Housing Wealth and In-Home Care: Opportunities and Obstacles to the Use of Home Equity for LTSS in California's Overlooked Middle

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Executive Summary

The majority of adults 65 and older will need long-term services and supports (LTSS) to manage a chronic illness or disability at some point in their lives, for an average of just over three years. Most who receive LTSS pay some share of its cost out of pocket.[1] For older homeowners, housing wealth, which represents about half of the average older owner's wealth portfolio, represents an untapped pool of savings that could be used to cover the high costs of LTSS or healthcare-related emergencies.[2] However, existing research suggests that only a small percentage of older homeowners tap home equity to cover daily expenses or LTSS; those that do extract equity tend to do so in reaction to a financial shock such as high medical expenses or loss of a spouse.[3]

This analysis seeks to quantify home equity potentially available to older homeowning households in California's "overlooked middle" population (those who are age 50 and above with incomes between 139 percent and 500 percent of the Federal Poverty Level) and then to assess barriers to its use for LTSS. We ask:

- How much home equity do overlooked middle homeowners age 50 and over in California have that potentially could be accessed to finance LTSS?
- What is the likelihood that older homeowners would use home equity to fund LTSS?
- What barriers or challenges might impede the use of home equity for funding LTSS needs?
- What trends might affect older owners' equity or its use in the next two decades?

To address these questions, we drew from a number of existing datasets that shed light on older Californians' housing, financial, and health situations and prior use of housing wealth. We also conducted four focus groups with homeowners in the overlooked middle in the state and consulted existing research on the use of home equity by older adults.

Home Equity Potentially Available to the Overlooked Middle in California

Our estimates of home equity are derived from two datasets: the 2023 Health and Retirement Study (HRS) and the 2023 American Community Survey (ACS). We use ACS California-level data for the bulk of

[1] Johnson and Dey, "Long-Term Services and Supports for Older Americans: Risks and Financing, 2022."
[2] Joint Center for Housing Studies, *Housing America's Older Adults 2023*.
[3] Kaul and Goodman, *Seniors' Access to Home Equity: Identifying Existing Mechanisms and Impediments to Broader Adoption*.

our analysis but national-level HRS to estimate outstanding mortgage amounts that we then impute in our dataset. A full description of the methods is available in the Appendix.

Sixty-five percent of overlooked middle households age 50 and over are homeowners, representing about 2.1 million households. (For context, the homeownership rate for those earning under 139 percent FPL is 44 percent, while the rate for those earning over 500 percent FPL is 84 percent.) Yet even within the overlooked middle, homeownership rates vary, with 72 percent of white households owning their home compared to only 47, 59, and 67 percent of Black, Hispanic, and Asian residents, respectively. There are also differences by age, with the homeownership rate highest among those age 75 and over at 77 percent.

On median, the nearly two-thirds of overlooked middle Californians who are homeowners hold significant equity—$440,000—in their homes. Equity is highest for those in the overlooked middle who are age 75 or over (at $560,000), when people are most likely to need LTSS. Lenders typically require owners to retain 15 to 20 percent of equity in their homes if they are seeking to remain in the home, though specific amounts depend on the loan product and the borrower's creditworthiness. On median, 80 percent of median equity for the overlooked middle age 50 and over is about $350,000 and, for the group age 75 and over, $450,000.

Those with housing debt tend to have less housing equity, despite having slightly higher-valued homes. **Over half of overlooked middle homeowners in California carry housing debt, including nearly 40 percent of those age 75 and over.** Eighty percent of the median home equity (again, a generous share that could be accessed by those with strong credit) for owners with mortgages in the overlooked middle is about $280,000. Homeowners who have housing debt but wish to tap equity through a reverse mortgage must use some of the proceeds to pay off their existing debt; even in the case of other tools like home equity loans or lines of credit, existing debt factors into lenders' loan decisions.

Hispanic and Black homeowners in the overlooked middle also have less equity than owners who are white, Asian, or another race. The median Hispanic homeowner in the overlooked middle has an estimated $360,000 in home equity and the median Black owner has $390,000, compared to $470,000 for white and $530,000 for Asian/other race households. While these differences are the product of disparities in income, access to credit, wealth available for a down payment, and more, Hispanic and particularly Black owners in the overlooked middle are also more likely to have mortgage debt. Yet previous research shows that Black and Hispanic homeowners also tend to have less non-housing wealth than homeowners who are white, Asian, or of another race, and they are also more likely to experience functional challenges at younger ages that might necessitate LTSS.

Most overlooked middle homeowners in California live with other people, and while the likelihood of living alone increases with age, even among households 75 and over, the majority live with at least one other person. **Among those 65 and over, two-person households have the highest home equity and single-person households the lowest.** More complex households, which can include a spouse/partner as well as other family (or even nonrelatives), are more common in Hispanic households in California's overlooked middle.

Focus Groups Suggest Little Appetite for Tapping Equity for LTSS, Though Many Had Accessed Equity in the Past

While homeowners cannot access the entirety of their home's equity, those with good credit may have the option of extracting a substantial share. **However, in the four focus groups conducted with overlooked middle homeowners in California age 65 and up, nearly all participants agreed they did not want to tap into their home's equity, nor did they think they would need to, not even for LTSS purposes.**

Consistent with other research, overlooked middle homeowners in California tended to see housing wealth as a unique asset. For the most part, participants planned to gift their home or the wealth in the home to heirs and had planned to do so through estate planning and use of wills and trusts. The motivation to leave property or housing wealth came up often, even among participants who expressed that their children, nieces, and nephews were financially secure. Several remarked upon the importance of gifting that property without debt attached.

Additionally, most saw home equity as an asset they would tap only if they spent through their other investments and accounts, though few saw this occurring. Participants consistently spoke about home equity as a resource of "last resort," a "security blanket," and a "backup" that would be available in an emergency. Just one participant, someone with a chronic condition, spoke about using a reverse mortgage to pay for care in the future, and even they would do so only when other investments were exhausted. **Overall, focus group participants expressed confidence in their financial stability**, including their ability to weather large LTSS expenses without tapping into home equity in the future.

Despite reluctance to tap equity in the future, several participants noted that in the past, they had extracted equity either by downsizing their homes or through financial mechanisms like cash-out refinancing, home equity loans, and home equity lines of credit (HELOCs). Some participants even mentioned holding onto existing mortgage debt that they could afford to pay off because its interest rates were lower than what they were receiving in investments. However, with the exception of a small group that was interested in reverse mortgages or had one already, none of the participants saw themselves refinancing or using other tools to extract equity in the future. These sentiments are likely influenced by the current interest rate environment, but it is difficult to say to what degree lower interest rates would change participants' opinions given their aversion to debt. **Indeed, some participants believed that tapping equity would limit choices: by reducing their housing wealth, they would have fewer options for moving to another home in the future, should they need a continuing care community or different type of home.**

Most participants had experienced strong housing price appreciation and expected that to continue, though they mentioned the increased risks to their homes from wildfires and the challenge of the cost and accessibility of property insurance. Nearly all felt they had a good sense of the current value of their homes, though they also recognized these values were "on paper only," which again may distinguish housing from other assets like a retirement account or pension whose amount is more easily knowable.

However, many participants acknowledged that their future health, and healthcare costs, are uncertain. Some participants reported having long-term care insurance, which they hoped would cover their care at home while protecting their assets, but most were vague in their plans: some respondents discussed potentially moving to a continuing care retirement community, though affordability was a major concern, and others discussed moving nearer to family. Several people without partners/spouses or children gave this issue and related costs more consideration, expressing more anxiety about it in comparison to those with partners/spouses or children.

Conclusions

Our analysis suggests that many older adults in California's overlooked middle have significant home equity, holding a median estimate of $440,000. According to the Genworth Cost of Care Survey, in 2024, one visit per day by a home health aide in the state of California has a median annual cost of roughly $50,000. Assuming that someone could access $350,000 in home equity (80 percent of the overall median equity of $440,000), **an overlooked middle homeowner could theoretically fund several years of LTSS using their housing wealth, depending on the loan product and interest rates.** Someone needing eight hours of care per day, at a rough annual cost of $100,000 in 2024, could cover less.
This estimate is for the median homeowner in California's overlooked middle and is limited in what it can tell us about the full range of individuals' resources and possible experiences utilizing home equity. Across the overlooked middle, home equity is not evenly distributed. A host of historical and

institutional barriers have prevented access to homeownership, made financing more expensive, and limited home equity appreciation for Black and Hispanic households, in particular. There are also differences in equity by age, whether someone carries housing debt, and household composition. And while our data did not allow us to produce estimates at the metro or local levels within California, home values and home equity varies by region in the state. The estimate also assumes that a homeowner could access 80 percent of their equity, which may not be true for people with weaker credit—those who, not coincidentally, might be most in need of this wealth. Accessing equity also involves financing and closing costs for which we do not account.

These assumptions also assume a single person in the home is receiving care. Care for two people would be more expensive, but there might be economies of scale. In addition, people receiving one or two home visits per day likely have assistance from a spouse or other caregiver at other points of the day, such as with toileting or eating, or do not need help at other times. Four or eight hours of care thus will not serve everyone with LTSS needs.

