DOCUMENT RESUME

ED 228 432 CE 035 535

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TITLE The Uses of Research Sponsored by the Administration on Aging (AoA). Case Study No. 6. The Home Equity Conversion Project.
INSTITUTION American Institutes for Research in the Behavioral Sciences, Washington, DC. Gerontological Research Inst.
SPONS AGENCY Administration on Aging (DHHS), Washington, D.C.
REPORT NO AIR-82103-8/82-RP
PUB DATE Aug 82
GRANT AoA-90-AR-2173
NOTE 81p.; For related documents, see ED 218 489, ED 226 099-100, and CE 035 532-534. Some pages may be marginally legible due to small print.
PUB TYPE Reports - Research/Technical (143)

EDRS PRICE MF01/PC04 Plus Postage.
DESCRIPTORS Adult Education; *Aging (Individuals); Case Studies; Development; *Homeowners; Housing; *Income; Information Dissemination; *Older Adults; Research; Research Projects; *Research Utilization; Social Networks
IDENTIFIERS Administration on Aging; *Home Equity Conversion Project

ABSTRACT

This case study, one in a series of research efforts designed to examine the utilization of the Administration on Aging's research, describes the different types of uses of findings of the Home Equity Conversion Project (HECP), which developed ways of converting home equity into usable income. The first chapter describes the project and overviews HECP's research, development, and promotion efforts. The next chapter reviews, through illustrative vignettes, uses of the project by: (1) federal, state, and local policymakers (integration or input into federal and state legislation, provision of assistance, and materials at the local level); (2) six pilot projects (supported by technical assistance, research support, in-kind contributions, and direct grants); (3) the private sector (development of investment packages, presentations on the topic to private firms, and advice to elderly people about conversion options); and (4) the media. Chapter C examines the HECP experience in terms of six propositions for successful utilization: extensive social networking, interventions to boost utilization, vigorous information dissemination, synthesis of previous findings into the research, existence of a large audience of policymakers and practitioners with interest in the topic and a desire to do something about it, and confirmation of study findings by other researchers. Appendixes include information on project products and additional vignettes. (YLB)

ED228432

AIR-82103-8/82-RP

The Uses of Research Sponsored by the Administration on Aging (AoA)

CASE STUDY NO. 6

The Home Equity Conversion Project

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August 1982

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AE 035 535

The development of this report was supported by Award Number 90-AR-2173 from the Administration on Aging. Points of view or opinions expressed are those of the authors and do not necessarily represent the official position or policies of the Administration on Aging.

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PREFACE

This is the sixth of a series of case studies on the utilization of research funded by the Administration on Aging. The topic is the Home Equity Conversion Project, a major R&D effort carried out by the Wisconsin Department of Health and Human Services. The purpose of each case study is to show how and why the research has been used in policymaking or practice. The case studies are part of the continuing work of the Gerontological Research Institute (GRI), which is supported under AoA Award No. 90-AR-2173.

We received invaluable assistance with this study from a number of people at the federal, state, and local levels, whom we interviewed between October 1981 and February 1982. (A list of the people we interviewed may be found at the end of this report.) In this regard, we extend special thanks to Kenneth Scholen, Director of the Home Equity Conversion Project. In addition to lengthy interviews, Mr. Scholen provided us with a steady stream of materials and thoughtful letters about the project. The authors are also grateful to Frances Jacobs of AoA for contributing her information on the history of the project. All of the above assistance notwithstanding, the authors alone are responsible for the case study's findings and conclusions.

Interested readers may also want to refer to the first five case studies:

Robert K. Yin and Ingrid Heinsohn, *The Uses of Research Sponsored by The Administration on Aging, Case Study #1: Transportation Services of the Elderly*, September 1980.

Robert K. Yin and Ingrid Heinsohn, *The Uses of Research Sponsored by The Administration on Aging, Case Study #2:*

Older American Resources and Services (OARS), November 1980.

Roberta C. Cronin and Ingrid Heinsohn, *The Uses of Research Sponsored by The Administration on Aging, Case Study #3: Volunteer Surveys of Nursing Homes*, May 1981.

Roberta C. Cronin and Ingrid Heinsohn, *The Uses of Research Sponsored by The Administration on Aging, Case Study #4: Program Development Handbooks, A Comparison Case*, September 1981.

Roberta C. Cronin and Brad Allen, *The Uses of Research Sponsored by The Administration on Aging, Case Study #5: Maltreatment and Abuse of the Elderly*, April 1982.

CAPSULE SUMMARY
Home Equity Conversion Project

The Home Equity Conversion Project (HECP) responded to a dilemma in the economics of older Americans. Many of the nation's elderly enjoyed full ownership of their home but suffered from inadequate, and declining, disposable income. HECP's aim was to develop ways of converting home equity into usable income. Project staff conducted research, developed models, and promoted activities concerning the supply, demand, and policy for equity conversion.

The research component of the project consisted of specific, problem-solving activities. Key products were HECP's reports on the major types of conversion plans and a cash flow model for determining the financial benefits of various conversion plans. Project staff also conducted a market survey of homeowners in Wisconsin, and studied consumer demand for equity conversion. The project's development effort centered around six pilot projects. HECP sponsored conferences and provided consultants, information and referral services, and direct grants to these projects. In addition to its research and development, the project initiated substantial promotional efforts of the equity conversion concept. Project staff fostered a national network of potential consumers of conversion plans, suppliers of services, and policymakers to stimulate interaction among those interested in the conversion idea. Project activities were also covered extensively in the media, which proved to be an important ingredient in the further development of home equity conversion.

The Home Equity Conversion Project was one of the first major efforts in the field of equity conversion, and its findings were applied in numerous locations across the country. In the public sector, for example, project findings were used in the policymaking process. At the federal level, HECP staff drafted resolutions, testified at hearings, and provided background materials for Congressional committees. At the state level, the project had a direct role in preparing legislation. At the local level, project staff provided assistance and materials to municipal agencies and citizens' organizations interested in pursuing home equity conversion.

The private sector employed the project's services as well. Project staff reviewed draft equity conversion plans, developed investment packages, and made presentations on the topic to private firms. Project staff also advised many elderly people about their conversion options.

The Home Equity Conversion Project was funded by the Administration on Aging from 1980 to 1982. (At the expiration of the award, the project incorporated as a private non-profit organization, the National Center for Home Equity Conversion.) The project furnishes important examples of the ways in which AoA-sponsored research has led to practical applications. As a case study of *research utilization*, the HECP experience provides information on how AoA might enhance the utilization of research projects in the future. In particular, it lends further support to several propositions concerning research utilization that have emerged from GRI's five previous case studies:

First, utilization follows the development of an informal social network linking knowledge producers (researchers) and knowledge users (consumers, service providers, and policymakers). The network provides interpersonal as well as interorganizational ties and fosters two-way communications among its members. In the case of HECP, for example, project staff fostered a network around the equity conversion issue with conferences, meetings, direct mailings, and telephone communications.

Second, "interventions" designed to boost utilization must occur throughout the life of a research project, and not merely at its completion. Several types of intervention can encourage utilization. Early dissemination of interim reports and other documents provide an opportunity for user feedback that can influence research while it is still in progress. Similarly, activities such as conference presentations can stimulate interest in the project, and thereby help develop an audience for the findings. In the case of HECP, utilization was also facilitated during the course of the project by staff efforts to develop legal, regulatory, and policy recommendations that would reduce the barriers to the implementation of equity conversion plans.

Third, utilization depends on the vigorous dissemination of project materials—but not necessarily of the final report. The focus of dissemination efforts is often a handbook, manual, model, questionnaire, or another "tool" that emerges from the development phase of R&D. In the case of HECP, newsletters and project reports on specific topics proved to be useful materials for its diverse audience.

Fourth, utilization is facilitated when the research involves a "synthesis" and "development" activity. A project may involve a synthesis of findings from previous studies and from field experiences, rather than a single research effort. HECP staff, for example, developed model conversion plans from survey data and related research.

Fifth, utilization occurs when there already exists a large audience of policymakers and practitioners with a strong interest in the topic and the desire to do something about it. A project may develop tools or methods that meet the needs of the consumers while engaging in activities that are beneficial to policymakers. In the case of HECP, the project addressed a critical economic problem faced by many elderly people. Moreover, the solution it examined—home equity conversion—fit well with the broader economic and political context. It did not demand large federal expenditures.

The Home Equity Conversion Project also supports the six policy implications generated in earlier case studies:

- utilization strategies should discriminate between "research" and "development" projects;
- utilization strategies should focus on linking people, not products, and should encourage vigorous networking efforts throughout the life of a development project;
- research-funding agencies such as AoA should vigorously support the dissemination of project materials to audiences other than researchers;

- research-funding agencies such as AoA should consider who shall be responsible for the products in which they have invested, once the original development effort is over;

- research sponsors should consider the probable level of audience interest in and need for the products in planning utilization strategies for them; and

- research sponsors should make use of press releases that provide a clear statement of research findings and of their potential significance.

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A. THE HOME EQUITY CONVERSION PROJECT

One of the ironies of contemporary economics is the burden that inflation has placed on the nation's elderly population. Most of our nation's elderly are classic examples of the asset-rich, cash-poor. Three quarters of the elderly—roughly 13.4 million people—are homeowners, with no mortgage debt. Most have realized a several-fold increase in the market value of their homes. Yet many of these same people have annual incomes well below the median for their areas. Inflation has dramatically diminished the buying power of their fixed incomes or retirement pensions.

Various methods of "home equity conversion" began to be developed in the mid-1970s to respond to the dilemma. These plans permit elderly homeowners to cash in on their home equity without giving up residence in their homes. Prior to these developments, the only known ways to convert the investment in a home were limited to selling the house and moving or perhaps taking a second mortgage on the house. Neither of these options was considered desirable and feasible from the standpoint of the elderly.

Home equity can be converted into income in several ways. The conversion can take the form of a sale with lease, a loan, a homestead annuity plan, or a tax postponement. The income these alternatives provide can be a lump sum or a monthly payment. The equity converted can be based on the full or partial value of the home. There are dozens of variations on each type of home equity conversion plan. The principal types are:

Reverse mortgages. These involve a series of monthly advances to a homeowner. Repayment of the principal and interest is deferred until the end of a term, the sale of the home, or the death of the borrower. (There are several variants depending on whether and how much the borrower receives in a lump sum initially.)

Sale leasebacks. These involve the purchase of an older person's home by an investor, who immediately leases it back to the seller for life. Investors can be individuals, limited partnerships, or institutional interests. The original owner becomes a renter. The buyer makes a downpayment and then makes regular installment payments to the new renter each month. The monthly payments are greater than the rent paid. For the new renter, a sale leaseback means that rent increases are controlled, and there are no property taxes or insurance to pay.

Property tax deferral. This is a form of loan in which the state government, at the request of the homeowner, pays the homeowner's local taxes. The state is repaid (with interest) with proceeds from the sale of the home upon death or prior sale of the home.

Deferred payment loans. These operate, like property tax deferral, at the request of the homeowner. Loans are provided for home repairs, and repayment of all principal and interest can be deferred until the homeowner dies or sells the home. A principal variant is a program that provides loans for converting homes to include an income-producing apartment. The homeowner gets the benefit of a rental income to pay back the loan.

At first, elderly homeowners were not enthusiastic about home equity conversion. Surveys in 1970 and 1974 indicated that the elderly were more interested in leaving something to their heirs than they were in having a higher disposable income.[1] At that time, the economy was relatively healthy and the Social Security system seemed structurally and politically sound. Thus, when the Senate Special Committee on Aging heard testimony about a "housing annuity program" in 1969 and the Federal Home Loan Bank Board received similar pro-

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[1]See Chen, Y.P "A pilot survey study of the Housing-Annuity Plan (HAP)." Los Angeles. UCLA Graduate School of Management, 1973; and Daniels, B. "Providing financial relief to elderly homeowners—the case of property tax concessions versus housing annuity." Ithaca, NY. Department of Consumer Economics and Public Policy, Cornell University, 1974.

posals that same year, no action was taken.[2]

By the mid-1970s, economic conditions were declining, and the impact of the demographic trends on the Social Security system was becoming clear. Home equity conversion began to be examined more closely. Jack Guttentag's 1975 monograph, for example, distinguished the two basic types of equity conversion options: those which involve a loan and those which involve a sale.[3] His 1977 paper made further distinctions among types of loan options ("fixed-debt," "rising debt," and "rising-fixed debt").[4] Interest in the concept continued to grow, and there were some signs of implementation. In 1978, a Cleveland savings and loan association began offering a reverse mortgage. The City of Buffalo began investigating possibilities for a public program.

