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INTRODUCTION:

This conference brings together North Carolinians from around the State to discuss "New Initiatives in Aging."

You have heard from a number of distinguished professionals in the field of aging, including two very knowledgeable and dedicated Capitol Hill staffers, Bill Oriol and Louise Bracknell representing the Senate and House Committees on Aging. Those two committees, under the dynamic leadership of their chairmen, Senator Frank Church and Congressman Claude Pepper, have done so much to draw national attention to the plight of so many of our elderly and to mobilize support for constructive and imaginative solutions. And it is staff people like Bill and Louise who help bring those solutions to fruition. They are the exact opposite of what probably prevails as the popular image of a government employee. They have no job security. They have no plush offices. And you can bet your life they don't walk out the door at 5 p.m. every afternoon. They are in their jobs because of personal conviction and a desire to serve. They are there - far more out of a desire to give - than from any expectation of what they will get in return. It is that sense of purpose - of mission - if you will -- which has characterized the work of the Aging Committees - and which also motivates so many people involved in the field of aging here in our own State.

New Initiatives in Housing for the Elderly

I want to discuss today some new initiatives in Housing for the elderly, by reporting on some of the recent activities and future plans of one of my own committees, the Senate Committee on Banking, Housing and Urban Affairs. Clearly there are few areas in which new initiatives are more badly needed, than in housing.

Cost of Housing:

Let's consider the dimensions of the problem. It is the legally declared policy of the United States that all Americans are entitled to decent shelter. Yet anyone who travels to rural areas of our own State and around the country, and to our nation's cities, knows how short we fall of meeting that national goal.

In rural areas, many elderly people live in isolated and decaying homes they can no longer physically or financially maintain. In cities, many become virtual prisoners in rundown apartment buildings or hotels - subsisting in the most meager surroundings -- and becoming easy victims for crime.

As <u>housing costs</u> soar, the problem grows worse. The most recent available estimates show that:

-- the median income of older persons living alone or with non-relatives is $3,495.

-- one-seventh of the nation's elderly -- or more than 3 million older Americans -- live in households with incomes below the applicable official poverty line.

-- Seventeen percent of elderly families live on an an income less then that established by the Bureau of Labor Statistics for a lower-budget retired couple in an urban area. That budget includes only about $135.00 per month for housing costs.

It doesn't require a great deal of imagination to know how very difficult it would be to live adequately on that kind of money.

Yet housing is a growing problem -- not just for the elderly poor -- but also for those older people who have been comfortably off during their working years.

Rising energy costs have had a devastating effect on many older Americans. During 1976, depending on their region of the of the country, low-income elderly people spent between 16 and 27 percent of their disposable income on energy for their homes. Testimony from the Federal Energy Administration for the first quarter of 1977, indicated that many elderly spent a full half of their disposable income on fuel bills.

Inflation, too, eats away at the ability of even the comfortable elderly to maintain an adequate retirement standard of living. With inflation seemingly becoming a permanent part of our economy -- and, currently running at a double-digit rate, it doesn't take long for accumulated life savings -- or the proceeds from the sale of a life-long home - to dwindle.

Inflation, thus victimizes the elderly on fixed-income, just as surely and as cruelly as the robbers and muggers who prey upon so many elderly in our nation's cities.

Availability of Housing:

But housing costs are only part of the overall difficulty. The availability of suitable housing is also a growing problem. The frail elderly have obvious special housing needs.

The Senate Committee on Aging has estimated that upwards of 200,000 frail and impaired older persons each year would choose to live in congregate housing if it were available -- offering meal service, housekeeping aid, personal assistance and other services necessary to maintain independence and dignity.

Congregate Housing:

I'd like to examine this concept of congregate housing with you, because I believe it constitutes an important new initiative in housing for the elderly - one with tremendous potential benefit both for older Americans and for our society as a whole.

Like so many things in government, however, it seems to me we've named the concept very badly. Congregate housing has also been called "service-supplemented shelter" - but I believe it is best and most simply thought of as "Housing with Helps."

This is housing in which elderly persons who live in close proximity, such as in a low-rent complex, are not only housed but are also offered food and other services on a subsidized basis.

If this sounds like the start of some new social program which will require millions to administer, you are wrong. It may even be a way to save some tax money. The idea is to keep the elderly out of nursing homes.

Last year the country spent over $4 billion on Medicaid, which represents government assistance to those who are ill and unable to pay.

About 40 percent of that went to nursing homes, where those who couldn't care for themselves were placed. In a great many cases, there was no where else they could be cared for.

But the General Accounting Office, the investigating agency of Congress, has done a study and says that perhaps 25 percent of those placed in nursing homes did not really need all that extensive care. Other studies place the figure at 40 percent.