Importantly, focus group respondents did not think they would need to tap home equity to finance LTSS needs. While participants mentioned that housing wealth serves as a kind of insurance against unpredictable healthcare and LTSS costs should they exhaust other resources, the majority did not think the need to tap their equity would ever arise. However, it should be noted that many people had accessed home equity in the past (through refinancing and financial tools, as well as through downsizing to a less expensive home). And while participants may underestimate the typical costs of LTSS (as found in other research in this series), several focus group participants did express the idea that tapping equity might lock them into their current home or limit future opportunities to move to assisted living or continuing care retirement communities by diminishing their wealth. This might suggest that some participants are thinking about their equity as a tool to fund future care needs in an alternative setting, though that thought was not directly acknowledged.

The likelihood of a homeowner using housing wealth depends on the individual's evolving individual economic and care needs, their access to both family and public safety net resources, their familiarity and comfort with the use of debt instruments to extract equity, and the costs and complexity of doing so. To address these issues, previous research has recommended simplifying financial tools, developing new financial products to help adults remain in their homes, and improving homeowners' financial literacy.[4] Peer-to-peer exchanges, facilitated by someone who can provide accurate and up-to-

[4] Kaul and Goodman, *Seniors' Access to Home Equity*.

date information, may be one way to encourage older adults with significant home equity to consider if, when, and how they might extract it to remain in their homes.

Any effort to encourage older homeowners to tap equity to finance LTSS should be carefully considered, as most respondents expressed aversion to new debt and a desire to use the housing asset to increase the financial stability of future generations. Additionally, any strategy to encourage the tapping of home equity should consider it in the context of another longstanding policy goal of reducing gaps in homeownership and intergenerational wealth by race and ethnicity.

Finally, we note that an older adult's decision to tap equity is shaped by perceptions of future house price growth and LTSS costs, as well as the current economic environment. House price appreciation and LTSS costs are difficult to predict, and shifts in interest rates can change the financial calculation about equity tapping versus the use of another form of wealth. Older adults' willingness to tap equity may change in the future.

Contents

Introduction

The majority of adults 65 and older will need long-term services and supports (LTSS) to manage a chronic condition or disability at some point in their lives, for an average of just over three years.[5] Most who receive LTSS pay some share of its cost out of pocket.[6] For older homeowners, housing wealth, which represents about half of the average older owner's wealth portfolio, represents an untapped pool of savings that could be used to cover the high costs of LTSS or healthcare-related emergencies.[7] However, existing research suggests that only a small percentage of older homeowners tap home equity to cover daily expenses or LTSS; those that do extract equity tend to do so in reaction to a financial shock such as high medical expenses or loss of a spouse.[8]

Previous research has not explicitly focused on middle-income older homeowners' use of equity. This group is unlikely to qualify for Medicaid (Medi-Cal in California), through which individuals might access LTSS. Yet, unlike higher-income households, this group is also unlikely to be able to afford the costs of daily in-home care or assisted living out of their income alone, making resources like housing wealth particularly important.[9]

This analysis seeks to quantify the home equity potentially available to California's "overlooked middle," defined as households headed by a person age 50 or over with household incomes between 139 percent and 500 percent of the federal poverty level, and to identify and assess barriers to its use for LTSS. [10] We ask:

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[5] As defined by California's Master Plan for Aging LTSS Subcommittee in May 2020, Long-Term Services and Supports refer to a broad range of services delivered by paid or unpaid providers that can support people who have limitations in their ability to care for themselves due to physical, cognitive, intellectual/developmental disability or chronic health conditions that are expected to continue for an extended period. Services can be provided in a variety of settings including at home, in the community, in residential care settings, or in institutional settings. Generally, LTSS includes assistance with activities of daily living (personal care needs) such as bathing, dressing, eating or transferring and instrumental activities of daily living (routine care needs) such as meal preparation, money management, house cleaning, medication management, protective supervision and transportation. https://cdn-west-prod-chhs-01.dsh.ca.gov/chhs/uploads/2020/05/MPA-LTSS-Subcommittee-Report_FINAL-May-2020.pdf.

[6] Johnson and Dey, "Long-Term Services and Supports for Older Americans."

[7] Joint Center for Housing Studies, *Housing America's Older Adults 2023*.

[8] Kaul and Goodman, *Seniors' Access to Home Equity*.

[9] Scheckler et al., *Older Adults Struggle to Meet the Dual Burden of Housing and Care*; Joint Center for Housing Studies, *Housing America's Older Adults 2023*.

[10] The overlooked middle is defined by Cohen and Alkema as community-dwelling individuals who can afford basic living needs (food, housing, Medi-Cal care, transportation, etc.) as measured by the Elder Economic Security Index but who would have to meaningfully reduce expenditures on basic living necessities in the presence of a moderate amount of paid home- and community-based services and who do not qualify for Medi-Cal coverage before or

- How much home equity do overlooked middle homeowners age 50 and over in California have that potentially could be accessed to finance LTSS?
- What is the likelihood that overlooked middle homeowners would use home equity to fund LTSS?
- What barriers or challenges might impede the use of home equity for funding LTSS needs?
- What trends might affect older owners' equity or its use in the next two decades?

To address these questions, we drew from existing datasets that shed light on older Californians' housing, financial, and health situations and prior use of housing wealth to estimate the home equity potentially available to the overlooked middle. We also conducted four focus groups with Californian homeowners in the overlooked middle and consulted existing research on the use of home equity by older adults.

Part I: Home Equity Potentially Available to Older Californians in the Overlooked Middle

Home equity is the difference between the market value of a home and outstanding housing debt. To estimate home equity among overlooked middle homeowners in California, we used data from two sources, the American Community Survey (ACS) and Health and Retirement Study (HRS). The ACS provides home values for older homeowners in California (as reported by the owners themselves) and indicates whether a household has a mortgage. Because the ACS does not collect data on mortgage balances, we used the HRS to model the size of the mortgage (as a ratio of housing debt to home value) for homeowners 50 and over and for different subpopulations, and with this information estimated equity. A detailed description of research methods is available in Appendix 1.

Using these methods, **we estimate that the median Californian homeowner household age 50 and over in the overlooked middle has about $440,000 in home equity**. Not all of this would be accessible to someone seeking to remain in their home, and there is wide variation in both homeownership and, among homeowners, in housing wealth in the overlooked middle, as we explain below. We begin with a discussion of homeownership, move to housing value and housing debt, and then to equity itself.

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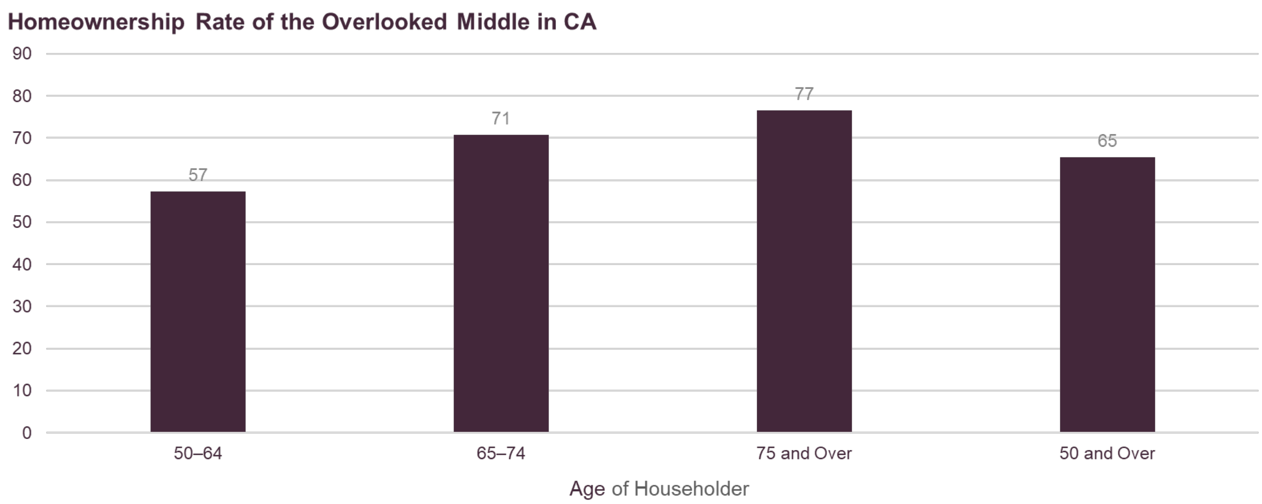
directly after the onset of their LTSS need. See Cohen and Alkema, *Too Much to Qualify for Help, Yet Too Little to Afford Care: Defining Older Adults in the Overlooked Middle.* Individuals who meet these three criteria are broadly those with incomes between 139 percent and 500 percent FPL, which is approximately $38,000 to $102,000 (2024 dollars), depending on household size (see https://www.aging.ca.gov/Information_and_Resources/Long-Term_Services_and_Supports/). In this analysis, we have modified the definition slightly, as we consider households rather than individuals as the unit of analysis. See Appendix 1 for a full discussion of our methods.

Nearly Two-Thirds of California's Overlooked Middle Are Homeowners

In California, **65 percent of overlooked middle households age 50 and over are homeowners, representing about 2.1 million households**. As homeownership rates nationally are higher among older adults than among those of younger or middle age, the homeownership rate within the overlooked middle is unsurprisingly highest among households 75 and over, at 77 percent (**Figure 1**).

Figure 1: Nearly Two-Thirds of Overlooked Middle Households in CA Own Their Homes



Notes: Data reflect householders who own their primary residence. The overlooked middle includes households with incomes between 139% and 500% of the federal poverty level in which the householder is age 50 or over.