The most important events for the subsequent involvement of the Administration on Aging (AoA) in home equity conversion were occurring in Wisconsin. In December 1978, the state allocated $64,000 to its Department of Health and Social Services for a Reverse Mortgage Study Project (RMSP). Ken Scholen, Director of the Wisconsin Board on Aging, was asked to direct the project. Scholen's first steps were to contact people in the field. Immediately after the project began in January 1979, he travelled to Washington, D.C. to meet with various public and private officials on the subject of home equity conversion. In doing so, he quickly established the core of what was to become a large, nationwide network of people interested in home equity conversion. Just as quickly, he began to establish his central role in that network.

About the same time that the Wisconsin project was being considered by the state legislature, home equity conversion came to AoA's attention through a letter to the Director of the Division of Research and Evaluation, Dr. Harry Posman. The letter, from an economist at the University of Michigan, suggested that AoA include the subject in its research agenda. Because of the timing of the letter, Dr. Posman was unable

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[2]The authors of these proposals were Yung-Ping Chen and Jack Guttentag, who were to become important figures in AoA's project several years later.

[3]Guttentag, J.M. Creating new financial instruments for the aged. New York: New York University Graduate School of Business Administration, 1975.

[4]Guttentag, J.M. "Reverse annuity mortgages: How savings and loans can write them." Federal Home Loan Bank Board Journal (July 1977), p. 18-23.

to introduce the issue into AoA's 1978 Research Guidelines. Nevertheless, he began to make inquiries. In early 1979, one of the people he called for information was Ken Scholen, who had just become the director of the Wisconsin State project. Mr. Scholen pointed out that the three key issues which needed research were supply, demand, and policy. The supply side referred to the kinds of home equity conversion techniques that were currently available as well as to those that could be developed. The demand issue referred to the likelihood that elderly homeowners would actually be interested in such plans. And the policy area concerned the legal and regulatory changes that would be necessary before equity conversion would be considered economically beneficial to both the supplier and the consumer. It was Scholen's opinion that all three issues had to be addressed before the concept could be implemented.[5]

Dr. Posman's inquiries led to a solicitation for proposals in AoA's 1979 Research Guidelines. Researchable Question D-3 was: "What is the current and potential supply and demand for different types of home equity conversion or reverse mortgage?" The suggested activities formed a fairly straightforward feasibility study. They included:

- collecting information on existing home equity conversion plans;
- interviewing older homeowners to determine demand;
- projecting supply and demand under alternative assumptions;
- identifying information needs of the elderly homeowners;
- designing plans for communicating this information; and
- developing materials for state and area agencies on aging to serve as information and referral tools.

[5]Telephone interview with Dr. Harry Posman, Director, Division of Long-Term Care, AoA, October 23, 1981.

Eight proposals were submitted in response to this question. The award was made on May 28, 1980 to the Wisconsin Department of Health and Social Services, home of Ken Scholen's Reverse Mortgage Study Project. The new federal project (AoA Award No. 90-AR-0001) was to last 24 months, with a total budget of $250,000.

The project's functions were to conduct, promote and coordinate research and development activities in the general areas of supply, demand, and policy. In the supply area, it would determine the financial benefits provided by different conversion devices and would design optional plans for specific circumstances. Another "product" would be the stimulation and nurturing of pilot projects that would develop and test various home equity conversion plans. In the demand area, the project would develop projections from a market survey of elderly homeowners in Wisconsin concerning their interest in and likely involvement with various home equity conversion ideas. Project staff would develop various equity conversion strategies for the pilot projects based on survey results. In the policy area, the project would develop recommendations for public and private organizations concerning issues that affect the supply and demand of home equity conversion. Key issues included tax policy; the treatment of conversion income by public benefit programs; statutory and financial support for property tax deferral and housing loan programs; and consumer information and referral systems.

The project also was to serve as a national clearinghouse through which bankers, planners, researchers, consumer advocates, older persons, and others could learn of new ideas and developments in home equity conversion.

Staffing for the project was somewhat unusual. The Project Director, Ken Scholen, was a lobbyist and organizer with a background in philosophy and public administration. His staff for the project included only one "Research Director" and one part-time "Program Assistant." But the core staff was augmented by about ten consultants scattered around the country and an eight-member advisory panel. Approximately forty percent of the project's budget was to be spent on consultant services.

The Home Equity Conversion Project (HECP) went far beyond the activities originally set out in AoA's Research Guidelines. The solicitation had requested a straightforward feasibility study. By the time the HECP proposal was written, much progress had been made by the Wisconsin project on these traditional research activities, and Scholen felt that it was time to move forward in other directions as well. In his first progress report to AoA he states:

> We should not be satisfied only or predominantly to survey participants in the few existing programs that only begin to tap the potential of this idea. Nor should we be satisfied to survey potential suppliers that have not seriously investigated the options. In short, we must go beyond documenting the limited status quo and speculating in the largely uninformed abstract.[6]

The three elements of the project, as he envisioned it, would be research, development, and promotion. He later explained that "putting home equity conversion into practice was like following a recipe; all the elements must go together or it will not work."[7]

The key aspects of HECP's research, development and promotion efforts are as follows.

Research

The research component of HECP was carried out by project staff and consultants. The research that the project sponsored was intended as practical, problem-solving work. It was to be research that had to be carried out because "somebody needed the information in order to progress with the plans."[8]

One of the earliest and most influential products was a 278-page book, *Unlocking Home Equity for the Elderly* edited by Ken Scholen and Yung-Ping Chen. The original manuscript consisted of the proceedings of a "Reverse Mortgage Development Conference" that had been held in May 1979

[6] Progress Report to AoA, 1 August 1980.

[7] Interview with Ken Scholen, 19 October 1981, Madison, Wisconsin.

[8] Ibid.

under the Wisconsin-sponsored phase of the project.* The AoA grant encouraged the project to accelerate some of its research so that it could be included in the manuscript. The federal funds also permitted an expanded version of the book. New sections were prepared on market research, needs of the underserved, public policy implications, neighborhood revitalization, marketing software, consumer interests, property tax deferral, national home equity estimates, and a glossary of terms. The book served as the basis for HECP's subsequent work.

In the area of supply, for example, HECP research also produced:

- a report on the basic structure and operation of each major type of home equity conversion plan;
- a draft guide to sale/leaseback transactions;
- a cash-flow model that could be used to counsel consumers about the financial benefits of various equity conversion models; and
- analyses of consumer safeguards, return on investment, and end-of-term alternatives for reverse mortgages.

The cash-flow model and the evaluation of various home equity conversion plans proved to be especially helpful to the pilot projects, as we describe in Section B of this case study.

In the area of consumer demand for equity conversion, HECP:

- conducted a market survey of homeowners in Wisconsin;

*Sponsored by the Reverse Mortgage Study Project, the purpose of the conference was "to spur the development of home equity dissaving plans needed by older Americans." Over 100 people from 13 states attended. They represented official and voluntary agencies concerned with the elderly, insurance companies, savings and loan institutions, and other financial institutions. The conference led to the book published by Ballinger and produced the beginning of the "home equity conversion network."

- analyzed the potential size and distribution of the market using national data (the Survey of Income and Education; the Annual Housing Survey; the Panel Study of Income Dynamics); and

- analyzed consumer response to existing programs and pilot projects, and to the general concept of home equity conversion.

The market surveys were emulated in several pilot project sites, and were used to determine which of the home equity conversion options many of the projects would offer in their area. The complete list of HECP reports is provided in Appendix A.

Development Efforts

A major portion of HECP staff effort was devoted to the development and demonstration of home equity conversion models. Chief among these was the project's sponsorship and nurturing of pilot projects throughout the country. The principal efforts were devoted to six projects. These were:

- Westside Conservation Corporation in Milwaukee, Wisconsin;

- Home Equity Living Plans in Buffalo, New York;

- The Home Equity Project, sponsored by the Madison Development Corporation in Madison, Wisconsin;

- The Senior Homeowner Equity Conversion Project of Essex County, New Jersey;

- The Monona Home Equity Conversion Project in Monona, Wisconsin; and

- The Reverse Annuity Mortgage (RAM) Program, operated by the San Francisco Development Fund in Marin County, California.

HECP provided consultants, in-kind contributions, information and referral services, and even direct grants to these six projects. In three cases, HECP was instrumental in generating non-AoA funding for the pilot.[10]

An important element of HECP's support for the pilot projects was the series of "consultations" it sponsored. These were meetings of pilot project staff, HECP staff and consultants, and a handful of other interested people from around the country. They were inspired by the success of the May 1979 Reverse Mortgage Development Conference. Scholen explained their purpose in his first progress report to AoA:

> The consultations...provide a way for us to convene all pilots, all the consultants, and our staff to consider generic issues and to coordinate efforts. It has also proven to be an excellent setting for developing and critiquing new approaches to equity conversion.[11]

Three consultations have been held. The first occurred in March 1980. It was intended as an introductory session, and was used to select consultants and to get potential users involved early in the process. The second was held in September 1980 to review the progress of the pilot projects and to review two draft research reports written by HECP consultants. The third consultation was held in September 1981, and included sessions on marketing, counseling, capital, and administrative systems involved in home equity conversion plans. Among the participants at the third meeting were representatives from two potential new pilot projects (in Pittsburgh, Pennsylvania and Washington, D.C.), and the founders of a private sector plan, American Homestead.

Promotional Efforts

One of the more notable features of the Home Equity Conversion Project was its deliberate promotion of the equity conversion concept. Project staff and consultants gave oral presentations and developed an ambitious direct mail system to advertise equity conversion ideas nationwide. For those who became a part of the HECP network, the meetings, correspondence and other forms of communication provided a steady stream of information and ideas. One consultant was

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[10]The role of HECP in each of the individual projects is described in Section B.

[11]Progress report to AoA, 1 August 1980.

hired explicitly to "promote the idea of home equity conversion as an investment vehicle for public and private pension funds."[12]

Scholen explained the purpose of these efforts:

> Part of our job is to introduce this idea to a wide range of key people, to involve them in the overall development effort, to make them aware of the concerns and interests of older homeowners, and to keep them apprised of developments in the field. By assuming this catalyst/coordinator role, we can substantially boost the utility of AoA funds, dramatically increase the amount of activity in this area, and enhance the quality of isolated individual efforts by providing a centralized clearinghouse of activities and ideas.[13]

Scholen considered these promotional activities essential to the ultimate success of the project. Project staff and consultants were encouraged to participate in meetings and to give presentations on the subject. A list of key presentations is provided in Table 1.

Table 1

PRESENTATIONS AND BRIEFINGS HOME EQUITY CONVERSION PROJECT

Meeting	Date	HECP Speakers(s)
Federal Home Loan Bank Board Reverse Mortgage Workshop Washington, D.C.	6/20/79	Jack Guttentag Don Ralya Ken Scholen
Wisconsin Department of Local Affairs & Development (DLAD) Forum on "Building Neighborhoods" Milwaukee, WI	3/7/80	Ken Scholen William Perkins

[12] Consultant's contract between Donald Smart and the Wisconsin Department of Health and Social Services (1 August 1980).

[13] Progress Report to AoA, 1 August 1980.