With hot food and everyday care available, they could have gotten along just fine at home. And at far less cost.

Studies which have been made by responsible authorities say that a person can be properly taken care of in congregate housing for 58 percent less than it costs to keep the individual in a nursing home.

The problem goes beyond nursing homes. The Department of Health, Education and Welfare estimates that 100,000 of the 700,000 patients in acute care hospitals do not have to be there; but they are, at an unnecessary cost of about $2.6 billion a year.

Patients at such hospitals often stay on simply because there is no place for them elsewhere.

Congregate housing -- or "housing with helps" -- can help provide an alternative.

The idea has been developing for some time. In 1970, the Congress passed legislation to encourage the development of congregate housing. But it has been slow to catch on and it is still waiting to be implemented. Now the Senate has voted to give congregate housing a trial.

It has authorized the Department of Housing and Urban Development to enter into contracts to provide the services needed for congregate housing. The contracts would be with public housing agencies or with private, non-profit organizations who have built housing for the elderly or handicapped.

The Senate took great care to hold down the costs of the program and will authorize $20 million for it in fiscal 1979, which starts October 1. It also said that HUD may not fund any service which is available within a community and that tenants will be required to pay what they can afford.

The $20 million, of course, is but a small fraction of the $4 billion spent on Medicaid. If it works, it should decrease nursing home costs to the federal government.

Saving money in this way will become increasingly important as we experience what has been called the "greying" of America.

Between now and the year 2000, the percentage of older persons more than 75 years of age will increase from 38 percent to 45 percent of the total population over age 65.

Unless viable, workable alternatives are found, it is clear growing numbers of such people will probably be forced into costly and premature institutionalization in nursing homes, hospitals, and other medical facilities.

I strongly supported congregate housing in the Senate Banking and Housing Committee, because I believe it is fiscally sound and also because I believe that there are many of our frail and our elderly, now confined in nursing homes, who could be leading happier lives with just a little help. They are not helpless, and with some assistance they can remain independent within residences of their own.

The Housing and Community Development Act of 1978, which contains the congregate housing provision, is presently in conference -- with the conference committee to resume deliberation next week. I anticipate that it will become law in the next few weeks.

I believe the basic concept of congregate housing could be adapted to meet a variety of local needs and circumstances.

Too often, to mention publically assisted housing for the elderly is to stir up only an image of a new high-rise. But I don't see why existing housing stock could not be modified in some cases to meet congregate needs, and in other cases why small apartment clusters with appropriate common spaces cannot be built at less expense. The key is simply to provide the level of services necessary to make congregate housing a viable alternative between the nursing home and totally independent living. In doing so, it is important that the living facility maintain a non-institutional style and atmosphere.

A report of the HUD Office of Policy Development and Research published indicates that the congregate housing concept has the capacity to serve a broad range of the elderly population, while combatting social isolation and promoting prolonged independence.

Other New Initiatives in Housing:

(a) Reverse Annuity Mortgages:

I would like to examine another new initiative in housing with important ramifications for the elderly.

The Federal Home Loan Bank Board has issued proposed regulations which would allow federally chartered savings and loan associations to offer a variety of alternative mortgage instruments.

Among these is the <u>"RAM" -- the Reverse Annuity Mortgage.</u>

The Senate Banking Committee recently held two-days of hearings to review the Bank Board's proposed regulations. Testimony was mixed.

The Reverse Annuity Mortgage concept allows an elderly homeowner to draw upon the equity in his or her home as a source of steady, supplemental income.

The concept appears to be a popular one. It was endorsed -- unlike the other forms of proposed new mortgage instruments -- by the entire range of industry, labor, and consumer representatives.

I believe the concept is a good one. It allows an elderly homeowner -- who would have difficulty obtaining a second mortgage -- to draw on the accumulated equity in their home, without having to sell.

But in practice, the instruments are extremely complex, and the Bank Board proposes to approve them for lending institutions on a case-by-case basis.

There are a number of questions which will have to be answered before the "RAM" is likely to be widely accepted.

For example, the most serious question is what would happen in cases where the elderly homeowner outlives the RAM, borrowing all of his or her equity back from the lender, and not having enough income to support a new mortgage?

Furthermore, I am not fully convinced that the Bank Board's proposed regulations adequately insure that the elderly homeowner will fully understand the full ramifications of entering into a Reverse Annuity Mortgage.

These, however, are not insurmountable problems, and I do believe the "RAM" concept indicates the kind of flexible and creative thinking that is needed in the realm of housing finance.

In this regard, Bill Orial mentioned earlier this week in Washington that a new program is being tried on a limited scale in Plainfield, New Jersey. That program makes loans available to elderly homeowners to convert part of their home into an apartment for another elderly person. The program allows more efficient utilization of existing housing stock, while creating a new source of income and new housing for elderly people.

