reports that 10.5 million properties went into foreclosure between January 2007 and May 2011. The total equity lost to families as a result of this foreclosure crisis is estimated at $5.6 trillion.[9] Limited data is currently available on how foreclosure directly affects the older population. We know that close to 50,000 homeowners age 50+ were in foreclosure at the end of 2007 and nearly 636,000 were under water in their homes.[10]

We anticipate that the number of older adults affected by foreclosure increased during the recession's slump. Loss of the home is detrimental to the economic security of older adults. For those unable to afford housing, homelessness, nursing home placement or reliance on community networks are the only remaining options – further stretching American families and available resources.

Housing costs and lack of affordable options lead to economic insecurity for older renters. Older renters also suffered as a result of the Great Recession. High housing costs coupled with lack of affordable housing contribute to a difficult market for senior renters. Like older homeowners, those who rent face significant housing cost burden. According to AARP, "As of 2009, 28 percent of renters age 50+ *use at least half* of their income for housing."[11] For older adults living on fixed incomes, high housing costs means little income remains for covering the cost of basic needs – including food, health care, transportation and other essentials.

Analysis by Wider Opportunities for Women (WOW) demonstrates that low-income older adults who lack access to subsidized housing assistance struggle to meet a level of basic economic security – despite receipt of benefits to cover health care, food and other costs.[12] Today, over two million low- and middle-income seniors rely on subsidized housing. Yet, the need for affordable senior housing far exceeds what is available.[13]

The Section 202 Housing for the Elderly (Section 202) operated by the Department of Housing and Urban Development (HUD) offers a clear example of this trend. Section 202 is one of five assisted housing programs designated for older adults and provides the largest share of HUD housing available to this population. A 2006 study suggests that about ten older adults are on waiting lists for every single unit of subsidized housing that becomes available through the Section 202.[14] Nearly 263,000 Section 202 units are currently available to older adults.[15] As a

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[9] Carr, J. H., Anacker, K.B. and M.L. Mulcahy (2011) "The Foreclosure Crisis and Its Impact on Communities of Color: Research and Solutions." (National Community Reinvestment Coalition: Washington, DC)
[10] Harrell, R. (2011) "Housing for Older Adults: The Impacts of the Recession." (AARP: Washington, DC)
[11] Harrell, R. (2011) "Housing for Older Adults: The Impacts of the Recession." (AARP: Washington, DC)
[12] Wider Opportunities for Women (2008; 2009; 2010; 2011) "Elders Living on the Edge" Series for CA, PA, IL, WI, MN, CT, NJ, MI, NY, WV, NM, CO and IA. (Wider Opportunities for Women: Washington, DC)
[13] Minnix, L. (2011) "Written Testimony for the Record to the Senate Special Committee on Aging on the Older Americans Act Reauthorization." (LeadingAge: Washington, DC)
[14] National Low-Income Housing Coalition (2011) "2011 Advocates' Guide" (NLIHC: Washington, DC)

result of available funding, Section 202 has produced less than 4,000 units per year – far less than the 10,000 per year suggested by HUD each year for the next 10-15 years to meet the growing need.[16]

Older adults are disproportionately vulnerable to lending and housing discrimination. In times of economic stress and financial hardship, the threat of fraud and discrimination becomes more pronounced. Older consumers are often targeted with predatory and toxic financial services tied to refinancing, reverse mortgages and other housing products. Seniors are at increased risk for financial abuse due to the perception that they are more likely to have access to home equity or other forms of wealth. In addition, older adults are more vulnerable as a result of social isolation and lack of knowledge on the prevalence of scams and targeted discrimination.

A 2003 NCRC report illustrates that older adults and communities of color were direct targets of abusive lending and pricing disparities in an analysis of subprime lending in ten metropolitan areas. After accounting for creditworthiness and housing market characteristics, neighborhoods with large percentages of older adults were more likely than communities with a lower proportion of older adults to receive high cost loans. The reality that we reported then remains true in today's economy: "The disproportionate amount of subprime refinance lending in predominantly elderly neighborhoods imperils the stability of long-term wealth in communities and the possibilities of the elderly passing their wealth to the next generation." [17]