Table 1 (continued)

Meeting	Date	HECP Speaker(s)
National Retired Teachers Assoc./American Assoc. of Retired Persons Joint Legislative Committee Madison, WI	4/29/80	Ken Scholen
Wisconsin Board on Aging Madison, WI	5/20/80	Ken Scholen
Wisconsin Dept. of Health & Social Services Advisory Council Bureau of Aging Madison, WI	7/30/80	Ken Scholen
Coalition of Wisconsin Aging Groups Annual Convention Menomonie, WI	8/6/80	Ken Scholen
Wisconsin State Senate Committee on Aging Madison, WI	8/20/80	Ken Scholen
Wisconsin State Senate Committee on Aging Janesville, WI	9/8/80	Ken Scholen
Wisconsin Area Agency on Aging Board of Directors Meeting Wausau, WI	9/15/80 & 12/9/80	Ken Scholen
White House Conference on Aging Mini-Conference on Housing for the Elderly Washington, D.C.	10/22/80	Ken Scholen
International Foundation of Employee Benefit Plans, 26th Annual Educational Conference Honolulu, HI	11/80	Donald Smart
Area Agency on Aging Advisory Council Waukesha, WI	11/20/80	Ken Scholen
Area Agency on Aging Advisory Council La Crosse, WI	12/9/80	Ken Scholen

Table 1 (continued)

Meeting	Date	HECP Speaker(s)
White House Conference on Aging Mini-Conference on Saving Washington, D.C.	1/81	Bruce Jacobs Jack Guttentag
Ford and Johnson Foundations Meeting on Deferred Payment Loans Racine, WI	2/81	Max Kummerow Bruce Jacobs William Perkins
Governor's Public Investment Task Force State of California Los Angeles, CA	3/81	Donald Smart
Social Security Administration Meeting Baltimore, MD	3/4/81	Ken Scholen
National Retired Teachers Assoc / American Assoc. of Retired Persons "Coping With Inflation" Issue Forum Milwaukee, WI	4/81	Max Kummerow
Missouri Gerontology Institute Economics of Aging Conference Kansas City, MO	4/81	Maurice Weinrobe
Tenth Annual Washington Mortgage Seminar New York	4/81	Bruce Jacobs Jack Guttentag Ken Scholen
The Wharton School University of Pennsylvania Philadelphia, PA	5/18-19/81	Jack Guttentag Max Kummerow Ken Scholen Maurice Weinrobe Dave Raper Frank Thompson
Annual Senior Citizens Day Monona, WI	5/5/81	Max Kummerow
University of Wisconsin-Madison Programs on Aging Campus Kaleidoscope Program Madison, WI	6/81	Max Kummerow

Table 1 (continued)

Meeting	Date	HECP Speaker(s)
Neighborhood Reinvestment Corporation and Federal Home Loan Bank Board Meeting Washington, D.C	6/25/81	Jack Guttentag Ken Scholen Max Kummerow
Administration on Aging Executive Briefing Washington, D.C.	6/26/81	Ken Scholen Max Kummerow
U.S. House of Representatives Select Committee on Aging Subcommittee on Housing & Consumer Interests Washington, D.C.	7/29/81	Ken Scholen
Meeting on American Homestead Plan The Wharton School Philadelphia, PA	11/12/81	Ken Scholen Consultants James Burke Donald Smith
Wisconsin's Delegates and Observers at the White House Conference on Aging Madison, WI	10/26/81	Ken Scholen
Philadelphia Corporation on Aging	11/13/81	Ken Scholen Project Consultants Pilot Project Staff
Meeting on American Homestead Plan Philadelphia, PA	11/12/81	Ken Scholen
1981 White House Conference on Aging Washington, D.C.	12/81	Bruce Jacobs
Wisconsin State Senate Committees on Aging, Business and Financial Institutions, and Transportation Madison, WI	1/6/82	Ken Scholen
American Bar Association Commission on Legal Problems of the Elderly Housing Subcommittee San Diego, CA	2/82	Ken Scholen

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Table 1 (continued)

Meeting	Date	HECP Speaker(s)
Western Gerontological Society San Diego, CA	3/1/82	Don Ralya Bronwyn Belling Kathy Kenny Trudy Ernst
American Association of Retired Persons Briefing Washington, D.C.	3/82	Ken Scholen Jack Guttentag Don Ralya Bruce Jacobs
American Homestead, Inc.	4/82	Jack Guttentag Ken Scholen
Select Committee on Aging U.S Senate Washington, D.C.	4/82	Ken Scholen
National Council on the Aging Washington, D C	4/1/82	Ken Scholen Jack Guttentag Don Ralya Bruce Jacobs

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The HECP direct mail system was especially ambitious. As early as the Wisconsin-funded phase of the project, Scholen began "to identify key persons in various disciplines, to solicit their interest in this project...and to develop an efficient means of storing and utilizing the resultant list of names and addresses."[14] He began developing a computerized list of persons interested in home equity conversion. The initial list was compiled from over thirty master lists (e.g., members of the U.S. League of Savings Associations, members of the International City Management Association, key members of the U.S. Congress, Area Agencies on Aging and State Agencies on Aging). Names of those who requested a project report were added. The names and addresses were coded according to one of ten general categories (e.g., consumer groups, investors) and one of 55 sub-categories (e.g., pension funds, local housing agencies). Scholen explained that the system "enables us to make specialized mailings to specific target groups."[15]

The lists were used to distribute project reports and to circulate specific information about home equity conversion. One mailing, for example, began "Dear Real Estate Portfolio Manager," and contained information about various home equity conversion options, with an invitation to contact HECP. Scholen also produced a HECP newsletter about three times each year. The topics of the newsletters included developments in HECP-sponsored research, announcements about major activities in the field, progress reports on the pilot projects, and descriptions of various home equity conversion ideas. (A brief listing of the topics for each is provided in Appendix B.) The project's success with the direct mail campaign has been impressive. When the Wisconsin project began in January 1979, Scholen knew of only two people in the field (Guttentag and Chen). When the November 1979 newsletter was distributed, the mailing list contained 500 names. By November 1981, the number was over 8,000 and rising.[16] The extensive media coverage generated many requests for both general project materials and newsletters. Table 2 presents a breakdown of the project's mailings.

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[14]Progress Report to AoA, 1 August 1980.

[15]Progress Report to AoA, 1 August 1980.

[16]Interviews with Ken Scholen, October 19, 1981 in Madison, Wisconsin and by telephone, January 1982.

Table 2

MAILINGS AND MATERIALS*

	General Requests Filled	Newsletters Sent	Newsletter Orders Filled	Total
Jan 79 - Mar 80	500	1,200	400	2,100
Apr 80 - Aug 80	200	———	———	200
Sept 80 - Dec 80	300	600	200	1,100
Jan 81 - Apr 81	2,200	1,300	300	3,800
May 81 - Aug 81	600	3,800	700	5,100
Sept 81 - Dec 81	4,100	4,400	800	9,300
Jan 82 - Mar 82	800	8,400	1,300	10,500
TOTAL	8,700	19,700	3,700	32,100

*Adapted from Table 4 on p. 64 of Wisconsin Bureau of Aging, *Final Report of the Home Equity Conversion Project*, Madison, Wisconsin, March 31, 1982.

The key events in the development of the project, beginning with the Wisconsin phase, are listed in Table 3.

Table 3

CHRONOLOGY OF KEY EVENTS IN HOME EQUITY CONVERSION PROJECT

January 1979	Reverse Mortgage Study Project initiated with funds from Wisconsin State legislature.
May 21-22, 1979	Conference sponsored by the Reverse Mortgage Study Project, Madison, Wisconsin.
October 30, 1979	Original proposal submitted to AoA — $250,000 for 24-month period.

Table 3 (continued)

March 27-28, 1980	First consultation of Pilot Projects, Madison, Wisconsin.
May 28, 1980	Award made by AoA (90-AR-0001).
September 1980	Book published —*Unlocking Home Equity for the Elderly*, Cambridge, Mass: Ballinger Publishing Company.
September 17-19, 1980	Second consultation of Pilot Projects, Madison, Wisconsin.
October 1980	White House Conference on Aging Mini-Conference on Housing for the Elderly passes resolution supporting home equity conversion.
December 22, 1980	Continuation proposal submitted to AoA — $119,145 for 12-month period.
July 1981	Scholen testifies before U.S. House of Representatives, Select Committee on Aging.
July 1981	Wisconsin legislature passes property tax deferral bill.
July 26, 1981	Interagency executive briefing on Reverse Annuity Mortgages, AoA, Washington, D.C.
August 1981	First contracts signed in Buffalo, Milwaukee, and San Francisco involving 5 different contractual arrangements.
September 3-4, 1981	Third consultation with Pilot Projects, Madison, Wisconsin.
December 1981	White House Conference on Aging passes resolution supporting home equity conversion.

Table 3 (continued)

February 1982	President's Commission on Housing recommends home equity conversion.
February 1982	National Center for Home Equity Conversion incorporated as a private non-profit organization and receives first grant.
March 1982	Final report completed and submitted to AoA; award expires.

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B. USES MADE OF THE HOME EQUITY CONVERSION PROJECT

The range of people affected and influenced by HECP efforts includes public policymakers, private financial institutions, social service agencies, the media, and elderly homeowners.[17] We conducted interviews with several people to find out more about how HECP's work has been used. Our list of interviewees was drawn from project files and from suggestions made by the project director. As with earlier case studies, the intent of our interviews was not to determine the number of uses. Rather, it was to establish the range of applications made of the Home Equity Conversion Project.

The people with whom we talked were well aware of the Home Equity Conversion Project and its staff. They easily identified the role of the project in their respective activities. In the following sections of this chapter, we review some of these uses. We discuss in turn uses by federal, state and local policymakers, pilot projects, the private sector, and the media.

Uses by Federal, State, and Local Policymakers

HECP has played a role in many of the recent national policymaking forums that have been concerned with the elderly. In some cases, HECP staff drafted the wording for important resolutions. In other cases, they provided expert testimony or a keynote address. Some of the people involved in these forums had been on the project's mailing list, and had become aware of the topic through the project's newsletters and reports. Others had been referred by one of

[17]The scope of this case study did not include a survey of the uses researchers made of HECP, though we know of six Ph.D. dissertations that were based at least partly on the project's research.

the many members of the rapidly growing home equity conversion network. In our first vignette, we describe the role of HECP in the recent White House Conference on Aging.

Vignette #1

Project staff played key roles leading to recommendations from the 1981 White House Conference on Aging (WHCOA) in support of equity conversion. In October 1980, Ken Scholen participated in the preliminary discussions on the topic, at the White House Mini-Conference on Housing for the Elderly. Over 300 housing developers, reformers, consumers and advocates listened to expert speakers and helped develop a "housing blueprint for the 80s." The group recommended that: "Access to a homeowner's accumulated equity in his or her house should be developed through reverse mortgages and other means to provide a supplement to current income."[18] The report from this meeting was used as a discussion piece at the White House Conference on Aging.

Prior to the WHCOA, in October and again in November 1981, Scholen participated in preliminary briefing meetings with the Wisconsin delegation to the Conference. He explained home equity conversion, and enlisted the delegation's support for the concept.

At the WHCOA, in December 1981, project consultant Bruce Jacobs gave a keynote address on housing in which he devoted about a third of his time to home equity conversion, the pilot projects, and HECP itself. The resolution passed by the Committee on Housing Alternatives and later by the full WHCOA gave support to home equity conversion, saying that a "variety of voluntary mechanisms should be developed to enable older homeowners to convert their home equity into income, while remaining in their homes." The Committee also listed a number of issues that should be addressed to facilitate the development of home equity conversion mechanisms by the private sector. These included (1) new Internal Revenue Service rulings to allow sale/leaseback contracts to be written or appropriate tax code revisions, (2) mortgage revenue bonding or other tax incentives used as sources for capital to fund property tax deferral and deferred payment home repair loans, (3) continuation of research on key issues regarding home equity conversion, (4) the development and/or revision of insurance programs by the Federal Housing Authority for reverse mortgages and deferred payment home repair loans, and (5) the development of secondary markets for reverse mortgages and deferred payment home repair loans by the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association.[19]

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[18]The 1981 White House Conference on Aging. Report of the Mini-Conference on Housing for the Elderly, October 1980.

[19]Interview with Ken Scholen, 19 October 1981, Madison, Wisconsin and White House Conference on Aging Report, December 1981.

Another national forum was underway at the time of the White House Conference on Aging. The President's Commission on Housing developed recommendations on a number of topics. Here, too, HECP is represented, as described in the following vignette:

Vignette #2

The President's Commission on Housing incorporated the home equity conversion concepts in its recommendations to the President. Its Task Force on Equity Financing and Alternative Housing Options suggested reverse annuity mortgages, deferred payment loans, and sale leaseback techniques for equity conversion. The report of the Task Force points out the legal and regulatory barriers to home equity conversion, and recommends that they be eliminated. These include federal tax law and IRS rulings on the status of leaseback sales, and the Federal Home Loan Bank Board's definition of reverse mortgages. Ken Scholen consulted with Commission staff throughout the development of their recommendations. The project provided relevant literature, critiques of various options, and general consultations by the project director and project consultants.