Source: JCHS tabulations of US Census Bureau, 2023 American Community Survey.

The Median Home Value in the Overlooked Middle is $600,000

As of 2023, overlooked middle homeowners in California reported a **median home value of $600,000**. Home values are self-reported by homeowner respondents to the ACS. These values represent respondents' estimates of what their house might sell for if it were currently for sale.[11] The reliability of self-reported home value estimates is explored in Appendix 1.

Home values reported by the overlooked middle are closer to those of households earning lower incomes (below 139 percent of the federal poverty level or FPL) than to those of households with higher incomes (over 500 percent of FPL). California homeowners earning incomes under 139 percent of

[11] See https://www.census.gov/acs/www/about/why-we-ask-each-question/ownership/ for more information about American Community Survey questions on home value.

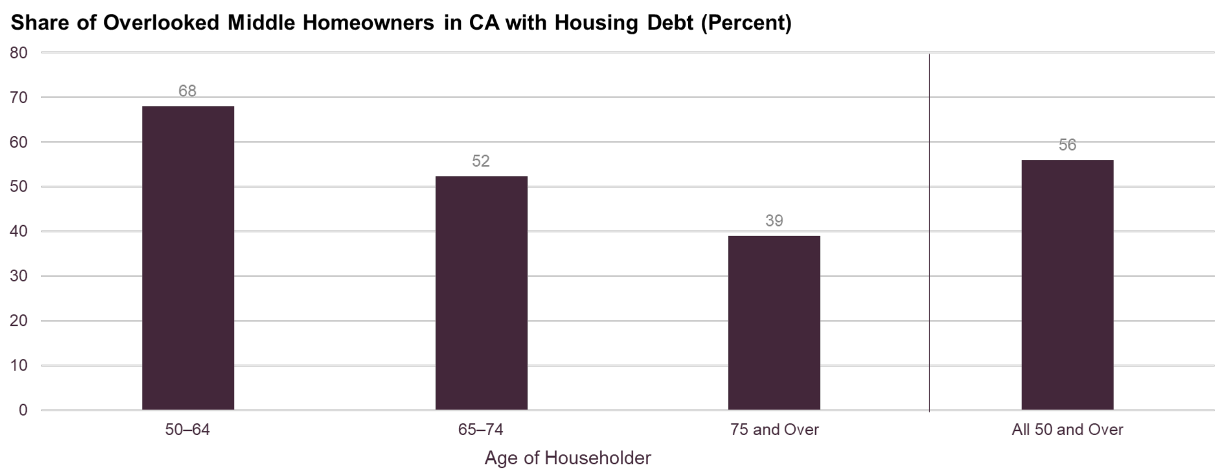
FPL report a median home value of $525,000, while those earning over 500 percent of FPL report a median home value of $875,000.

A Majority of the Overlooked Middle Homeowners Have Housing Debt

Across California's overlooked middle, **56 percent of homeowners carry some kind of housing debt** (**Figure 2**). This typically represents a first mortgage, deed of trust, or similar financial instrument (held by 53 percent of the sample).

A smaller set holds a second or junior mortgage, often a home equity loan.[12] Home equity loans and home equity lines of credit (HELOCs) can reflect equity tapping, but it is noteworthy that only 7 percent of overlooked middle homeowners, and 5 percent of overlooked middle homeowners age 75 and over, reported holding second or junior mortgages or home equity loans.

Figure 2: More than Half of Owners in the Overlooked Middle Have Housing Debt



Notes: Data reflect householders who own their primary residence. The overlooked middle includes households with incomes between 139% and 500% of the federal poverty level in which the householder is age 50 or over. Housing debt can include first, second, junior mortgage or similar debt, deeds of trust, or home equity loans.

Source: JCHS tabulations of US Census Bureau, 2023 American Community Survey.

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[12] A first mortgage is used to purchase a home and holds the first legal claim on the property; in the event of a foreclosure, it is paid first from proceeds from the sale of the home. Some states use a deed of trust instead, in which a third party, the trustee, usually a title company, holds the legal title to the house in trust or legal title to the property until the loan is repaid (law.cornell.edu). Reverse mortgages and refinancing that result in an owner's taking cash out of their home at closing are considered first mortgages. A junior, or second mortgage refers to any additional loans that use the house as collateral, including home equity lines of credit (HELOCs). Some second mortgages are open-end, meaning they can be drawn on once the balance is paid down, and others are closed-end, in which the entire loaned amount is received up front (consumerfinance.gov).

While the likelihood of carrying housing debt decreases with age, still, fully **39 percent of California's overlooked middle homeowners age 75 and over report housing debt**. Nationally, mortgage holding has become more common among older households over the past three decades, in part because many owners refinanced during periods of historically low interest rates and, in so doing, pushed out the terms of their loans into their 70s, 80s, and beyond, when incomes tend to fall and repayment can be more challenging.[13] In this period, older adults also increasingly tapped home equity through HELOCs.[14]

National trends show that the median amount of outstanding housing debt has also grown over the past several decades—and furthermore, the ratio of the loan size to the home value (the loan-to-value ratio or LTV), has risen as well. For owners with housing debt, we estimate the **outstanding balance of housing loans to be $200,000** among the overlooked middle in California age 50 and over. For owners in this group age 75 and over, the median outstanding balance is about $160,000.[15]

Housing debt is a determinant of the home equity a homeowner holds, but the presence of debt itself can also create barriers to tapping equity for LTSS, home modifications, or other needs. If taking out a reverse mortgage, for example, a homeowner would need to clear their primary mortgage (typically with the proceeds of the reverse mortgage), while existing debt will also factor into the debt-to-income ratio (DTI) that lenders use to assess creditworthiness when reviewing applications for financing.

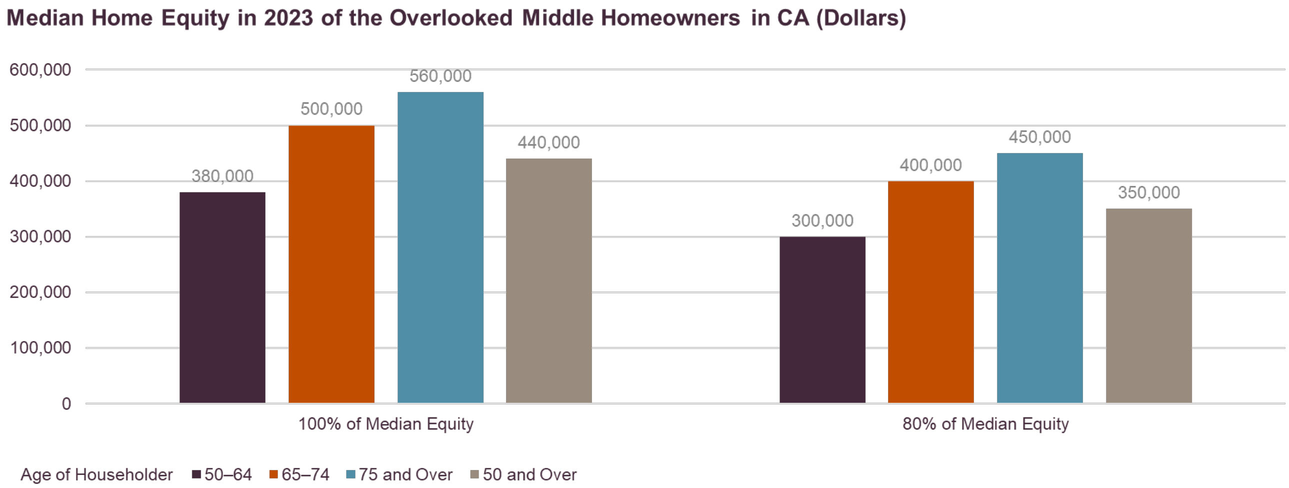
On Median, Overlooked Middle Homeowners Have $440,000 in Home Equity

Accounting for both housing values and outstanding housing debt, overlooked middle homeowners in California have **a median home equity of $440,000**. Median equity is highest for the oldest group, at $560,000 for households headed by a person age 75 or over (**Figure 3, left**).

A homeowner wishing to tap equity while remaining in their current home would not be able to access all of their housing wealth; the specific share that could be tapped would depend on the loan-to-value ratio of their property, their creditworthiness, lender, and financing tool. A generous **estimate of 80 percent of home equity means that $350,000 could be available to the median overlooked middle owner** in California (**Figure 3, right**). For homeowners in the overlooked middle age 75 and over, 80 percent of median equity is about $450,000.

[13] Joint Center for Housing Studies, *Housing America's Older Adults 2023*.
[14] Butrica and Mudrazija, "Home Equity Patterns among Older American Households."
[15] As detailed in the methods appendix, we impute the outstanding balance using national Health and Retirement Study data and California-specific American Community Survey data.

