

Housing and the American Dream

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America today is confronting several housing challenges. We are facing a mortgage lending crisis that is forcing people out of their homes. In Massachusetts, seniors are having difficulty staying in their homes because of the rising cost of property taxes relative to their fixed incomes. And in towns like Sudbury and Wayland, we lack sufficient affordable housing that would allow seniors to remain in town and young professionals and town employees to move in. The bright side is that there are some potential solutions to these challenges.

Let's start with seniors, and a story. I grew up with four brothers, and when I was about ten years old my parents realized the American dream: they bought a house, the first one we lived in that was big enough for their five boys.

About ten years ago, with us boys out of the house and my parents in the empty nest, my father was on the verge of retirement at age 65. The second mortgage on the house, the proceeds of which my parents used to send all five of us to college, was about 80% paid off. Property taxes in the town continued to rise. So if my father retired, my parents would have a cash flow problem: the mortgage payments would become a huge financial burden. Having lived in the town for over thirty years, they didn't want to move. Downsizing was not a real option because the demand in town for smaller homes far exceeded supply. I offered an idea: a reverse mortgage.

Reverse mortgages are a relatively new financial instrument. Most people understand the idea: you want extra cash flow, to supplement social security or retirement savings, and a bank "buys back" the home by reversing places with the homeowner. The bank pays the equivalent of principle and interest to the homeowner, and gradually increases its equity in the home. The homeowners' new stream of cash flows allows them to enjoy retirement without feeling financially strapped.

Throughout the US, over 80% of seniors own their homes. Homeowners hold over \$3 trillion in equity in their homes, the average being about \$140,000, but surely in Massachusetts that average is higher, given the value of housing here.

My parents did not like the idea of a reverse mortgage, but didn't quite articulate reasons why. Last year, I heard similar comments while running door-to-door during the state representative election campaign. I asked seniors who were facing higher property taxes about reverse mortgages, and heard "I just couldn't do that", or "I've lived in this house for the past thirty years." Similarly, in meeting with seniors this year, the idea has received a cold reception.

I suspect there are a couple of reasons for this distrust of reverse mortgages. Many people are not familiar with the concept or the details. For more information, check the

www.hud.gov or www.aarp.org websites. Others fear outliving the reverse mortgage. Yet, the AARP calculator says that a reverse mortgage on a fully-owned \$500,000 home for married 70 year olds could yield as much as \$1,300 per month in payments to the homeowners for as long as they live. It may be worth checking out what a reverse mortgage could do for you.

Another answer to the housing challenges we face is smaller and/or more affordable houses in our towns. A great model for affordable housing can be found in Wayland, with the proposed Nike site development, which has several praiseworthy characteristics.

First, the proposed housing structures and design fit appropriately into the character of the town. Second, the development would preserve about ten acres of open space, and connect to the Bay Circuit walking trail. Third, the housing would be constructed with photovoltaic panels that will save future homeowners over \$1,000 per year in energy costs. Fourth, the development is about as close to smart growth as we can get in Wayland, with a short drive to the

Lincoln commuter rail station. Fifth, there is strong demand for the housing, with over 180 Wayland residents signed up on the waiting list. Sixth, the development team has a proven track record of completing successful, affordable housing projects throughout the state. Lastly, and quite importantly, the proposed Nike site development has received wide-ranging support from the Wayland community, and deserves our continued support next month during a vote at the special town meeting on November 8.

To alleviate property tax pressure, seniors could also benefit from expanded circuit breaker relief. Last week I attended a conference that outlined creative ideas on the topic, some of which are worth exploring as improvements to circuit breaker bills that I have already cosponsored in the legislature.

Meanwhile, the mortgage foreclosure crisis is very real. Families are being evicted. Foreclosures are collapsing housing values in entire neighborhoods. Capitalism says that some people have forgotten - in their pursuit of the American dream - about caveat emptor, buyer beware: when paying for something as expensive as a house, you need to take your time and check the small print. Public policy says that crooked mortgage brokers should be prosecuted. Moreover, the scams should be prevented from recurring. Last week I voted with the State House of Representatives to approve a bill that would provide education for prospective homeowners, and licensing requirements for mortgage brokers. Also last week, the Attorney General launched an effort to tighten regulations over mortgage brokers and is seeking to prosecute the bad ones that haven't already dissolved in the shadows.

Please let me know if I can help you with a housing issue or if you have other ideas about how to address the challenges we're facing on housing. In the meantime, I'll continue to work hard helping others achieve part of the American dream.