HECP also participated indirectly in these decisions, through a major aging interest group. In October 1981, the National Retired Teachers Association/American Association of Retired Persons (NRTA/AARP) prepared a statement for the President's Commission that also strongly supported the various home equity conversion techniques. The statement was prepared by the associations' housing expert, Mr. Leo Baldwin, who had been working on the HECP Advisory Panel. Among other items, it pointed out the barriers to the development of specific home equity conversion plans which were subsequently incorporated into the Task Force report.[29]

The U.S. Congress also has been considering public policy regarding home equity conversion. Members of the aging committees in both the House of Representatives and the Senate and their staffs were on HECP's original mailing list, and are well acquainted with the project, as the following vignette shows.

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[29] Telephone interview with Ken Scholen, March 1982.

Vignette #3

The U.S. House of Representatives Select Committee on Aging has become interested in various issues involved with home equity conversion. A key issue is whether there is a role for public agencies in home equity conversion. The Subcommittee on Housing and Consumer Interests, chaired by Rep. Edward R. Roybal, has held two major hearings at this writing, one in July 1981 and the other in February 1982. In both instances, Ken Scholen provided testimony and background materials for the committee and its staff.[21]

The Senate Special Committee on Aging has also become interested in the topic. Its forthcoming report "Developments in Aging" includes a section on home equity conversion. The Committee has also asked HECP to prepare a paper summarizing the current status of home equity conversion.

The Administration on Aging used the project for developing new research and development ideas. Although the project originated during the previous administration, HECP concepts were also seen as attractive by the Reagan Administration.

Vignette #4

During the summer of 1981, the Administration on Aging was developing strategies and agendas for the coming fiscal year. A top priority was to develop approaches directed at market conditions, institutional practices and the patterns of institutional behavior that constrain the ability of some people to meet their own needs.[22] In line with the new Republican administration, AoA was focusing on regulation, deregulation, tax policy, administrative reform, private sector collaboration, and self-help.

The idea of home equity conversion fell naturally into this framework. It held out a promise of financial help for the elderly without major public expenditures. It was explicitly a self-help notion that relied on the mechanisms of the market. AoA was interested in finding out what role, if any, it should play in the further development of the equity conversion idea. In April 1981, John Skinner, Associate Commissioner for AoA's Office of Research, Demonstrations, and Evaluation, asked the Director of the Division of Research and Evaluation to arrange briefings for AoA Executive Staff and for staff in the Office of Human Development Services (OHDS) on HECP and

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[21]Interview with Jorge Lambrinos, Majority Staff Director, Select Committee on Aging, U.S. House of Representatives, November 1981.

[22]Telephone conversation with Verna Cook, Project Officer, Division of Research and Evaluation, AoA, July 1981.

its findings. His attention had been attracted by the publication of the project's book, *Unlocking Home Equity for the Elderly*. The briefing was held on July 26, 1981 at AoA's offices in Washington, D.C. Ken Scholen was the principal speaker.[23] Later, in March 1982, the Assistant Secretary for Human Development Services requested a policy option paper from HECP on federal policy issues.

On the national level, project reports have been used to clarify two of the key regulatory issues involved in home equity conversion.

Vignette #5

A major question affecting elderly homeowners' interest in equity conversion techniques concerns the effect that the benefits would have on Supplementary Security Income (SSI) payments. HECP consultant Michael Drury developed a computer simulation of the impact of various policy options and an analysis of home equity conversion plans as they relate to SSI regulations. The results will be the subject of a meeting with officials from the Social Security Administration, policy analysts, and project personnel.[24]

Vignette #6

An issue affecting sale leaseback plans concerns the status of tax deductions. A HECP newsletter noted that "until the I.R.S. rules on this..., many significant sale leaseback plans will not be implemented."[1]

The Fouratt Corporation in Carmel, California had been developing a major sale leaseback plan for California, called the Senior Equity Plan. After developing a model plan, and interesting its first client, the corporation initiated a test case with the IRS. A Washington, D.C. firm—Price, Waterhouse and Company—was retained to represent the client in late 1980. HECP prepared an analysis of the issues and secured favorable recommendations from various policymaking bodies (see Vignettes #1, #2, and #13).[25]

On the state level, the project often took a more direct role. As we noted in the first chapter, part of the project's efforts were devoted to preparing model state statutes for various home equity conversion techniques. In the state of Wisconsin's property tax deferral program, the role of HECP was most direct.

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[23]Interview with Dr. Frances Jacobs, Project Officer, Division of Research and Evaluation, AoA, October 6, 1981.

[24]Interview with Ken Scholen, 19 October 1981.

[25]HECP project files.

Vignette #7

As part of the work begun by the state's Reverse Mortgage Study Project, project staff conducted a statewide survey of the elderly, asking the respondents about their interest in participating in various home equity conversion plans. Later, Scholen and other staff met with senior citizen organizations throughout the state to solicit their ideas about the plans. From this inquiry emerged a project report which analyzed loan-to-value ratios and projected county-to-county data on home value, taxes, and appreciation. Data from the statewide survey were used to estimate fiscal implications for capitalization and cash-flow management. The report was presented to state government officials during an executive briefing on the project's proposals. Scholen later presented formal testimony to the legislature about this plan.[26] He also met with the Coalition of Wisconsin Aging Groups (comprised of 525 member groups) to develop a proposal that would become part of the Coalition's 1981 legislative platform.[27]

The Governor of Wisconsin and the Chairman of the legislature's Committee on Aging both supported the plan, and it was incorporated into the governor's 1981-83 state budget bill. It was introduced as Assembly Bill 66 by the Joint Committee of Finance on 2 June 1981, and was passed into law in July 1981. The program was to be implemented by the state's Department of Revenue. (See Appendix C for a copy of the bill.)

National events have so far prevented the program from becoming operational. The program was dependent on the state raising an initial ten million dollars of "seed money" through the sale of state revenue bonds. However, federal requirements for tax exemption changed, and technical amendments had to be made to the program. In addition, interest rates climbed to levels that made it less financially attractive for individuals to participate in the program. The government of Wisconsin has decided to defer implementation of the program until later this year.

On the local level, the project staff have provided technical assistance and materials to many city agencies and citizen organizations. The following are illustrative examples:

Vignette #8

The Philadelphia Mayor's Office on Aging was investigating home equity conversion alternatives. Project staff met with the mayor's staff, discussed various options, and provided technical assistance. The Office on Aging subsequently focused its program development efforts on deferred payment loans to finance municipal gas bills and/or weatherization.

[26]Letter from Ken Scholen to authors, October 30, 1981.

[27]Telephone interview with Gail Shiman, Committee Clerk, Committee on Aging, Business and Financial Institutions, and Transportation, Wisconsin State Legislature, October 28, 1981.

Vignette #9

A consortium of social service agencies and community organizations in Boston was exploring housing alternatives for older people. One of the agencies, United South End Settlements, contacted HECP for background materials and consultation. This led to the development of various sale leaseback models, and a community conference in May of 1982 featuring economist Paul Samuelson and resource people from HECP.

Uses by Pilot Projects

The most direct developmental efforts of HECP concerned the six pilot projects which it supported in various ways. HECP staff and consultants provided technical assistance, research support, in-kind contributions, and even direct grants. In some cases, they helped develop the specific equity conversion packages that would be offered by the project. In other cases, they helped conduct background research specifically for the project, e.g., market surveys, cash-flow models, financial analyses. Through the HECP conferences and "consultations," the project was also instrumental in obtaining additional, non-AoA funding for some of the projects. The following vignettes provide some of the details for two of the projects. HECP's role in the other four pilot projects is described in the vignettes in Appendix D.

Vignette #10

Home Equity Living Plans, Inc. (HELP), a non-profit corporation in Buffalo, New York, has developed a program that guarantees elderly homeowners lifetime residence in their homes without the costs associated with home ownership. The program began operations in August 1981 with $1.3 million in HUD Community Development Block Grant funds. HELP has two main goals: to convert homeowners' equity into monthly income and to promote neighborhood stabilization by repairing and maintaining older homes.

The project intends to support a recycling program involving 80 houses, each averaging $20,000 in initial market value. HELP buys the home at a fair market value from the homeowner, assumes the payment of taxes, insurance, and major maintenance costs, and sends the homeowner monthly cash annuity payments. The payments continue until the participant's death, when the title of the house transfers to HELP. To date, three conversion contracts have been signed.

The HECP has helped by reviewing project materials and by providing information on developments and activities in home equity conversion in other parts of the country. More important, the project uses a financial plan that was developed by HECP consultant, Jack Guttentag. The plan is based on a computerized cash-flow model which is used to calculate conversion tables for interested homeowners.[28]

Vignette #11

The Senior Homeowner Equity Conversion Project in Essex County, New Jersey, began a feasibility study of home equity conversion for senior homeowners in the county in Spring 1981. The project's overall goal is to establish a non-profit senior homeowners' cooperative to convert the equity of senior homeowners into usable income, prevent displacement, finance repairs and weatherization of homes, and stabilize the neighborhood.

The study originated when the director of the Greater Essex Community Foundation contacted the local area agency on aging to inquire about innovative programs for the elderly in the private sector. She learned about the home equity conversion concept and soon thereafter, brought up the issue at a conference in Washington, D.C. sponsored by the Department of Health and Human Services (DHHS). DHHS staff suggested that she contact the Home Equity Conversion Project for technical assistance.

The project's feasibility study (which included a survey of senior homeowners) determined that, in light of the high interest rates, a sale-leaseback approach would be more appropriate than a reverse mortgage program.

The project staff found the HECP staff and reports to be very helpful in designing the feasibility study. The report on reverse annuity mortgages produced by Kaplan, Smith and Associates (partially supported by HECP) and the cash-flow planning model were particularly useful. HECP project staff provided technical assistance in developing the program design, reassured the Committee members that the home equity conversion concept was a good one, and continuously kept the Committee abreast of new developments in home equity conversion through conferences, newsletters, and brief reports.[29]

Uses by the Private Sector

The preceding section showed how HECP directed information to the public sector agencies in order to eliminate barriers to the development of such plans. But another key to

[28]Telephone interview with Donna Guillaume, Director, Buffalo Home Equity Living Plans, Inc., Buffalo, New York, November 1981.

[29]Telephone interview with Douglas Browne, Senior Homeowner Cooperative, Division of Community Development, Belleville, New Jersey, November 1981.

the success of the project lay in getting private sector organizations involved in the process. Financial institutions such as banks, savings and loan associations, and insurance companies were essential actors. These groups would ultimately have to provide most of the equity conversion contracts. Thus, HECP was especially responsive to inquiries made by private sector groups.

For example, in what is perhaps the most significant advance in the home equity conversion movement, HECP staff and research played a role in developing a plan that will ultimately be offered to the public. The following vignette describes HECP's activities in detail:

Vignette #12

The first heavily capitalized venture into home equity conversion was the American Homestead, Inc. plan. The company is raising over $100 million in mortgage and venture capital to support its "Century Plan," which will be available to an estimated 11 million people in the U.S. who are (a) owners and occupants of single-family houses free and clear of mortgage debt; (b) at least 65 years of age; and (c) residents of metropolitan areas that have histories of steady appreciation in real-estate values and population growth. A HECP newsletter describes the project as "the most ambitious reverse mortgage plan yet proposed." Working through local lenders, the company will offer older homeowners the opportunity to receive monthly checks, ranging from $100 to $500 or more, as an income supplement. The total dollar amount that any one homeowner can receive will be unlimited. Repayment occurs only when the owners move, sell their property or die. The amount owed includes the total dollar amount of the monthly checks; deferred interest computed at a fixed rate below what was prevailing in the mortgage market at the time the original contract was signed; and a percentage of the increase in the resale value of the house since the date of the original contract. The repayment will be expected solely from the proceeds of the sale of the house. If this amount is less than the total amount of the monthly payments, the company will absorb the loss, with no further legal remedies against owners or heirs.