Figure 3: Overlooked Middle Homeowners Have a Median Home Equity of $440,000

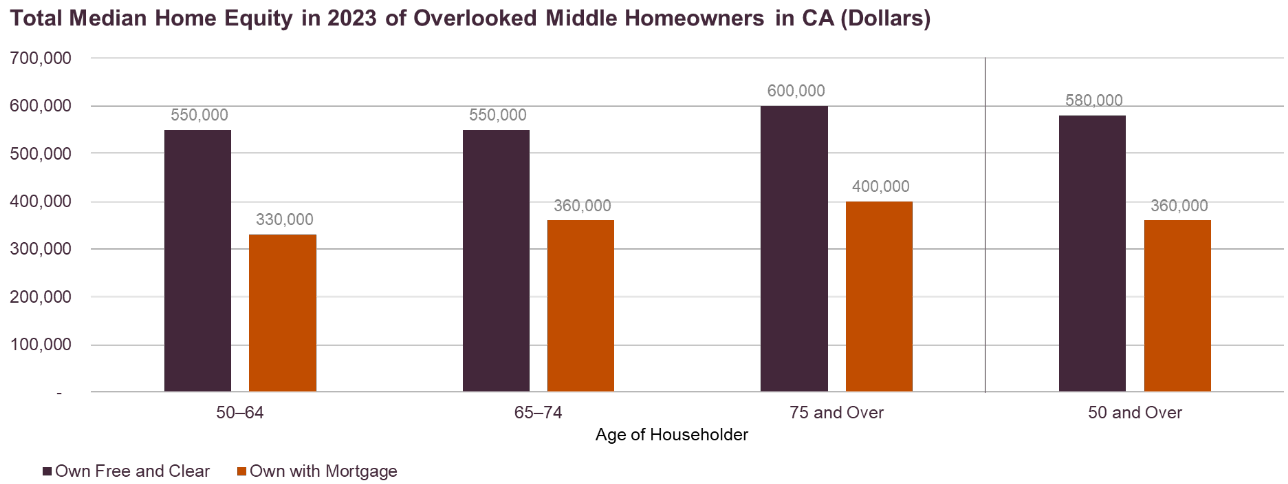


Notes: Data reflect householders who own their primary residence. The overlooked middle includes households with incomes between 139% and 500% of the federal poverty level in which the householder is age 50 or over. Equity is determined by subtracting outstanding mortgage, if any, from reported housing value in the American Community Survey (ACS). Since a mortgage amount is not available in ACS, we model an estimated ratio of primary mortgage to property value using data in the Health and Retirement Study.

Sources: JCHS analysis of US Census Bureau, 2023 American Community Survey and 2022 Health and Retirement Study.

Owners with mortgages report slightly higher property values than owners without housing debt (at $600,000 compared to $580,000) but, because of their debt, hold less equity. **The typical owner in the overlooked middle with a mortgage has about $360,000 in equity compared to those without mortgages, who have $580,000 (Figure 4).** Again, a borrower seeking to tap equity while remaining in the home would not be able to access 100 percent of it; for reference, 80 percent of median equity is about $290,000 for owners with mortgages in the overlooked middle and $460,000 for those owning free and clear.

Figure 4: Owners without Mortgages Have Higher Median Home Equity



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Sources: JCHS analysis of US Census Bureau, 2023 American Community Survey and 2022 Health and Retirement Study.

Home Equity Varies by Race and Ethnicity, Household Type, and Age

While the results above reflect medians across all overlooked middle homeowners in California, there is significant variation in the amount of home equity available to overlooked middle homeowners by demographic variables and household composition.

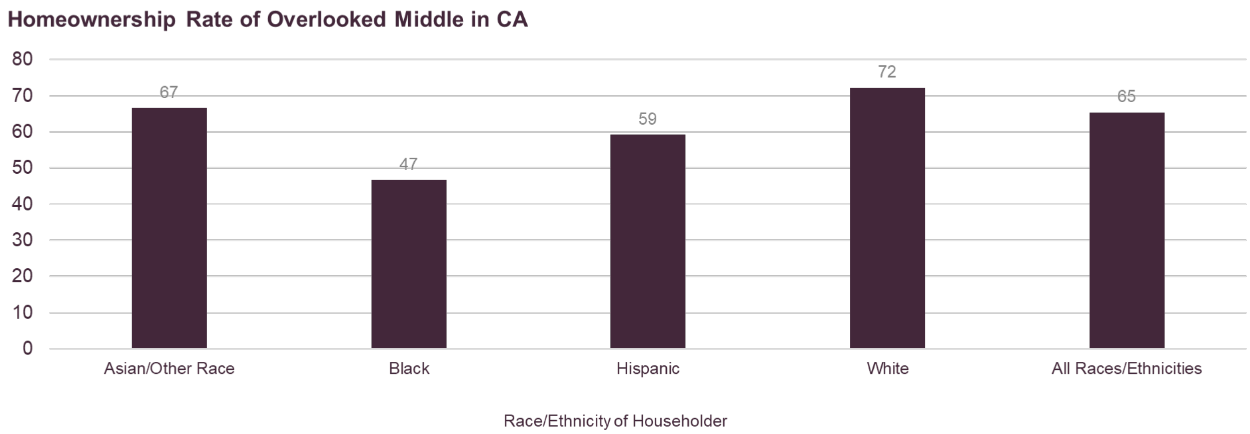
Race and Ethnicity

While disparities in homeownership rates by race and ethnicity have been well documented,[16] there are gaps even within the same income group of the overlooked middle. In California's overlooked middle, there is a **gap of over 25 percentage points between the homeownership rates of Black and white households (Figure 5)**. In the overlooked middle, homeownership rates are 47 percent for Black households, 59 percent for Hispanic households, 67 percent for Asian households, and 72 percent for

[16] Hermann, "In Nearly Every State, People of Color Are Less Likely to Own Homes Compared to White Households"; Minott and Winkler, *Understanding and Addressing Racial and Ethnic Disparities in Housing*.

white households. In the overlooked middle, a far lower share of households of color will have access to housing wealth owing to these differences.

Figure 5: Black and Hispanic Households in the Overlooked Middle Are Much Less Likely to Own Their Homes



Notes: Owners reflect householders in California who own their primary residence. The overlooked middle includes households with incomes between 139% and 500% of the federal poverty level in which the householder is age 50 or over. White, Black, and Asian/other race households are non-Hispanic. Hispanic householders may be of any race.

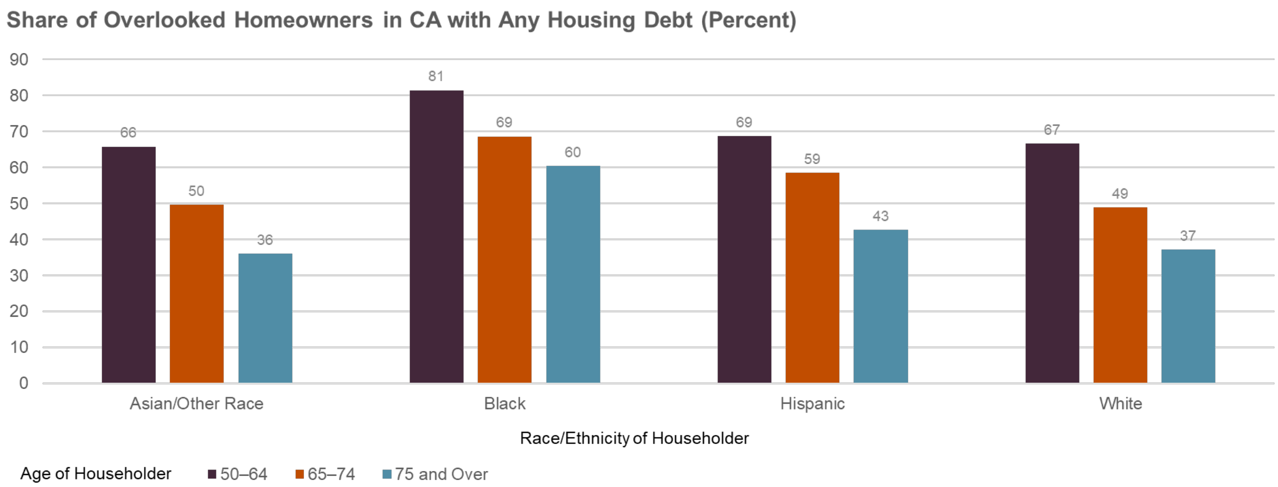
Source: JCHS tabulations of US Census Bureau, 2023 American Community Survey.

However, even among homeowners, there are still deep gaps in home equity. In part, this is the result of disparities in home *values*. Hispanic and Black homeowners age 50 and over in California's overlooked middle report a median property value of $530,000 and $580,000 respectively, while white owners report a median value of $600,000 and Asian/other race homeowners report $700,000.

Black and Hispanic homeowner households in California's overlooked middle are also more likely to have housing debt than white and Asian/other race households **(Figure 6)**. This is particularly true for Black owners: fully 60 percent of Black homeowners age 75 and over are carrying mortgages or other types of housing debt.

Given all of these differences, the estimation of home equity varies by race and ethnicity as well. **Black and Hispanic homeowners in the overlooked middle report the lowest median equity, at $390,000 and $360,000 respectively, compared to white homeowners, with a median of $470,000, and Asian/other race owners, with $530,000 (Figure 7).** These figures represent 100 percent of home equity; again, financial products that enable homeowners to tap equity would limit access to some share of overall equity.

