

Middle Class Security Project

An Initiative of the AARP Public Policy Institute

Loss of Housing Affordability Threatens Financial Stability for Older Middle-Class Adults

By Rodney Harrell and Shannon G. Guzman, AARP Public Policy Institute

Older middle-class households are increasingly facing higher housing cost burdens, with many spending 30 percent or more of their income on housing costs. These increased costs are part of an overall decline in financial stability for these households, and these challenges are hitting homeowners with mortgages particularly hard.

This report, based in part on an AARP PPI analysis of 2011 Census Bureau data, presents an analysis of middle-class households over age 50. All dollar figures are adjusted for inflation. Key findings:

- The percentage of middle-income families age 50+ that spent 30 percent or more of their income on housing increased from 20 percent in 2000 to 29 percent in 2009.
- The percentage of older homeowners who own their houses free and clear fell slightly in the past decade, from 40 percent to 36 percent, but the burden of monthly median housing costs (including property taxes and utilities) increased from \$371 in 2000 to \$436 in 2009.
- More than half of borrowers age 50+ in foreclosure (53 percent) in 2011 were middle-income households.¹
- African American and Latino households lost more than half of their net worth between 2005 and 2009.²
- Household net worth for homeowners fell by 29 percent during the recession, from \$246,000 in 2007 to \$174,500 in 2010. Lacking a home as an asset, renters have a far lower net worth, falling from \$5,400 in 2007 to \$5,100 in 2010.³

¹ Lori A. Trawinski, *Nightmare on Main Street: Older Americans and the Mortgage Market Crisis* (Washington, DC: AARP Public Policy Institute, July 2012).

² Rakesh Kochhar, Richard Fry, and Paul Taylor, *Wealth Gaps Rise to Record Highs Between Whites, Blacks, Hispanics: Twenty-to-One* (Washington, DC: Pew Research Center, June 26, 2011), <http://www.pewsocialtrends.org/2011/07/26/wealth-gaps-rise-to-record-highs-between-whites-blacks-hispanics/>.

³ Jesse Bricker, Arthur B. Kennickell, Kevin B. Moore, and John Sabelhaus, "Changes in U.S. Family Finances from 2007 to 2010: Evidence from the Survey of Consumer Finances," *Federal Reserve Bulletin* 98, no. 2 (June 2012), p. 11.