The orginators—James Burke and Don Smith—had been on the project's mailing list and had called Scholen for information many times as they were developing initial plans. In the later stages of development, the two American Homestead representatives met with HECP staff and consultants to review their plans and solicit comments. Mr. Burke commented in a letter to the Retirement Research Foundation that "if it were not for the assistance of Mr. Scholen and his staff, American Homestead would not soon be offering reverse mortgages to hundreds of thousands of New Jersey residents. Indeed, without his encouragement we might have prematurely abandoned our efforts as so many others have done in pursuit of a solution to this national problem."[30]

Another important source of financing for equity conversion is the nation's private pension funds. HECP acknowledged this potential early on, when it hired Donald Smart as a consultant to promote the concept. Smart is the Vice President and Manager of Deferred Compensation Administrators, Inc., a Minneapolis-based consulting firm. He was hired specifically to give speeches and write articles for specialized publications in the pension fund area. The following vignette illustrates one of the more concrete results of these efforts:

Vignette #13

The Wisconsin State Employees Union (WSEU) retained the services of project consultant Donald Smart to help develop their bargaining package for their Spring 1981 round of negotiations.[31] The union, which represents 24,000 Wisconsin public employees, sought an expanded role in pension investments and advanced several relevant proposals. With the help of Smart, their four-point proposal asked the state to invest up to 30 percent of the approximate $5.2 billion in pension money in the Wisconsin economy. It included a demand that "a reasonable percentage of the pension funds attributable to members of WSEU be segregated for investment in Reverse Annuity Mortgages."[32]

Governor Lee Dreyfus expressed support for the proposal, although ultimately it was not included in the contract agreement. Union leaders opted for gains in other sectors of the negotiations. Nevertheless, the negotiations gave the concept of home equity conversion publicity throughout Wisconsin and throughout the AFL-CIO (through its newsletter, cited below).[33]

Other private interest groups have sought out HECP's services as well:

[30]Letter from James J. Burke, President, American Homestead, Inc. to Marilyn Hennessy, Executive Director, Retirement Research Foundation.

[31]"Unions Seek Expanded Role in Pension Investments," Labor and Investments, Vol. 1, No. 4, May 1981, p. 1.

[32]Ibid., p. 2.

[33]Ibid.

Vignette #14

The American Bar Association's Commission on Legal Problems of the Elderly is developing ideas for the role of the private bar in promoting home equity conversion opportunities. Housing Subcommittee chairman Paul Nathanson convened an exploratory meeting of national leaders in the field in February 1982. Ken Scholen made a presentation at the meeting, and recommended that the ABA draft model sale leaseback legislation for Congress and model contracts for two-party transactions.[34] The Commission is seeking funding to pursue these activities.

Private foundations have also employed HECP services:

Vignette #15

A major operating foundation in the Midwest invited HECP personnel to a one-day meeting to explore various program initiatives. The meeting led to a proposal to let older persons finance in-home services with their home equity. Project staff provided additional technical assistance as the foundation developed its final proposal to a potential corporate donor.[35]

Uses by Individuals

In addition, the project has advised numerous individuals about equity conversion options, and has helped them overcome specific barriers to their plans. The following vignettes illustrate two such cases.

Vignette #16

Dora S. is 75 years old, low-income, with a mortgage-free home valued at $65,000. Recently, she met a niece, her nearest living relative. The niece is wealthy and wanted to finance Dora's remaining years in exchange for her home. Project staff helped them and their lawyer work out various options for structuring the transaction.[36]

Vignette #17

Dorothy B. is an elderly woman, low-income, with a mortgage-free home. She receives Supplemental Security Income and Medicaid and wants a short-term reverse mortgage. Project staff acted as a go-between with the Social Security office. Eventually, the Social Security Administration provided a letter stating that SSI benefits would not be affected by the income from the reverse mortgage.[37]

[34] HECP project files.

[35] Letter to authors from Ken Scholen, January 13, 1982.

[36] Ibid.

[37] Ibid.

Uses by the Media

The Home Equity Conversion Project also has generated an enormous amount of media attention. Information about the project, its pilot projects, and issues involved in the concept have appeared on national television and in major publications such as *U.S. News and World Report*, *Newsweek*, *Time*, and newspapers throughout the country. Scholen considers such media attention vital to the development of home equity conversion. The lists provided in Appendix E are themselves impressive. They also appear to reflect a growth of interest in the topic. As of mid-February 1982, the total number of items for the year already equalled that for all twelve months of 1979.

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C. WHY THE HOME EQUITY CONVERSION PROJECT WAS USEFUL

In earlier case studies, we examined AoA-sponsored projects in light of various propositions concerning research utilization. Our goal has been to develop workable strategies for realizing the full potential of AoA's research and development program. We continue that tradition here. In this chapter, the experience of the Home Equity Conversion Project is examined in light of our six earlier propositions. In the following chapter, we consider the management implications.

The propositions we shall examine were derived from our earlier case studies and the literature on "knowledge transfer." Each case study has produced a number of refinements. The propositions are:

- **Proposition No. 1:** Utilization follows the development of an informal social network, linking knowledge producers (researchers) with knowledge users (consumers, service providers, and policymakers).

- **Proposition No. 2:** "Interventions" designed to boost utilization occur throughout the life of a research project, and not merely at its completion.

- **Proposition No. 3:** Utilization depends on the vigorous dissemination of project materials—but not necessarily the final report.

- **Proposition No. 4:** Utilization is facilitated when the research involves a "synthesis" and "development" activity.

- **Proposition No. 5:** Utilization occurs when there already exists a large audience of policymakers and practitioners with a strong interest in the topic and a desire to do something about it.

- **Proposition No. 6:** Utilization is facilitated when the findings of a single study have been confirmed by other researchers.

In earlier case studies, we have distinguished "research" and "development" projects. In pure form, "research" projects produce new information, whereas "development" projects produce usable tools such as a handbook or a questionnaire. Our first four case studies, for example, concerned development-oriented projects:

- the Older Americans Resources and Services (OARS) project synthesized existing knowledge to produce an instrument for assessing the functional status of older Americans;

- the Transportation Services for the Elderly project developed a planning handbook and a site assistance kit for state and local officials;

- the Nursing Home Inventory project produced survey instruments for cataloguing and selecting nursing homes; and

- the Program Development Handbooks project produced a series of handbooks for state and area agencies on aging on seven service areas.

In contrast, the fifth case study examined two "research" projects that produced information on the extent of maltreatment and abuse of the elderly.

The Home Equity Conversion Project presents an opportunity that these first five projects did not. In addition to conducting research and sponsoring development activities, HECP also demonstrated and promoted the home equity conversion concepts. Its activities, therefore, were somewhat different from those pursued in earlier case studies. GRI's recommendations in earlier studies should be enhanced by confronting the propositions with this different type of project. We discuss each proposition in turn.

Proposition No. 1: Utilization follows the development of an informal social network, linking knowledge producers (researchers) and knowledge users (consumers, service providers, and policymakers).

In each of the first five case studies, we noted that the development of an informal social network was an important precondition for the utilization of research products. Potential users of such information seemed more likely to actually use it if they (1) knew it existed, (2) knew the name of the researchers and how to contact them, and (3) had engaged in some form of dialogue with the research team. Usually these networks seem to have been generated by conferences or meetings and sustained by mail or telephone communications.

In these earlier case studies, the formation of the social network typically had not been intentional. It had developed as a by-product of what were "normal" dissemination activities. With HECP, however, the goal was made explicit.

(1) Throughout the life of HECP, Scholen encouraged the development of an informal network. During the Wisconsin-sponsored phase of the project, one of the key events was the national Reverse Mortgage Development Conference. A primary purpose of the meeting was to introduce people interested in the topic to one another. It was during this interaction, for example, that Scholen identified people who would later serve as project consultants and who would develop pilot projects. Similar meetings during the AoA-funded phase of the project (the HECP "consultations") helped sustain the nascent network.

(2) The staffing pattern of HECP emphasized the importance of getting a network of people involved in home equity conversion. Scholen selected consultants from across the nation. Part of their work was to interact with pilot project staff and to provide technical assistance to them. The HECP staffing pattern also included a large advisory committee, which attended the project "consultations" and served as an information source for HECP. The number of people formally involved with the HECP, therefore, was quite large: three staff, ten consultants, eight advisory committee members, and staff of six pilot projects.

(3) The HECP network was made larger and more accessible through the HECP newsletter, which was informal,

typewritten (not typeset), and addressed "Dear Friends.",Each newsletter encouraged readers to respond in some way (e.g., by ordering a HECP report). In this way, the newsletter brought information about equity conversion while it encouraged further development of the network.

(4) A fourth manifestation of HECP's deliberate efforts to develop an informal network was the large number of oral presentations by HECP staff and consultants. Scholen was especially active in this area. He participated in both formal and informal meetings throughout the country, and encouraged the others to do so as well. One consultant was hired exclusively to give speeches and write articles about investing pension funds in equity conversion projects.

Our evidence suggests that Proposition No. 1 explains much of HECP's success. It is clear, for example, that HECP efforts led to a large informal network of people interested in home equity conversion. The newsletter alone is now distributed to over 8,000 people. It also seems clear that the existence of the network has led to the utilization of HECP and its findings. Our interviews brought this out clearly. The staff director for the President's Commission on Housing, for example, placed home equity conversion on the Commission's agenda after talking to a long-time friend of his, who happened to be a HECP consultant. (See Vignette #2.) The developers of the American Homestead plan first learned of HECP through one of its newsletters (Vignette #11). And three pilot projects generated financial support from foundations during the HECP-sponsored meetings and consultations. HECP's deliberate provocation of an informal network explains a great deal about its ultimate success.

Proposition No. 2: "Interventions" designed to boost utilization occur throughout the life of a research project, and not merely at its completion.

Many activities designed to promote and implement home equity conversion occurred throughout the term of the project. These activities, as we have seen in the vignettes, have been successful. Many conversions have taken place. Significantly, utilization did not await the final report. We noted four particularly salient interventions that seem to have brought about the high degree of utilization:

(1) Perhaps the most important were the six pilot projects. These projects were designed to help structure HECP's

research and then to implement its findings. They represent an unusual aspect of HECP. It was simultaneously a research and a demonstration project. The fact that both aspects were operating in tandem is reminiscent of an earlier case study, but with HECP, the coincidence was intentional.[38]

(2) At its first conference on the topic in May 1979, HECP staff began to identify barriers to the implementation of home equity conversion plans. Many of these were legal or regulatory. For example, at that time it was unclear how the Internal Revenue Service would handle income from sale/leasebacks. Throughout the life of the project, therefore, HECP staff and consultants worked to clarify such issues and to develop legal, regulatory, and policy recommendations for various public bodies (directly, with the Wisconsin legislature, the White House Conference on Aging and the President's Commission on Housing; and indirectly, with the I.R.S. and the Social Security Administration).

(3) Throughout the life of the project, HECP staff and consultants have given presentations of their findings to policymakers (e.g., at AoA) and potential providers of the equity conversion plans.

(4) Draft HECP reports were distributed throughout the project network to solicit critiques and to further develop the audience for the results. Scholen used various techniques to get readers involved. He deliberately made documents appear incomplete with pencilled-in changes, "draft" stamps, and the like. Scholen explained that he wanted readers to feel a part of the process and thereby a participant in the home equity conversion "movement."

These and other interventions explain much of HECP's success in getting home equity conversion implemented. Each was intended to either break down barriers or induce participation in home equity conversion. In this way, each lends support to Proposition No. 2.

[38]Robert K. Yin and Ingrid Heinsohn, Case Study No. 2, Ibid.

Proposition No. 3: Utilization depends on the vigorous dissemination of project materials—but not necessarily of the final report.

Even compared to other exemplary AoA studies, HECP efforts at disseminating its findings are impressive.[39] HECP developed a sophisticated computer-based direct mail system for distributing newsletters, reports, and other project materials. The newsletter, for example, came out three to four times a year and was distributed widely. Each HECP report was sent out in draft form to people throughout the network. HECP also published a large volume of information about home equity conversion during the first year of the project. The final report, in contrast, was submitted at the end of March 1982, and is unlikely to be distributed widely.[40]

Two features stand out about HECP's method of dissemination. In addition to being vigorous, it tended to employ informal channels and to be geared primarily to nonacademic audiences. Instead of seeking publication of articles in leading academic journals, Scholen relied on newsletters sent to a diverse audience, only a portion of whom were academics. The audience tended to be comprised of people who would be able to help put the concept into practice, either through policy changes or through the development of workable plans for implementation. Even at major conferences in the field of gerontology, HECP presentations tended to be more practical than academic.