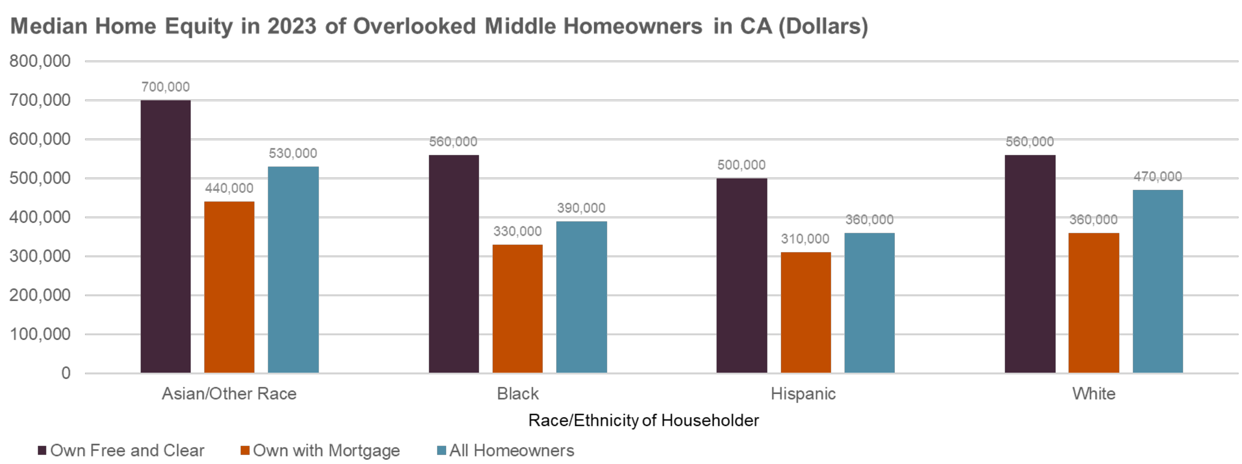
Figure 6: Black and Hispanic Homeowners Are Particularly Likely to Hold Housing Debt



Notes: Data reflect householders in California who own their primary residence. The overlooked middle includes households with incomes between 139% and 500% of the federal poverty level in which the householder is age 50 or over. Housing debt includes any first or second mortgage, deed of trust, junior mortgage, or home equity line of credit. White, Black, and Asian/other race households are non-Hispanic. Hispanic householders may be of any race.

Source: JCHS tabulations of US Census Bureau, 2023 American Community Survey.

Figure 7: Median Home Equity Varies by Race and Ethnicity Within the Overlooked Middle

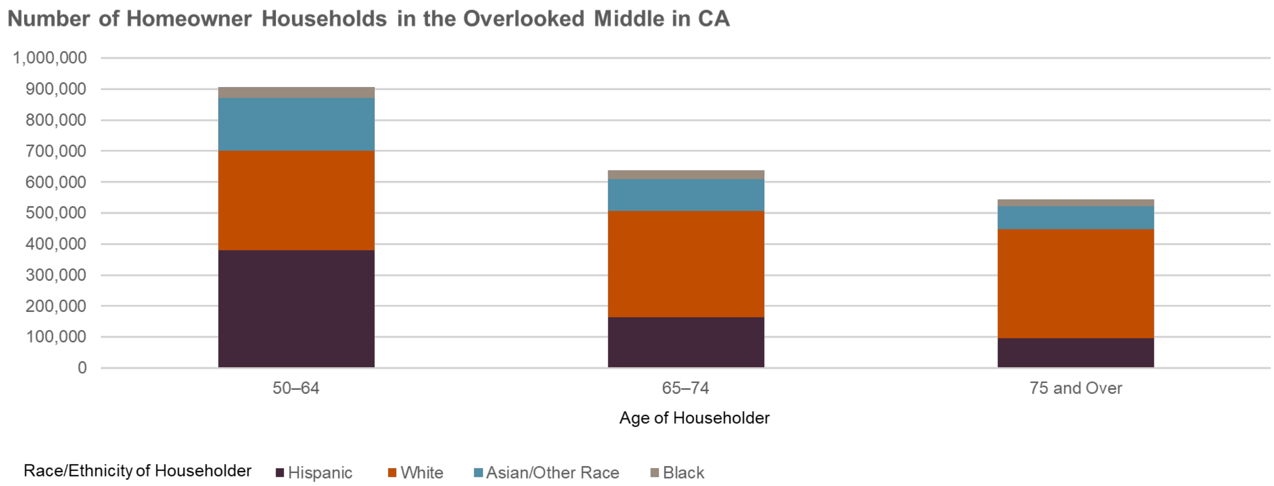


Notes: Data reflect householders who own their primary residence. The overlooked middle includes households with incomes between 139% and 500% of the federal poverty level in which the householder is age 50 or over. Equity is determined by subtracting outstanding mortgage, if any, from reported housing value in the American Community Survey (ACS). Since a mortgage amount is not available in ACS, we model an estimated ratio of primary mortgage to property value using data in the Health and Retirement Study. White, Black, and Asian/other race households are non-Hispanic. Hispanic householders may be of any race.

Sources: JCHS analysis of US Census Bureau, 2023 American Community Survey and 2022 Health and Retirement Study.

The distribution of households by race and ethnicity within the overlooked middle is also noteworthy. While the majority are white households, the group age 50–64 is more diverse (**Figure 8**). In the coming years, as this younger cohort ages, the oldest overlooked middle households will become more diverse as well, with a larger share of Hispanic households in particular.

Figure 8: The Overlooked Middle Will Become More Diverse with Time



Notes: Data reflect householders in California who own their primary residence. The overlooked middle includes households with incomes between 139% and 500% of the federal poverty level in which the householder is age 50 or over. White, Black, and Asian/other race households are non-Hispanic. Hispanic householders may be of any race.

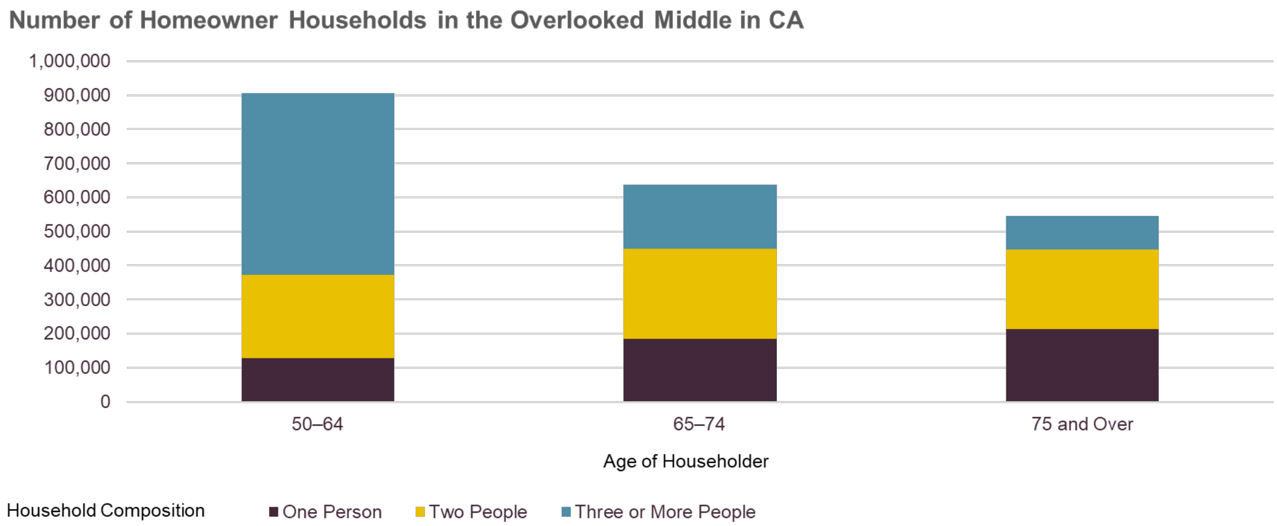
Source: JCHS tabulations of US Census Bureau, 2023 American Community Survey.

Household Composition

In California's overlooked middle, most households include at least two people (**Figure 9**). Among households age 50–64, the majority have three or more people in the home (likely minor or young adult children). Yet even among those age 75 and over, when the likelihood of living alone increases, most households include two or more people. Household composition will very likely shape decisions about the use of home equity; those with spouses or other family in the home may defer accessing it in case it is needed by others in the future to weather a health or financial shock. Decisions about accessing equity can also be more complex if other people are relying on the home for long-term shelter.

In every age group in the 50-and-over overlooked middle, single-person households have the lowest equity of any household type (Figure 10). Single-person households have median home equity of $400,000**.** In comparison, partner households have the highest median equity in the 65–74 age group, though partner households and households with three or more people have essentially the same amount of equity, at $600,000, in the oldest age group.

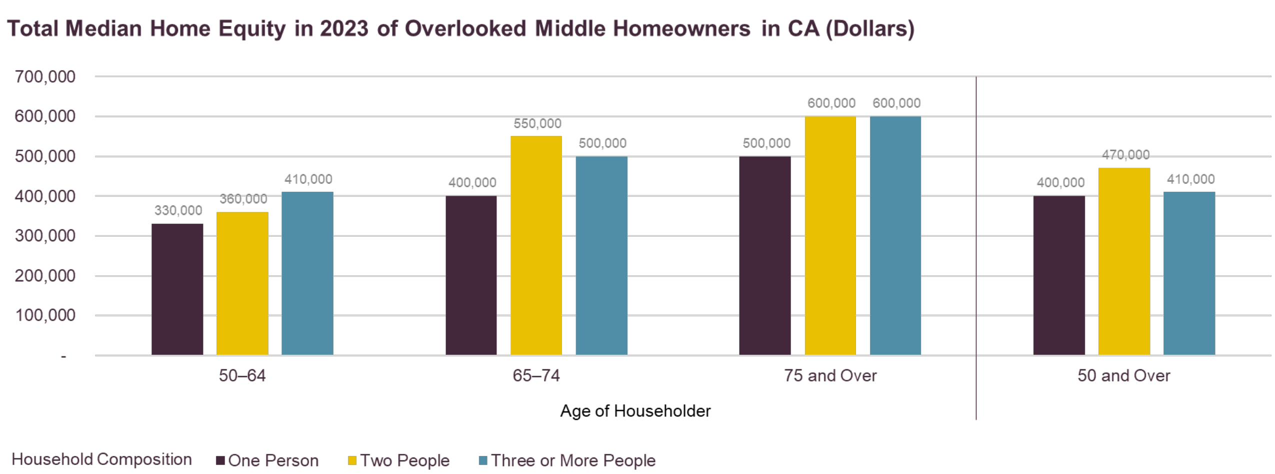
Figure 9: Most Households in the Overlooked Middle Include Multiple People



Note: Data reflect householders in California who own their primary residence. The overlooked middle includes households with incomes between 139% and 500% of the federal poverty level in which the householder is age 50 or over.