This is the sort of low-cost, imaginative and flexible housing alternative that I believe should receive further encouragement.

(b) <u>Section 202 Housing:</u>

The Senate Banking Committee this year authorized $800 million for the Section 202 Program which provides direct loans to non-profit organizations for housing for the elderly. $50 million of that amount is earmarked for the handicapped, which puts the elderly program at about the same level for fiscal year 1979 as for FY 1978. I am told this funding level will allow about 25,000 new units.

The "202" program is due for a major overhaul, and the Banking Committee is prepared to undertake a sweeping review of the program next year in cooperation with the Select Committee on Aging.

There is considerable concern that the 202 program is not adequately serving the poor and lower income levels.

I am personally concerned that the 202 program may not have sufficient flexibility to encourage new ideas, and also that it may not adequately meet the needs of rural areas.

(c) The Rural Elderly:

The rural elderly clearly have very special needs generally, and in terms of housing, many rural older Americans can only be said to be in desperate need.

Both as a Senator from North Carolina and as chairman of the Subcommittee on Rural Housing, I am especially concerned about the need to insure that federal programs give adequate attention to the special needs of rural areas.

This year, after extensive hearings before the Subcommittee, the Senate voted to enact a new homeownership program for the rural poor. This program will enable those too poor to afford a house even with a low-interest rate mortgage the opportunity to achieve home ownership. This new low-income home ownership program combined with implementation of a loan guarantee program for those people in the $15,600-$20,000 range, will give the Farmers Home Administration a range of tools to assist rural Americans in the low - to moderate income brackets to achieve their own home. While these programs are not specifically geared to the elderly, they will, by making homeownership a possibility for a wider range of people, help in meeting the housing needs of the rural elderly and their families.

(d) Neighborhoods and Single-Room Occupancy:

In addition, next year the Banking and Housing Committee of the Senate can be expected to cooperate with the Select Committee on Aging in examining the problems of decaying and changing neighborhoods and the attendent problems for the elderly of crime, as well as displacement from long-time residences due to increased rents, conversion to condominiums or speculation.

The Committee, too, will want to look at what HUD can do to help the people who have been called our nation's "invisible elderly," the tens of thousands of older Americans stuck away in rented single rooms.

The Context of Aging Problems: What the Future Holds:

Finally, I believe that as we consider "New Initiatives In Aging," we must keep in mind that we are talking about a growing percentage of our population.

It is no longer true that every one of ten Americans is over 65. It is now one in every nine Americans.

Moreover life expectancy is now 69 years for men, 77 years for women. Three quarters of our population now reach age 65, and of those people, the average lives on till age 81.

But a development with even more profound implications for our society is the fact the post-war "baby boom" will reappear early in the 21st century, as a "senior boom."

In 1940, roughly seven percent of the total population was

65 or over; today, the proportion is 11 percent, more than 24 million people. After 2010, the elderly percentage will not just increase: it will soar, as the children of the "baby boom" become elderly. By the year 2030, the estimate is that 18 percent of the population -- 55 million citizens -- will be 65 or older. And the composition of the older population is changing also. In 1940, only 30 percent of older citizens were 75 or older; by the year 2000, they will comprise 45 percent of the elderly.

The implications of these developments will be very far-reaching for government programs of all kinds -- and housing is certainly no exception.

Right now, the people of the "baby boom" are in their late 20's and early 30's - a time when traditionally young couples look to buy their own home. Yet increasing numbers of young people are being priced out of the housing market.

A professor of urban studies and planning at the Massachusetts Institute of Technology notes that:

> Nearly half the families in the country were able to buy the median-priced $28,000 home sold in 1970, while still keeping housing expenses to not more than 25 percent of their incomes. In 1976, by the same standard, little more than one family in four could afford to buy and keep up the median priced, newly built home selling for $44,200 and only about one in three could afford the median-priced older home at $38,100.

He goes on to point out that as a consequence,

> "Now young people just forming families, and renters who might otherwise move into their own homes are increasingly blocked from using ownership as a means of social mobility, and most of those with

near-average incomes have simply withdrawn from
the sales market.

If increasing numbers of middle-income people are unable to achieve home-ownership, future demands on publicly-assisted housing may become enormous. The AFL-CIO testified before the Banking Committee that their studies show that housing costs for their retired members who have achieved home ownership are exactly half those of retired members who remained renters throughout their lives (14 percent versus 28 percent of income).

This is just one of the future problems which our society must confront.

The way in which we confront that problem and others can help insure that our society remains a compassionate and caring one. But the issues presented by the aging of the American population will be so complex that we must think through them carefully and prudently. In this case, no amount of compassion or generosity will be able to replace adequate planning and foresight.