The nature of the HECP message and of its intended audience made it a prime topic for the mass media. Scholen encouraged media attention, and used it to expand the network around HECP. The project received a vast amount of coverage in the print media, and was featured in some of the most popular forums (viz., "Good Morning America," *Newsweek, Time* and *U.S. News and World Report).*

Our evidence further suggests that this dissemination has led to concrete results. AoA called a special briefing on the project after learning about the published book. Many elderly and many investors seem to have become interested in equity conversion after reading about it in the newspaper. And

[39]See earlier case studies, cited above.

[40]Telephone conversation with Ken Scholen, March 1982.

the project's reports and newsletter led directly to contacts throughout the United States with institutions interested in beginning such a program. Proposition No. 3 is clearly supported by the HECP experience.

Proposition No. 4: Utilization is facilitated when the research involves a "synthesis" and "development" activity.

With HECP, development activities were intrinsic to its demonstration activities (the pilot projects). HECP staff and consultants developed usable tools, such as the cash-flow planning model, explicitly for the pilot projects' use. Without this support, these projects probably would have faltered. In this sense, the experience of HECP supports Proposition No. 4.

The evidence supporting a cause-effect link between development activities and utilization is somewhat ambiguous, however. It is not clear if HECP's success was due more to its development activities or to its demonstrations, since the two are interconnected. The HECP experience poses, in fact, some interesting possibilities for combining demonstration efforts with other R&D projects. (We present these as a proposition at the end of this chapter.)

Proposition No. 5: Utilization occurs when there already exists a large audience of policymakers and practitioners with a strong interest in the topic and a desire to do something about it.

The experience of HECP supports this proposition. Although few policymakers or practitioners had been aware of home equity conversion prior to HECP, there was widespread interest in the problems of income maintenance and housing for the elderly. Because of the economy, these problems have defied traditional solutions. HECP was successful because it presented an acceptable alternative. It designed plans that met the needs of the elderly while providing a profit incentive for investors and a low-cost solution for public authorities. It was the right idea at the right time, and this feature unquestionably was the most important precondition of HECP's success.

Proposition No. 6: Utilization is facilitated when the findings of a single study have been confirmed by other researchers.

We have no evidence from the case study to support or refute this proposition. In fact, the nature of the HECP "products" may make this proposition irrelevant. HECP was not primarily a research study producing new research information. It was a research, development, and demonstration project that primarily synthesized existing information. In our case study of the two projects on battered elderly (from which this proposition derives), it was important for explaining the utilization of the findings. Both projects involved original research on a relatively new topic. The fact that there was more than one project on roughly the same topic allowed readers to synthesize the information themselves. In our other cases of high utilization, we noted that project staff performed this synthesis for the audience. It may be, then, that this proposition is more applicable to projects that are oriented more toward basic research than to applied research. It may be the counterpart to Proposition No. 4 for such projects.

One element of HECP's successful history of utilization that is not covered by these six propositions is the concomitant role that project staff played in research, development, **and** demonstration activities. All three activities were occurring simultaneously throughout the life of the project. In all three, the same staff and consultants were involved. Thus, the HECP configuration of activities not only brought "knowledge producers" and "knowledge users" together; in some instances these groups of people were the same. In effect, HECP eliminated the "gap" between knowledge production and knowledge utilization that utilization strategies are typically designed to bridge.

We would not go so far as to say that all research projects should include both development and demonstration components. It is unlikely that the success of HECP was due to the fact that all three components occurred simultaneously (rather than sequentially) or that they occurred under the same administrative roof. More probably it was that the researchers participated also in these other activities that enhanced the utilization of the findings. As the development and demonstration activities were pursued, the researchers could mold their knowledge to the specific circumstances and make the information more usable.

These thoughts lead to the following new proposition:

Proposition No. 7: The utilization of research is facilitated when the researchers themselves become involved in the development and demonstration of their findings.

We offer this proposition tentatively, pending confirmation.

Summary

In the preceding paragraphs, we reviewed the history of the Home Equity Conversion Project in light of six propositions about the utilization of research. The evidence supported five of these propositions, seemed irrelevant in the case of one, and generated a seventh. Overall, the close similarity between the five original propositions and the history of HECP is striking. The activities and products that GRI has repeatedly found to be most beneficial were also those that HECP emphasized most. The high degree of utilization of HECP's products is not surprising.

D. IMPLICATIONS FOR R&D MANAGEMENT

The complete inventory of policy implications that have been generated from GRI's series of case studies numbers nine. Of these, the evidence from the Home Equity Conversion Project supports the following six:[41]

- *Utilization strategies should discriminate between "research" and "development" projects.*
- *Utilization strategies should focus on linking people, not products, and should encourage vigorous networking efforts throughout the life history of a development project.*
- *Research-funding agencies such as AoA should vigorously support the dissemination of project materials to audiences other than researchers. The likely form of these materials will be either usable tools or brief summaries of the findings.*
- *R&D funding agencies such as AoA should consider who shall be responsible for the products in which they have invested, once the original development effort is over. (Responsibility includes responding to questions about the product, monitoring its utilization, and determining when new modifications are appropriate.)*

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[41] Only three of the existing list of action implications are excluded here. All three came from Case Study No. 5, which concerned the most "research" oriented of the projects we have examined. The remaining six appear to apply equally to research-, development-, and demonstration-oriented projects.

- *Research sponsors should consider the probable level of audience interest in and need for the products in planning utilization strategies for them.*

- *Sponsors should make use of press releases that provide a clear statement of research findings (in non-technical language) and of their potential significance.*

The Home Equity Conversion Project provides strong evidence for each of these implications. More than any case we have examined to date, HECP efforts seem to have been focused explicitly on developing usable products, "linking" people, disseminating materials, taking responsibility for its products, acknowledging its audience, and using the popular media.

Part of the impetus for these utilization-oriented tactics could have been the nature of the topic; but certainly another impetus was the orientation of the HECP Project Director. Not only were practitioners accepted as legitimate members of the audience for HECP products; they were viewed as essential for the success of the project. Perhaps it was this explicit acknowledgement of legitimacy that allowed HECP to naturally follow a utilization strategy that GRI has developed during the course of its studies on exemplary AoA projects.

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PEOPLE INTERVIEWED FOR CASE STUDY

Ms. Bronwyn Belling
Reverse Annuity Mortgage Program
San Francisco Development Fund
Corte Madera, California

Mr. Douglas Browne
Senior Homeowner Cooperative
Division of Community Development
Belleville, New Jersey

Ms. Deborah Fugenschuh
Former Director
Home Equity Project
Madison Development Corporation
Madison, Wisconsin

Ms. Donna Guillaume
Director
Home Equity Living Plans
Buffalo, New York

Dr. Frances Jacobs
Project Officer, Home Equity Conversion Project
Division of Research and Evaluation
Administration on Aging
Washington, D.C.

Mr. Max Kummerow
Home Equity Conversion Project
Wisconsin Department of Health and Social Services
Madison, Wisconsin

Mr. Jorge Lambrinos
Majority Staff Director
Subcommittee on Housing and Consumer Interests
Select Committee on Aging
U.S. House of Representatives
Washington, D.C.

Dr. Harry Posman
Director, Division of Long-Term Care
Former Director, Division of Research and Evaluation
Administration on Aging
Washington, D.C.

Mr. Ron Rosner
Division of Research and Analysis
Wisconsin Department of Revenue
Madison, Wisconsin

Mr. Ken Scholen
Director, Home Equity Conversion Project
Wisconsin Department of Health and Social Services
Madison, Wisconsin

Ms. Gail Shiman
Member, Senator Timothy Cullen's Staff
Committee Clerk, Committee on Aging, Business and Financial Institutions, and Transportation
Wisconsin State Legislature
Madison, Wisconsin

Mr. Waymon Winston
Executive Director
Westside Conservation Corporation
Milwaukee, Wisconsin

Ms. Rita Wlodarczyk
Chair
Monona Senior Citizens Commission
Monona, Wisconsin

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APPENDIX A

Major Publications of the Home Equity Conversion Project

Scholen, K. (Ed.) *Unlocking home equity: New ideas for homeowners.* Summer 1979.

Scholen, K., & Chen, Y.P. (Eds.) *Unlocking home equity for the elderly.* Cambridge, MA: Ballinger, 1980.

Scholen, K., Kummerow, M., & Drury, M. *Unlocking home equity through tax deferral.* June 1, 1980.

Jacobs, B. *Notes on the assessment of the potential for home equity conversion.* August 1980.

Moon, M. *Home equity conversion and means-tested programs.* Fall 1980.

Home Equity Conversion Project. *Pilot projects on home equity conversion: Working papers and proposals.* October 1980.

Guttentag, J. *Criteria for assessing home equity conversion programs.* November 1980.

Weinrobe, M.D. *The renegotiable RAM.* January 1981.

Home Equity Conversion Project. *Property tax deferral—background and statute.* January 1981.

Wisconsin Department of Development. *An evaluation of Wisconsin's housing and neighborhood conservation program home improvement loans.* January 1981.

Home Equity Conversion Project. *Pilot project update.* February 1981.

Scholen, K. *New developments in private sector home equity conversion loans.* February 14, 1981.

Kaplan, Smith & Associates, Inc. *Special study on reverse annuity mortgages.* March 1981.

Weinrobe, M.D. *Consumer safeguards for instruments unlocking home equity for the aged.* March 1981.

Garnett, R., & Guttentag, J. *Modelling the Buffalo plan.* Summer 1981.

Home Equity Conversion Project. *Pilot project update #2.* June 1981.

Home Equity Conversion Project. *Home equity financing for rental unit conversion.* June 1981.

Scholen, K. *A guide to sale leaseback arrangements for older homeowners and their attorneys.* Draft. June 1981.

Campbell, J. *Real estate limited partnership and sale leaseback plan.* June 1981.

San Francisco Development Fund. Operating Manual (180 pages). September 1981.

Home Equity Conversion Project. *Pilot project update #3.* October 1981.

Kummerow, M. *A federal role in reverse annuity mortgage development.* November 25, 1981.

Scholen, K., & Kummerow, M. *Federal tax treatment of depreciation on residential sale leasebacks for the elderly.* January 1982.

Kummerow, M., & Scholen, K. *The deferred payment repair loan.* January 1982.

Scholen, K. *Beyond the golden age club: New products for the fastest growing segment of the American population.* February 1982.

Home Equity Conversion Project. Housing issues (packet). February 1982.

Weinrobe, M.D. *Home equity conversion instruments with fixed term to maturity: Alternatives to end-of-term payoff.* Spring 1982.

Jacobs, B. *The national potential for home equity conversion into income for the elderly.* March 1982.

Kummerow, M. *Marketing home equity conversion: Experience to date.* March 1982.

Drury, M. *Discussion papers on the economic theory of home equity conversion.* March 1982.

Drury, M. *English transliteration of French handbook, le rentes viageres.* March 1982.

APPENDIX B

Newsletters Distributed by the Home Equity Conversion Project

November 26, 1979[42]

Topics include: (1) the Ballinger book, (2) the AoA solicitation on home equity conversion, (3) an update on Wisconsin home improvement loans, (4) an announcement that Fouratt signed first contract, (5) an announcement of RMSP survey of Wisconsin older homeowners, (6) an announcement that the Madison Development Corporation received a planning grant from DLAD, (7) an announcement of Minnesota's progress with reverse mortgage instrument, (8) an update on Buffalo's plans, (9) a description of the RMSP involvement in the Wisconsin property tax deferral analysis, (10) a review of other research sponsored by AoA that has a bearing on home equity conversion, (11) an updated bibliography on home equity conversion, and (12) an announcement of forthcoming research on financial aspects of home equity conversion.