Source: JCHS analysis of US Census Bureau, 2023 American Community Survey.

Figure 10: Single-Person Households Have the Lowest Median Equity Across All Ages



Notes: Data reflect householders who own their primary residence. The overlooked middle includes households with incomes between 139% and 500% of the federal poverty level in which the householder is age 50 or over. Equity is determined by subtracting outstanding mortgage, if any, from reported housing value in the American Community Survey (ACS). Since a mortgage amount is not available in ACS, we model an estimated ratio of primary mortgage to property value using data in the Health and Retirement Study.

Sources: JCHS analysis of US Census Bureau, 2023 American Community Survey and 2022 Health and Retirement Study.

Within California's overlooked middle, people of color are more likely to live in multiple-person households; in particular, **63 percent of households headed by a Hispanic owner include three or more people**. Even at the oldest ages of 75 and over, over a third of Hispanic homeowner households include three or more people. White homeowners in the overlooked middle are most likely to live alone in all age groups over 64.

Differences in Ownership, Home Value, and Equity by Geography

Overwhelmingly, California's overlooked middle homeowners live in metropolitan areas. According to our estimates, 94 percent live in metro areas, with the remainder in smaller micropolitan areas (typically those with fewer than 50,000 people) and rural locations (those not meeting the definition of urban areas). Home values and home equity are higher in metropolitan than in micropolitan or rural areas.

Without question, home values vary by location among and within metro areas, so equity varies as well. For the overlooked middle, estimated median home values were highest in the San Jose-Sunnyvale-Santa Clara metro area, at nearly $900,000, and lowest in Visalia—a city in California's Central Valley—at $300,000.

Across California, median home values of the overlooked middle tend to be more similar to the median home value of homeowners earning under 139 percent FPL than to those of owners earning over 500 percent FPL. In the San Francisco metro area, for example, the median for households earning under 139 percent FPL and the overlooked middle was the same, at $800,000, compared to $1.1 million for those with higher incomes. This was also true in lower-cost metros, including Visalia and El Centro, where the values were identical for the overlooked middle and households earning under 139 percent FPL. Indeed, the overlooked middle's median was closer to the higher-earning group's than to that of the group with incomes under 139 percent of FPL in only three metros.

Conclusions

On median, the nearly two-thirds of overlooked middle Californians who are homeowners hold significant equity—$440,000—in their homes. Equity is highest for those in the overlooked middle who are age 75 or over (at $560,000)—a time when people are most likely to need LTSS. Even given that people would not be able to access all of their equity while remaining in the home, those with good credit might be able to extract a substantial share. This equity could cover significant LTSS needs. Assuming on median that someone could access $350,000 (80 percent of the overall median equity of $440,000), and assuming annual costs of one visit by a home health aide in the state of California, as reported by the Genworth Cost of Care Survey in 2024, at roughly $50,000, **an overlooked middle homeowner could theoretically fund several years of LTSS using their housing wealth, depending on the loan product and interest rates.** Someone needing eight hours of care per day, at a rough annual cost of $100,000 in 2024, could of course cover less.

This estimate is for the median homeowner in California's overlooked middle and is limited in what it can tell us about the full range of individuals' resources and possible experiences utilizing home equity. Across the overlooked middle, home equity is not evenly distributed. A host of historical and institutional barriers have prevented access to homeownership, made financing more expensive, and limited home equity appreciation for Black and Hispanic households in particular. There are also differences in equity by age, by whether or not someone already carries housing debt, and by household composition. And while our data did not allow us to produce estimates below the state level, there are undoubtedly differences in home values and therefore in home equity by region within California. The estimate also assumes that a homeowner could access 80 percent of their equity, which may not be true for people with weaker credit—those who, not coincidentally, might be most in need of this wealth. Accessing equity also involves financing and closing costs for which we do not account.

These assumptions also assume a single person in the home is receiving care. Care for two people would be more expensive, but there might be economies of scale. In addition, people receiving one or two home visits per day may have more round-the-clock needs that are filled by a spouse or other caregiver at other points of the day, such as with toileting or eating, or they may not need help at other times—all of which underscores that four or eight hours of care is going to be more suitable for some with LTSS needs than others.

Of course, individual homeowners' home equity varies widely: some owners will have far more and others far less home equity than the median owner. Looking broadly at those who own with and without mortgages and by race and ethnicity, household composition, and location, we see considerable differences. Overall, older adults who have mortgages, Hispanic and Black households, and people living alone tend to have less equity. Disparities by race and ethnicity are not surprising given previous research that has shown that Black and Hispanic households in particular may purchase in lower-value neighborhoods given lower incomes and less access to mortgage credit and intergenerational wealth transfers that can aid in home purchase.[17] Yet Black and Hispanic households may also have more

[17] Bravo-Morales et al., *Cumulative Disadvantage in Hispanic Homeownership: Barriers to Passing Housing Equity to the Next Generation*.

reason to tap that equity: previous research has also shown that Hispanic and Black homeowners tend to have less non-housing wealth than homeowners who are white, Asian, or of another race and also are more likely to experience functional challenges at younger ages. Similarly, single-person households tend to have lower incomes, leaving less discretionary income available to fund LTSS and other needs. And owners with mortgages are more likely to already face housing cost burdens, which can lead to a household needing to make budgetary tradeoffs to afford basic needs even before accounting for LTSS costs.[18] There are also undoubtedly differences by region within California, though our data did not allow us to estimate equity below the state level for the overlooked middle.

Part II: Do Older Homeowners Tap Home Equity? Previous Research and Data

Though the typical overlooked middle homeowner in California has significant home equity that could potentially pay for LTSS, we also sought to understand if, when, and how older adults tap housing wealth. In this section, we describe findings from existing literature about equity tapping, the majority of which is focused broadly on older adults in the United States, as well as results of analysis of 2023 data for California from the Home Mortgage Disclosure Act, which offers insight on recent mortgage financing applications and outcomes for older adults.

Previous Research on the Use of Home Equity by Older Adults

Home equity is a significant asset that could be used to fund LTSS and costs of living in older age. There are several mechanisms for tapping into equity:

- **Home sale.** Homeowners can sell their home, purchasing another at a lower price or opting to rent, in order to access housing wealth.
- **Home equity line of credit (HELOC).** HELOCs are revolving lines of credit similar to credit cards in which homeowners borrow against the equity in their homes. While terms vary, owners with strong credit may be able to borrow up to 85 percent of their home equity. HELOCs typically have variable interest rates, but fixed-rate options are also available.
- **Home equity loan**. Home equity loans also allow homeowners to borrow against their home's equity, but in this case, borrowers receive a lump sum, typically with a fixed interest rate. A

[18] Joint Center for Housing Studies, *Housing America's Older Adults 2023*; Scheckler et al., *Older Adults Struggle to Meet the Dual Burden of Housing and Care*.

borrower with a first mortgage and home equity loan will make two separate monthly mortgage payments, and the home equity loan becomes a second lien on the property.

- **Cash-out refinancing**. A homeowner may also opt to refinance an existing mortgage with a new, larger loan, withdrawing the difference between the old and new loans as a sum of cash.
- **Reverse mortgage**. Reverse mortgages allow older owners to convert a portion of home equity to cash (received as a lump sum, line of credit, or fixed monthly payment) while maintaining ownership. Lump sum loans usually have fixed interest rates, while lines of credit and monthly payments are more likely to have variable interest rates. Borrowers do not make monthly payments (though homeowners must still pay property insurance and tax), and the balance typically grows over time until it is repaid, usually when the home is sold. The most common reverse mortgage is the government-backed Home Equity Conversion Mortgage (HECM), which is insured by the Federal Housing Administration for homeowners age 62 and over.[19]

National surveys show that most older adults prefer not to move from their homes or communities, though some people might relocate if they could find suitable and affordable housing options.[20] Further, few plan to tap home equity as a part of their financial strategy in retirement. Home equity seems to represent a resource of last resort. Previous research has noted that home equity often serves as "precautionary savings" to be tapped in the case of some future shock, including healthcare and LTSS costs.[21] In this sense, homeowners may perceive housing wealth as a replacement for long-term care

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[19] Homeowners may also refinance an existing mortgage to secure lower monthly payments, without taking cash out of the home at the time of closing. While not an equity-extraction tool like the mechanisms described above, this path might allow more income left over in a household budget each month. Property tax deferments or reducing monthly utility costs through weatherization could have the same effect of lowering monthly housing costs without affecting equity. In addition, short-term savings accumulated by deferring maintenance can be considered a form of tapping equity in that over the long-term, the deferral might cause the value of the home to depreciate or to appreciate more slowly, but in the moment it allows the owner to spend income that might go to maintenance on other necessities (Davidoff, *Maintenance and the Home Equity of the Elderly*).