To prepare for an aging population, we must prioritize housing needs. We expect that the housing trends shared in this testimony will worsen, particularly given the expected growth of the aging population. By 2030, the number of older Americans is expected to grow from 35 million to 72 million, comprising nearly 20 percent of the total U.S. population.[18] Increasing reliance on Social Security benefits, the shrinking availability of private pensions and recent losses to individual retirement accounts resulting from the recession will likely lead to mounting economic vulnerability among the growing generation of older Americans. In light of this stark reality, solutions that increase the availability of affordable, accessible and fair housing for older adults must be pursued. **To this end, NCRC recommends the following:**

- **Restore Housing Counseling Funding in the FY2012 Budget.** Supported by HUD, housing counseling services help individuals navigate a complicated market on topics ranging from mortgage delinquency and default resolution to accessing safe reverse mortgages. Housing counseling has proved a critical resource during the foreclosure crisis and must be

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[15] Perl, L. (2010) "Section 202 and Other HUD Rental Housing Programs for Low-Income Elderly Residents." (Congressional Research Service: Washington, DC)
[16] National Low-Income Housing Coalition, "2011 Advocates' Guide" (NLIHC: Washington, DC)
[17] National Community Reinvestment Coalition (2003) "The Broken Credit System: Discrimination and Unequal Access to Affordable Loans by Race and Age." (NCRC: Washington, DC)
[18] Federal Interagency Forum on Aging-Related Statistics (2011) "Older Americans 2010: Key Indicators of Well-Being" (Federal Interagency Forum on Aging-Related Statistics: Washington, DC)

maintained. The $88 million dollars devoted to these services must be restored in the FY2012 budget.

- **Protect Affordable Housing for Older Americans.** Seniors' access to affordable housing units is at risk in ongoing debt negotiations. Housing programs operated by HUD and other federal agencies are further threatened in the event of sequestration should the Joint Committee on Deficit Reduction fail to meet its established goals. Affordable housing programs should be funded at no less than FY2010 levels to ensure an appropriate stock of affordable housing is available for today and for future generations of older adults.

- **Expedite Database Development on Foreclosure Trends and HMDA Enhancements.** One charge of the newly developed Consumer Financial Protection Bureau (CFPB) and HUD involves the development of a database allowing the public to track foreclosure trends by census tract. Database development should be accelerated to better understand the affects of foreclosure in census tracts with concentrations of older adults in the aftermath of the Great Recession. In addition, the CFPB is responsible for enhancing the Home Mortgage Disclosure Act (HMDA) to include the age of the borrower as well as more information on loan terms and conditions. The CFPB should expeditiously propose changes to HMDA so that researchers, agencies, stakeholders and the general public can track whether older Americans continue to receive loans with onerous terms and conditions.

- **Establish "elderliness" or "older Americans" a Protected Class of the Fair Housing Act (Title VIII).** To date, no federal protections against discrimination on the basis of age exist in the fair housing or fair lending arena. Federal acknowledgement of older adults as a protected class will strengthen the ability of local advocates and service providers to protect seniors from financial abuses tied to housing.

- **Reconvene a Bi-Partisan Commission to Explore Senior Housing Trends.** In 2002, the Commission on Affordable Housing and Health Facility Needs for Seniors in the 21st Century released a summative analysis on the nation's growing aging population and the lack of affordable housing, *A Quiet Crisis in America*. The affect of the Great Recession on housing for older adults has likely worsened this quiet crisis. We recommend establishing a bi-partisan commission to re-examine senior housing trends to both increase the visibility of this crisis and to devise cost-effective solutions for the long-term. This bi-partisan commission should assess how cost burdens for older renters and homeowners can be most effectively addressed with either demand-side interventions (more Section 8 vouchers) and/or supply-side interventions (increasing the supply of affordable renter housing, for example through construction of Section 202 units).

The policy recommendations shared above represent critical steps forward for the short-term. In partnership with national allies and community partners – in both the private and public sectors –

NCRC will develop a comprehensive national agenda to promote affordable, accessible and fair housing for older adults today and into the future.

America in the 21st century must show that it is committed to preserving the quality of life of those citizens who have fought our wars, built our economy and paved the way for future generations of Americans to enjoy this great country. One measure of a great country is in how it protects and insures the safety, security and quality of life of those who have sacrificed their lives to do the same for the rest of their fellow citizens. Our seniors should be referred, respected and cherished.

In closing, I thank you for the opportunity provide written testimony and look forward to working with you to build economic security and opportunity for our nation’s elders.