February 15, 1980

Topics include: (1) an announcement and description of AoA grant award, (2) an announcement of a Ford Foundation grant to support the pilot project in San Francisco (with a description of project), (3) an update on the content of Ballinger book, (4) an announcement about the

[42] These were distributed under the auspices of the Reverse Mortgage Study Project—RMSP.

availability of an interim report on the home repair and improvement loan program in Wisconsin, (5) an update on the pilot project in Madison, (6) an announcement that a Pennsylvania S&L was the first to file a reverse mortgage plan with the Federal Home Loan Bank Board since enabling regulations were issued on January 1979, (7) an update on the survey of Wisconsin homeowners, (8) an announcement that RMSP is developing a proposal for property tax deferral for Wisconsin, and (9) an announcement that RMSP is developing computer software for financial analysis of equity conversion plans.

October 1, 1980

Topics include: (1) an announcement about the Ballinger book, (2) a description of the HECP project, (3) a brief description of the 5 pilot projects, and (4) a listing of major research activities of HECP.

January 1981

Topics include: (1) the White House Conference on Aging Mini-Conference on Housing meeting and resolution on home equity conversion, (2) the announcement that the Ballinger book is available, (3) the announcement that Boiling Springs S&L in New Jersey became the fifth lending institution in the nation to offer a reverse mortgage loan, (4) an update on the pilot projects, (5) an announcement about the new reverse mortgage loan instruments and research reports that were available, (6) an announcement that the home repair loan program evaluation was complete and available, (7) a description of the use of pension funds for home equity conversion, with reference to Donald Smart, (8) a report on public interest and awareness of home equity conversion, as evidenced by media coverage and the amount of mail received by the project, (9) an update on the proposal for a property tax deferral plan, (10) an announcement of three discussion papers produced by HECP and available to readers, and (11) a description of forthcoming research by HECP.

June 1981

Topics include: (1) a description of the findings from B. Jacobs' research on the potential national market for home equity conversion, (2) a description of the "Guide to Sale Leasebacks" that the project is developing, (3) information that several insurance companies are seriously looking into the issue, (4) report about the Wisconsin State Employees Union proposal for investing pension funds in home equity conversion projects, (5) a progress report on pilot projects, (6) an announcement of a new report by M. Weinrobe on consumer safeguards, (7) an announcement of the Kaplan, Smith & Associates report completion, (9) information about IRS rulings that affect equity conversion plans, (10) description of equity conversion for financing conversion to income-producing rental units, congregate housing, etc., with names of contacts, (11) information about equity conversion plans to promote neighborhood reinvestment, and (12) an update on "public awareness."

October 1981

Topics include: (1) an announcement that first contracts were signed in San Francisco, Buffalo, and Milwaukee, with full description of contracts and their significance, (2) an announcement about pilot project interim reports, (3) a description of the American Homestead plan, (4) an announcement that the property tax deferral bill was enacted in Wisconsin, (5) an announcement that J. Guttentag's report on the cash flow model is available, (6) a description of forthcoming research by HECP, (7) a report on national interest in equity conversion, (8) a report on IRS rulings that would be made, and (9) an announcement that B. Jacobs' report on the national potential for home equity conversion was finally available.

February 1982

Topics include: (1) an announcement that AoA funding was ending, and that they had incorporated as a private, non-profit corporation (the National Center for Home Equity Conversion), (2) an announcement about the GRI case study on the HECP, (3) an update on the American Homestead plan, (4) an update on Fouratt project, (5) a report on the activities of the American Bar Association in equity conversion, (6) an announcement about two reports from the project, (7) an announcement that pension fund investment in equity conversion and the first significant secondary market development "are edging closer to reality," (8) an announcement of another contract signed (in Madison), (9) an announcement about the availability of home equity credit lines in California, (10) an announcement about the resolution passed by White House Conference on Aging, (11) a description of the issues being addressed by the President's Commission on Housing, and the role HECP played, (12) a description of the research report produced by M. Drury, a project consultant, (13) an update on the property tax deferral program in Wisconsin, (14) an announcement that the San Francisco pilot project is expanding into other areas of California, (15) an update on the Buffalo project, (16) an update on the New Jersey project, (17) a description of deferred payment loans for home repairs, and an announcement of a project report (by M. Kummerow) on the subject, (18) a description of the anti-poverty potential of equity conversion, and report on subject by HECP (B. Jacobs), (19) an announcement of conferences on topic, and (20) an update on public interest in home equity conversion.

APPENDIX C

Wisconsin Property Tax Deferral Bill

ASSEMBLY SUBSTITUTE AMENDMENT 1,

TO 1981 ASSEMBLY BILL 66

June 2, 1981 — Offered by the JOINT COMMITTEE ON FINANCE.

AN ACT to amend and revise chapter 20 of the statutes, and to make diverse other changes in the statutes, relating to state finances and appropriations, constituting the executive budget bill of the 1981 legislature, and making appropriations.

SECTION 445m. 20.566 (8) of the statutes is created to read:

20.566 (8) PROPERTY TAX DEFERRAL. (a) Administrative supplement. The amounts in the schedule to pay costs incurred in the administration and operation of the program under subch. IV of ch. 77. These moneys may be dedicated by the department to the system of funds and accounts created under s. 77.67 (2).

(v) Revenue obligation funding. As a continuing appropriation, proceeds from revenue obligations for providing loans and reserves under subch. IV of ch. 77, issued under subch. II of ch. 18. These moneys may be dedicated to the system of funds and accounts under s. 77.67 (2).

(w) Revenue obligation repayment. All moneys received in the system of funds and accounts under s. 77.67 (2), for the purposes of retiring revenue obligations, providing reserves and funding additional loans of subch. IV of ch. 77. All moneys received are irrevocably appropriated in accordance with subch. II of ch. 18 and further established in resolutions authorizing the issuance of revenue obligations and setting forth the distribution of funds received under that subchapter.

(y) Program administration. As a continuing appropriation, all moneys received in the system of funds and accounts under s. 77.67 (2) to pay costs incurred in the administration and operation of the program under subch. IV of ch. 77.

SECTION 1109g. 74.03 (4) of the statutes is amended to read:

74.03 (4) DELINQUENT FIRST INSTALMENT; INTEREST. If the first instalment of the real estate taxes or special assessments so charged is not paid on or before January 31, the whole amount of such real estate taxes or special assessments shall become due and payable and shall be collected, together with unpaid personal property taxes, on or before the last day of February by the town, city or village treasurer. All such taxes and assessments remaining unpaid on March 1 are delinquent and shall be returned to the county treasurer as provided in s. 74.17. ~~Such~~, except that the taxes due from individuals who receive loans under subch. IV of ch. 77 are not delinquent if they are paid on or before the next January 1. Delinquent taxes shall be collected by the county treasurer with interest at the rate of one percent per month or fraction thereof from January 1 next preceding.

SECTION 1109r. 74.03 (6) of the statutes is amended to read:

74.03 (6) DELINQUENT 2ND INSTALMENT; INTEREST. Except as provided in s. 74.025, the 2nd instalment of real estate taxes and special assessments remaining unpaid on August 1 shall be delinquent and shall be subject to interest at the rate of one percent per month or fraction thereof from January 1 next preceding until paid or until the property upon which such taxes are levied is sold at the next tax sale as provided by law, except that the taxes due from individuals who receive loans under subch. IV of ch. 77 are not delinquent if they are paid on or before the next January 1.

SECTION 1110g. 74.031 (3) of the statutes is amended to read:

74.031 (3) INSTALMENTS DUE, PENALTIES. Such ordinance may postpone the time for the payment of a portion of the real estate taxes assessed in such city, village or town for not to exceed 6 months from January 31 so that real estate taxes may be paid to the city, village or town treasurer in 3 or more instalments beginning on or before January 31, each to be due on the last day of the month designated, under the conditions hereinafter specified, including the fixing of minimum payments. On any instalment date a taxpayer may pay the balance of the taxes due. Such ordinance may establish penalties for failure to pay instalments when due, except that the penalties may not apply to persons who receive loans under subch. IV

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of ch. 77 and who pay the instalment by the January 1 after it is due. Such ordinance must provide that not less than an aggregate of one-half of any tax paid in instalments shall be due and payable on or before April 30.

SECTION 1110m. 74.031 (5) of the statutes is amended to read:

74.031 (5) DELINQUENT FIRST INSTALMENT; INTEREST. When the first instalment of the real estate taxes or special assessments so charged is not paid on or before January 31, the whole amount of such real estate taxes or special assessments shall become due and payable and shall be collected, together with unpaid personal property taxes, on or before the last day of February by the town, city or village treasurer. All such taxes and special assessments remaining unpaid on March 1 shall be delinquent, ~~and~~ except that the taxes due from individuals who receive loans under subch. IV of ch. 77 are not delinquent if they are paid before the next January 1. Delinquent taxes shall be collected by the town, city or village treasurer with interest at the rate of one percent per month or fraction thereof from January 1 next preceding.

SECTION 1110r. 74.031 (6) of the statutes is amended to read:

74.031 (6) OTHER DELINQUENT INSTALMENTS; INTEREST. If any taxes, the payment of which shall have been thus postponed, shall not be paid in full on or before the final date fixed in such ordinance, the unpaid portion of such postponed taxes shall be delinquent, ~~and such~~ except that the taxes due from individuals who receive loans under subch. IV of ch. 77 are not delinquent if they are paid before the next January 1. Delinquent taxes shall be collected together with interest thereon at one percent per month or fraction thereof from January 1 preceding in lieu of accumulated penalties imposed pursuant to sub. (3). Any such taxes remaining delinquent on August 1 shall be returned to the county treasurer for collection as provided in sub. (9).

SECTION 1115p. Chapter 77 (title) of the statutes is amended to read:

CHAPTER 77

TAXATION OF FOREST CROPLANDS; REAL ESTATE TRANSFER FEES; SALES AND USE TAXES; PROPERTY TAX DEFERRAL; LOCAL SALES TAX

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SECTION 1125m. Subchapter IV of chapter 77 of the statutes is created to read:

CHAPTER 77

SUBCHAPTER IV

PROPERTY TAX DEFERRAL

77.63 PURPOSE. The legislature finds that older individuals who have resided in their homes for a substantial period of time have found it difficult to remain in their own homes because their incomes are insufficient to cover property taxes, which have risen as the value of their homes has increased. The legislature finds that it is in the public interest to create a program whereby the home equity accrued to these individuals is made available as security for loans that are applied to the payment of property taxes so that more older individuals can remain in their homes.

77.64 DEFINITIONS. In this subchapter:

(1) "Coowner" means a natural person who is at least 60 years of age at the time of the participant's initial application and who has an ownership interest in the qualifying dwelling unit of a participant in the program. The names of all coowners shall appear on the initial application of the participant. For purposes of this subchapter, a spouse has an ownership interest in the qualifying dwelling unit of the other spouse.

(2) "Department" means the department of revenue.

(3) "Free and clear" means that rights to transfer full title to the qualifying dwelling unit after satisfaction of permitted obligations are vested in the participant and coowners.

(4) "Participant" means a natural person 65 years of age or older who has been accepted into the program.

(5) "Permitted obligations" means the total amount of outstanding liens and judgments on the qualifying dwelling unit if that amount does not exceed $5,000. For purposes of this subchapter, housing and rehabilitation loans under s. 560.06 and liens arising under this subchapter shall not be considered outstanding liens or judgments in computing the amount of permitted obligations.

(6) "Program" means the program under this subchapter.

(7) "Qualifying dwelling unit" means a dwelling unit, not including a mobile home as defined in s. 66.058, located in this state, habitable as

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a permanent residence and to which property taxes are, or may conveniently be, allocated and up to one acre of land appertaining to it held in the same ownership as the dwelling unit. For purposes of this subchapter, "qualifying dwelling unit" includes a unit in a condominium or in a cooperative or in a multi-unit dwelling with 4 or fewer units, but in all of these 3 cases only the portion of taxes allocable to the unit lived in by the participant may qualify for loans under this subchapter.

(8) "Secretary" means the secretary of the department.

77.65 ELIGIBILITY. The department shall make loans to participants who:

(1) Apply on forms prescribed by the department for a loan to pay property taxes by June 30 of the year in which the taxes are payable on a qualifying dwelling unit;

(2) Reside in the qualifying dwelling unit more than 6 months of the year preceding each year of participation, but temporary residency in a health care facility may be substituted for any portion of this 6-month residency;

(3) Keep continuously in effect during the period that a loan is outstanding under this subchapter a fire and extended casualty insurance policy on the qualifying dwelling unit satisfactory to the department and permit the department to be named on the policy as an insured; and

(4) Either individually or with other coowners own the qualifying dwelling unit free and clear. If the qualifying dwelling unit is owned with coowners, each of these persons must approve the application under sub. (1).