[20] AARP, *2024 Home & Community Preferences Among Adults 18 and Older*; Robinson-Lane et al., *Older Adults' Preparedness to Age in Place*; Forsyth and Molinsky, "What Is Aging in Place?: Confusions and Contradictions"; Jefferson et al., "Housing Equity Withdrawal: Perceptions of Obstacles among Older Australian Home Owners and Associated Service Providers."

[21] Rhodes et al., "Mortgage Borrowing and Chronic Disease Outcomes in Older Age: Evidence from Biomarker Data in the Health and Retirement Study"; De Nardi et al., "Savings After Retirement: A Survey"; Poterba et al., *The Composition and Draw-down of Wealth in Retirement*.

insurance, though one that is tapped after other assets are exhausted.[22] Indeed, when households do access home equity, they typically do so in older age and in response to an economic shock.[23]

Prior research suggests a host of reasons older adults may not tap home equity or may be reluctant to do so, including the following:

- **Older homeowners see home equity as a unique asset.** Older homeowners place a different value on home equity than they might another financial asset. Financial factors play a role: older adults might anticipate further house price appreciation and hold onto a home for its potential future value, or may want to avoid capital gains taxes or the costs associated with the sale of an illiquid asset.[24] However, nonfinancial factors are at play as well. Older adults may have strong emotional attachment to their homes. Many have owned for many years and even decades, and older adults also spend more time at home than younger people. One's home may represent memories, belonging, sense of self, and control, with the result that older adults may be reluctant to downsize or to secure debt against their home.[25] Attachment may also extend to the neighborhood and community. More practically, an owned home provides shelter—its purpose extends beyond its investment value.
- **Homeowners are motivated to transfer wealth to the next generation**. Owners with a bequest motivation—a desire to pass equity or the home itself to heirs—may be reluctant to deplete equity or utilize a financing mechanism that results in a lien on their property. Bequest motivations may extend to a surviving spouse as well as to children or other heirs. Bequest motives may be particularly strong around housing wealth in comparison to other financial assets, perhaps because of the cultural resonance of homeownership as a symbol of economic success as well as people's personal relationships with their homes.
- **Homeowners are hedging against later needs, which are difficult to predict.** Given the uncertainty of future needs, older adults may still be reluctant to tap home equity, even in the event of a financial shock, if they have other assets that can be used first. Research has

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[22] Davidoff, "Home Equity Commitment and Long-Term Care Insurance Demand"; Boyer et al., "Long-Term Care Insurance: Knowledge Barriers, Risk Perception and Adverse Selection."
[23] Chen et al., *Do Older Adults Understand Healthcare Risks, and Do Advisors Help?*; Poterba et al., *The Composition and Draw-down of Wealth in Retirement*; Rhodes et al., "Mortgage Borrowing and Chronic Disease Outcomes in Older Age."
[24] Nakajima and Telyukova, *Home Equity in Retirement*.
[25] Jefferson et al., "Housing Equity Withdrawal"; Molinsky and Forsyth, "Housing, the Built Environment, and the Good Life"; Oswald et al., "Relationships Between Housing and Healthy Aging in Very Old Age."

confirmed that older households spend down non-housing wealth before housing wealth.[26] Furthermore, if other people are living in the home of an older adult, there may be less motivation to tap equity or even a wish on the part of adult children residing in the home that the older adults do not tap equity through a reverse mortgage.[27]

- **Homeowners wish to avoid debt**. Older homeowners may perceive taking on new debt in later life as risky and undesirable.[28] This may be related to a bequest motivation and the desire to leave heirs an asset that is unencumbered. Higher levels of debt are associated with increased stress among older people.[29]
- **Homeowners may have negative perceptions of financial products for tapping home equity**. In addition to having an aversion to debt, homeowners may view reverse mortgages in particular with skepticism: they are complex products that may be difficult to understand at best, but a host of negative publicity and misconceptions have dampened appetite for tapping equity in this way, though numerous authors have discussed how education and simplifying the product might increase uptake.[30]
- **Tapping equity is associated with administrative burden and a need for financial literacy.** Homes are illiquid assets, and whether through sale or a financial product like a HELOC or reverse mortgage, tapping equity can be hard to understand, time-consuming, and costly, leading many to avoid tapping it or to give up before a full application is made.[31] Up-front costs may also be high.
- **Homeowners may mis-estimate their home equity**. Homeowners may underestimate the value of their homes, resulting in the owner not even attempting to tap equity. Conversely, owners

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[26] Rodda and Patrabansh, "Homeowner Age and House Price Appreciation."
[27] Haurin and Moulton, "International Perspectives on Homeownership and Home Equity Extraction by Senior Households."
[28] Fannie Mae, "Older Homeowners: Accessing Home Equity in Retirement"; Moulton et al., "Reverse Mortgage Motivations and Outcomes: Insights from Survey Data."
[29] Haurin et al., *Debt Stress and Mortgage Borrowing in Older Age: Implications for Economic Security in Retirement*.
[30] Kaul and Goodman, *Seniors' Access to Home Equity*; Davidoff et al., "Reverse Mortgages"; Mayer and Moulton, "The Market for Reverse Mortgages among Older Americans"; Moulton et al., "Reminders to Pay Property Tax Payments"; Haurin and Moulton, "International Perspectives on Homeownership and Home Equity Extraction by Senior Households."
[31] Haurin and Moulton, "International Perspectives on Homeownership and Home Equity Extraction by Senior Households"; Sass, *Is Home Equity an Underutilized Retirement Asset?*; Kaul and Goodman, *Seniors' Access to Home Equity*.

may overestimate their home value and find they are unable to tap as much as they would like, or that their loan application is denied.[32]

- **Homeowners may not qualify for mortgage products or receive unfavorable terms.** Older adults have higher rejection rates for refinancing and cash-out refinancing, and when approved may receive less favorable interest rates, when compared to younger applicants.[33] While credit scores and debt-to-income ratios are key criteria, older adults may also be deemed to have insufficient collateral to secure their loan, raising the question of whether financial distress has prevented them from sufficiently maintaining their homes, which lowers their value as collateral. On this point, previous research suggests that the rate of appreciation for older adults' homes is slower than for those of younger people. Using the Health and Retirement Study, researchers have estimated that the home values of people age 75 and over appreciate between 1.0 to 1.2 percent more slowly than those of middle-aged owners. One potential explanation is that older adults under-invest in or under-maintain their homes, which may occur for a number of reasons.[34] It is therefore possible that an older owner may overestimate their own home value and find they are able to extract less equity than expected.[35] Equity-extraction tools are also sensitive to interest rates, making some products (e.g., cash-out refinancing) less attractive when interest rates rise.

Most older homeowners who tap into their equity without moving opt for cash-out refinancing or HELOCs over reverse mortgages. While cash-out refinances have been popular, particularly in the low-interest rate period prior to the pandemic, reverse mortgage use is comparatively low. Researchers have noted that the product's complexity, consumers' misperceptions (some stemming from earlier problems that have since been addressed), tight underwriting criteria, and the departure of several major lenders from the space following the Great Recession have depressed demand for reverse mortgages.[36]

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[32] Haurin and Moulton, "International Perspectives on Homeownership and Home Equity Extraction by Senior Households"; Amornsiripanitch, *The Age Gap in Mortgage Access*.
[33] Amornsiripanitch, *The Age Gap in Mortgage Access*.
[34] Rodda and Patrabansh, "Homeowner Age and House Price Appreciation."
[35] Amornsiripanitch, *The Age Gap in Mortgage Access*.
[36] Kaul and Zhu, *More Older Americans Are Drawing Wealth from Their Home Equity, but Racial Gaps Persist*; Mayer and Moulton, "The Market for Reverse Mortgages among Older Americans"; Joint Center for Housing Studies, *Housing America's Older Adults 2023*; Consumer Financial Protection Bureau, "CFPB Report Highlights Consumer Frustration Around Reverse Mortgages."

Recent Data on Accessing Equity in California

To get a picture of recent interest in equity tapping by older adults, we analyzed data collected under the Home Mortgage Disclosure Act (HMDA). HMDA requires most financial institutions (with some exceptions for those with small loan volumes) to report data about home purchase loans, home improvement loans, and refinancings—loans that are secured by a lien on a dwelling. More information about HMDA data and our methods are available in Appendix 2.

Publicly available HMDA data reports 105,000 applications for home financing among homeowners age 65 and over in the state of California for the year 2023.[37] A single homeowner may make multiple applications. For context, there were approximately 4.1 million homeowners in this age group in the state in 2023.

According to the HMDA data, among borrowers age 65 and over, the most common application was for a conventional first mortgage (48,000 applications), followed by a conventional subordinate mortgage (38,000 applications). The rest were comprised of loans backed by the Federal Housing Administration (FHA) and Department of Veterans Affairs (VA) that ensure lenders against loss and allow the borrower to access a more affordable and accessible loan. The median loan amount for conventional first liens that were approved for borrowers 65 and over, including for home purchase, was $235,000.