(5) Earned no more than $20,000 in income, as defined under s. 71.09 (7) (a) 3, in the year prior to the year in which the property taxes for which the loan is made are due.

77.655 TRANSFER OF INTEREST. If a participant ceases to reside in a qualifying dwelling unit, and if the participant's total ownership interest in the qualifying dwelling unit is transferred to one or more coowners in that unit, a coowner may assume the participant's account by applying to the department if the coowner resides in the qualified dwelling unit. Upon approval of the application, and if the coowner is 65 years of age or older, the coowner shall become a participant in the program and shall qualify for program loans. A coowner who has not attained the age of 65 at the time of application under this section may assume the account of a participant but shall not become a participant or qualify for program loans until the coowner attains the age of 65. Additional coowners may not be added to the loan agreement after the initial application under s. 77.65 (1) has been accepted by the department.

77.66 PROGRAM OPERATION. (1) The department may enter into agreements with participants and their coowners to loan funds to pay property taxes on their qualifying dwelling units. The maximum loan under this subchapter in any one year is limited to $1,800 or the amount of property taxes levied on the qualifying dwelling unit for the year for which the loan is sought, whichever is less. Loans shall bear interest at a rate determined by the secretary to be sufficient to meet all expenses arising from the operation of the program.

(2) The department shall have all powers that are reasonably appropriate to the operation of a loan program, including, without limitation because of enumeration, the power to enter into contracts, to pay or be paid for the performance of services, to exercise all rights of a mortgagee and to perform other administrative actions that are necessary in the conduct of its duties under this subchapter.

(3) The department shall promulgate rules and establish procedures under which applications for loans may be submitted, reviewed and approved; under which repayment of loans are to be obtained; under which disputes and claims are to be settled; and under which records are to be maintained.

(4) The department may enter into loan agreements with participants and coowners who agree:

(a) To give the department a lien on the qualifying dwelling unit in respect to which the application is made in the amount of the loan and of the charges under par. (c);

(b) To repay the loan upon the transfer of the qualifying dwelling unit by any means except as provided in s. 77.655 or through the participant's estate upon death if the participant is the sole owner or through the estate of the last surviving coowner who owns the qualifying dwelling unit, or upon discovery by the department that a participant or coowner has made a false statement on the application or otherwise in respect to the program, or upon condemnation or involuntary conversion of the qualifying dwelling unit, or if a participant ceases to meet the eligibility requirements of s. 77.65 except as provided in sub. (5) or fails to comply with the provisions of this subsection or, at the participant's or coowner's election, at any time before any of the events enumerated in this paragraph occurs;

(c) To pay, upon repayment of the loan, interest specified in the loan agreement; and

(d) To limit the outstanding liens and judgments on the qualifying dwelling unit to no more than the permitted obligations.

(5) If a participant in the program ceases to meet the eligibility requirements of this section, the department, rather than demanding repayment under sub. (4)(b), may allow the participant to continue in the program, may allow the participant to continue in the program but be ineligible for additional loans, or may require partial settlement.

(6) At any time after an application is filed, the department may verify the correctness of the application and any other information regarding the eligibility of the participant. If the department finds that at the time a participant received a loan the participant was not eligible under the program, the department shall notify the participant and may require repayment of the loan as determined by the department.

(7) (a) The department, its agents or representatives may examine the books and records of an applicant under this subchapter or other sources of information bearing on the application to verify the information provided by an applicant, may require the production of books, records and memoranda and may require testimony and proof relevant to its investigation. If a person fails to furnish information requested by the department to verify the correctness of the application, the department may reject the application.

(b) Any person who intentionally files fraudulent information with the department for purposes of obtaining benefits under this subchapter may be fined not more than $10,000 or imprisoned not more than 5 years or both, together with the cost of prosecution.

(8) A person aggrieved by the department under this subchapter may appeal that decision to the circuit court of the county where the person's residence is located within 60 days after receipt of notification of the department's decision.

(9) The department shall record all liens under sub. (4) (a) on the title for the property for the amount of the loan, accrued interest and other charges.

(10) If the property taxes are paid under the program after they are due, the participant is not liable for a penalty for delinquency under ss. 74.03 (4) and (6) and 74.031 (3), (5) and (6).

<u>77.67 LOAN FUNDING.</u> (1) Loans made or authorized to be made under this subchapter may be funded from the proceeds of revenue obligations issued subject to and in accordance with sub. (5) and subch. II of ch. 18.

(2) The department may create a system of funds and accounts, separate and distinct from all other funds and accounts of the state, consisting of revenues received under sub. (5), all revenues received in the repayment of loans made under this subchapter and any other revenues dedicated to it by the department. The department may pledge revenues received or to be received by this system of funds and accounts to secure revenue obligations issued for the program. The department shall have all other powers necessary and convenient to distribute the proceeds of the revenue obligations and loan repayments in accordance with subch. II of ch. 18.

(3) The department may enter into agreements with the federal government, its agencies, other agencies or political subdivisions of this state or private individuals or entities to insure or in other manner provide additional security for the loans or revenue obligations issued under this section.

(4) The department may promulgate rules that restrict eligibility in addition to the requirements of s. 77.65 or require the provision of additional security if, in the secretary's judgment, the rules or security are required for the satisfactory issuance of revenue obligations.

(5) Revenue obligations may be contracted by the building commission when it reasonably appears to the commission that all obligations incurred under this section can be fully paid from moneys received or anticipated

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and pledged to be received on a timely basis. Revenue obligations issued for the program shall not exceed $10,000,000 in principal amount, excluding obligations issued to refund outstanding revenue obligation notes.

(6) Unless otherwise expressly provided in resolutions authorizing the issuance of revenue obligations or in other agreements with the holders of revenue obligations, each issue of revenue obligations shall be on a parity with every other revenue obligation issued for the program and in accordance with subch. II of ch. 18.

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PROPERTY TAX DEFERRAL FOR THE ELDERLY

<u>What is the PROPERTY TAX POSTPONEMENT PROGRAM?</u>

It is a proposal now being considered by the State Legislature. If enacted, the program would let senior citizens voluntarily choose to postpone paying property taxes for as long as they live in their own home.

<u>How would the program work?</u>

Each year older homeowners could choose between two ways of paying their property taxes: 1) they could pay them directly to their local government just as they have always done in the past, or 2) they could postpone payment until their estate is settled or until they decide to sell their home. If they choose to postpone payment, then the state would pay their current tax bill in full to the local government. The total amount of taxes postponed plus interest would eventually be paid to the state from the equity in the home when the homeowner dies or sells.

APPENDIX D
Vignettes

Vignette A

The Westside Conservation Corporation in Milwaukee, Wisconsin offers a reverse annuity mortgage program to older homeowners in a low-to-moderate income neighborhood in Milwaukee. The project began in Spring 1981, with support from local foundation and United Way funds that HECP helped to generate It was conceived as an effort to counteract the proliferation of rooming houses that absentee landlords were developing out of low-priced homes. The project was to stabilize the neighborhood by providing an incentive for owner occupancy

Project staff learned about the Home Equity Conversion Project during their initial investigations. HECP was beneficial to them during this stage of development. The Executive Director of the Conservation Corporation reports that the studies and models concerning the economic aspects of home equity conversion were particularly helpful as background information Brainstorming sessions with HECP staff helped refine the project's goals and activities. The "consultations" have provided opportunities to talk with experts and to seek additional funding. Funding for the first year of operations came through contacts made with foundations at the first consultation

The Milwaukee project offers a counseling program to assist the elderly in finding housing To date, one reverse annuity mortgage contract has been signed with the project. [43]

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[43] Telephone interview with Waymon Winston, Executive Director, Westside Conservation Corporation, Milwaukee, Wisconsin, November 1981

Vignette B

Since March 1980, the San Francisco Development Fund has been operating the Reverse Annuity Mortgage (RAM) Program in Mann County, California. The Fund was approached in 1978 by the Federal Home Loan Bank Board to explore the idea of equity conversion. While researching the state-of-the-art in equity conversion, the Fund learned about HECP. The RAM Program has been supported financially by HECP, two local foundations, and the Federal Home Loan Bank Board; it has received in-kind legal and consulting services as well.

The program offers a vanety of plans and options that generate monthly cash payments to senior homeowners. To date, the Fund has closed 25 loans and has made six referrals to the sale and leaseback program In all, the program has received over 1,000 inquiries The Marin demonstration is the first to actually record the loans on the West Coast and is also the only program that involves private lenders as well as private funding for operational expenses.

Throughout the program, the Fund has found HECP to be an excellent resource In the early stages of development, program staff used extensively the proceedings of the first conference held by HECP The proceedings were particularly helpful in developing the program design and research methodology HECP serves as an information clearinghouse as well Through conferences, the project has been instrumental in getting people together who are working in the home equity conversion area In addition, HECP staff have provided the RAM program with a list of consultants, some of whom have prepared special studies for the program One such study was partially funded by HECP with a direct grant to the RAM program

Another way in which the HECP staff have been useful has been by sharing research studies they conducted on various loan programs offered by financial institutions throughout the country Also, the HECP and RAM program refer to each other people who are interested in home equity conversion plans One of the RAM staff members noted, "[the HECP staff] are such a valuable resource, we wouldn't know what to do without them "[44]

[44]Telephone interview with Bronwyn Belling, Reverse Annuity Mortgage Program, San Francisco, California, November 1981

Vignette C

The Home Equity Conversion project in Monona, Wisconsin is directed by a nine-member committee composed of community members (including realtors, financial experts, the director of a coalition of aging groups, a MSCC member, a senior citizen, and an alderman) The project began in January 1981 with funds from a local foundation, matched with in-kind contributions from HECP and the City of Monona.

The project director first heard about the HECP through the Madison Development Corporation (see Vignette D), on whose board she serves and which she helped found.

Pilot project staff conducted a mail survey of about 550 elderly homeowners in Monona to ascertain their interest in various equity conversion alternatives. The findings revealed a great need for housing among senior citizens, as well as their desire to remain in Monona rather than move. The HECP director told the Monona project director about two senior citizen housing facilities elsewhere in Wisconsin, in which the elderly can buy a unit with the equity obtained from the sale of their house HECP hired the project director as a consultant to look into the operation of these facilities. The project decided that a comparable facility would best meet the needs of the Monona elderly homeowners, and preliminary efforts to build the facility are now underway The project has met with representatives of the City of Monona, developers, and the future project coordinator Project staff also conducted personal and group discussions with homeowners interested in equity conversion.

The project director found that the HECP staff and their reports contributed substantially to the development of the project When she first started the project, she used much of the resource material for background information on equity conversion. One of the HECP staff members participated directly, by helping to design the questionnaire, conduct interviews with elderly homeowners, and provide information to them on home equity [45]

[45]Telephone interview with Rita Wlodarczyk, Monona Home Equity Conversion Project, November 1981

Vignette D

The Home Equity Project in Madison, Wisconsin was a one-year effort operated by the Madison Development Corporation (MDC) with funds from a Community Development Block Grant and the Wisconsin Department of Development. The idea for the project came to the director of the MDC when he attended a conference held by the HECP project. To date, a feasibility study has been conducted, but the project is not yet operational

The HECP was helpful to the Madison project in a variety of ways HECP provided office space and other in-kind contributions The HECP project director served on the board of the corporation, and helped with various tasks, including the design of the feasibility study HECP staff helped develop the educational materials used in presentations about equity conversion They also attended the meetings and helped conduct the survey Through the HECP library, the project had access to technical information that they were unable to afford themselves Such information included statistical and research information, annuity tables prepared by HECP staff, the study on reverse annuity mortgages conducted by Kaplan. Smith and Associates, and the cash flow planning model developed by Dr Guttentag These materials were found to be very useful in setting up the project. In addition, the former project director found that the periodic conferences held by HECP served as a good vehicle for exchange of information They permitted pilot project staff to talk about mutual problems and to share ideas which could be adapted to "one's own pilot project" [46]

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[46] Telephone interviews with Max Kummerow, Home Equity Conversion Project. and Deborah Fugenschuh, Home Equity Project, December 1981.

APPENDIX E

Media Coverage of Home Equity Conversion Project

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