The most common reason that older adults 65 and over in California applied for any kind of mortgage product was to take cash out of their homes via cash-out refinancing. Other popular reasons were to purchase a home, make home improvements, and the catch-all category "some other purpose." (HMDA data does not record LTSS as a specific purpose.) A smaller group applied for refinancing without taking cash out, presumably to lower monthly housing costs.

Only a small share of mortgages—just 7 percent—were characterized as reverse mortgages. Within racial and ethnic groups, Asian/other race applicants were least likely to apply for a reverse mortgage in 2023, followed by Hispanic applicants.

About half of loan applications made by older Californians that are captured by HMDA were actually originated, meaning funds were received by the borrower; nearly one quarter were denied, and the rest withdrawn or incomplete. Among the denials, the most often-cited reason was a debt-to-income ratio that was too high, followed by poor credit, incomplete information, and insufficient collateral. Older adults of color were more likely to have applications denied.

[37] The data did not allow us to isolate the overlooked middle, so results include loan applications by people age 65 and over at all income levels.

This data offers a snapshot of one year's loan applications, a year that occurred in an environment of rising interest rates (the average fixed rate for a 30-year mortgage hit its highest rate since 2000, 7.79 percent, in October 2023, per Freddie Mac).[38] It does give a sense, however, of the ways older adults seek to access their housing wealth, and a reminder that older homeowners seek to utilize home equity for a range of purposes, including making updates or changes to their physical homes.

Part III: Insights from Focus Groups with Overlooked Middle Homeowners in California

To assess home equity-tapping behavior in California, we conducted four focus groups with Californian homeowners age 65 and over in the overlooked middle to ask about their plans for and experience with tapping equity. Given that LTSS needs increase with age, we reasoned that those in their mid-sixties and over would more likely have thought about or had experience tapping equity for LTSS or other expenses in typical retirement years.

We conducted four virtual discussions with a total of 28 older adult homeowners in the overlooked middle in California. Participants ranged in age from 65 to 85 years old and those at least 75 were more likely to live alone. While most participants were of white or European descent, seven participants described their race as Asian, Black, Native American or American Indian, or something else, and two participants described their ethnicity as Hispanic. Overall, the median home value and median non-housing wealth (assets other than the primary home) reported by our participants were higher than the median values for California's overlooked middle calculated in our analyses using the American Community Survey. A more extensive description of the focus group methodology and participant profile is provided in Appendix 2.

To a large extent, the focus groups reinforced themes in literature about reluctance to tap equity. However, many noted California-specific variables that shaped their thinking about home equity, including the pace of price appreciation in recent years, increases in property insurance rates, and calculations around property tax. Few focus group participants thought they would need to tap home equity to cover any future needs, including LTSS, because they believed their other assets would provide a sufficient cushion. Several stated that they had previously extracted wealth from their homes through the sale of a previous home or use of a HELOC, home equity loan, or reverse mortgage, though no one reported doing so to pay for LTSS.

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[38] Freddie Mac Primary Mortgage Market Survey, https://www.freddiemac.com/pmms.

Below we present findings from the conversations, which began with discussions about participants' current homes and locations.

Most Participants Seek to Remain in their Homes for the Indefinite Future

When asked about satisfaction with their housing, **most participants spoke positively about their homes and surroundings**, mentioning special features of their home they particularly liked (such as a woodshop in the garage), a range of amenities within walking distance, proximity to a medical center, or an established community and nearby family members. The availability of transit was key to one participant who was experiencing vision loss. Many reported living in their home for a significant period, but some reported they had downsized within the last decade or so. Among those who had moved recently, one 66-year-old participant noted downsizing to "a rather large condo" and making sure "it fits any need that I might have short of going to assisted living."

Few had plans to move, though many thought about options, such as single-floor homes or continuing care communities (discussed more below). **More than one brought up the difficulty of downsizing, however, given limited options and high prices.** "I've been giving some thought to looking into a single-story home, but I'm not sure I wanna take on another mortgage…In order to get something I want, I'm gonna have to pay more." Several participants mentioned that decisions about moving were influenced by property tax implications under California's Propositions 13 and 19.

A few of the respondents noted that they would *never* move. One participant in their late 70s said, "You've heard the expression, they're gonna carry me outta here in a box. That's me."

Although several respondents mentioned feeling a sense of belonging in their communities, **others noted that they no longer knew their neighbors well or that friends and family had died or moved away, leaving them feeling more alone in their location**. These changes appeared to make some participants more open to relocating. A participant who lived alone, age 75, noted that they did not know their neighbors and had considered a co-living community but, in lieu of that, had joined a village organization through which they found mutual support and social opportunities in their current location.[39]

The presence of stairs topped the list of potential barriers to remaining comfortably in one's home. However, it is noteworthy that several respondents thought that having stairs they regularly used

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[39] Village organizations offer social opportunities and services to older adults, typically through a membership fee. Most are run by older adults themselves, though there is wide variation in the model. For more information, see the Village to Village Network at www.vtvnetwork.org.

to access a second floor kept them in better physical shape. **Maintenance and repair came up as well**, particularly in older homes; one 79-year-old participant remarked, “The house is 21 years old. I bought it new and things are gonna start to happen. Some minor things lately, but you just don’t know what’s around the corner.”

Participants also spoke about rising housing costs. While several worried for younger people shut out of housing markets, **participants also noted that rising property taxes, property insurance costs, and utility costs were affecting their household budgets**. One person noted that their fire insurance had been cancelled, which might reduce their costs but at the same time places their home equity at higher risk. In the words of one participant age 75, these additional housing-related expenses “put some more pressure on trying to stay put.” Fire risk also influenced at least one participant’s thoughts on future relocation options.

Participants Expressed Confidence in Their Estimations of Home Values

As the conversation moved to the use of home equity to pay for LTSS or other needs, such as home modifications to improve accessibility (e.g., chair lifts or ramps, widening halls or doorways, or other retrofits), participants were asked how they estimated their home value and equity, particularly if they had purchased or last obtained financing some time ago. **Focus group participants were confident in their understanding of their home value and home equity.** To get a sense of their home’s value, participants reported consulting Zillow or Realtor.com, speaking with a local realtor, and researching recent home sales in their neighborhoods. Many noted strong house price growth in recent years, but also that estimates are just estimates until one attempts to sell or tap home equity. Said one, home equity is “on paper right now, and it fluctuates up and down.” Another participant, 75 years old, said that “it doesn't really factor in until I make a decision. [My estimate is] within a few hundred thousand. You sort of have a general idea, and it doesn't really matter until I get down to specifics.”

Focus group members were aware that housing values in California are well above national medians. Said one, “If I were to sell my house today, I could move back to my hometown of Nashville, pay cash, and have half the money left and invest it.” However, many referenced what they liked about their current California location, from beautiful weather to proximity to services to nearby family. Some also suggested that holding onto their home would yield more wealth in the future for themselves or their heirs.

Most Participants Believed They Had Sufficient Financial and/or Family Resources to Cover Potential LTSS Needs

Participants offered a range of views on their potential need for future LTSS. Two people disclosed chronic conditions that would likely require assistance with daily living at some point. One of these individuals said that they would likely take on a reverse mortgage; the other acknowledged the potential for future need and expressed interest in a continuing care retirement community but was concerned about cost.

However, the sentiment most people expressed was that they were fortunately in good health, while also acknowledging that the future was uncertain. Participants referenced "good genes" or the fact that they exercise regularly (including by using the stairs in their homes) but recognized that their health status might change. Sentiments like these were common:

> Just like everyone here, we've all…got friends and family, and we've all lost people. And sometimes it's the most unexpected thing. So we all realize that there's no guarantee for tomorrow. And so it's something I think about. My grandkids and son and daughter-in-law are three hours north. So me and my other half, we're down here. Would I ever move to be close to them? Well, right now I would say no. But tomorrow I might say yes. I guess it would all depend on health circumstances. (Participant age 76)

> I come from a healthy family…So, you hope you get the good genes from your lineage and see how that goes. But that being said, we don't know what the future's gonna hold. (Participant age 67)

When pressed about what they might do if they needed care, participants offered a range of options:

- ***Moving near family***: If medical needs arose, some people spoke about moving near to their kids—but not moving in with them: "I love my kids. I don't wanna live with them ever again," remarked a participant, age 85; another, age 76, said: "I told my son, if it ever came to a position where I had to be close to them, I said, I'd buy you another house and have a guest house built in the back." However, one respondent, who said they could not imagine they didn't have sufficient assets to cover any future care needed, noted that if they were unable to pay for care, "if the world goes to that, if I'm going through that much money, then I'll just sell everything and go move in with my wonderful niece." The help of a spouse was mentioned as well: one participant remarked that their spouse had recently supported them through their orthopedic surgery but acknowledged they might not be as capable a caregiver to their spouse. Those without family supports nearby expressed some worry: "I'm living alone with…no family. So I'm a little bit concerned about as I age and get sick and grow older [about] who's gonna take care of me."

- ***Moving to a continuing care community:*** Participants reflected on the downsides and benefits of continuing care communities, where one could have access to independent, assisted, and nursing home care. In one focus group, two participants mentioned that a potential downside was that such places could be depressing or one's life could be disrupted by other residents' health struggles, but that social and care opportunities were benefits: "Every day you're hearing ambulances…In your home, it's quiet; you have your own home…But if you're alone, it's nice to be with other people." Another wondered if the social life would be too much: "I'd like to participate, but not all the time, so I'm trying to figure out how that would work with…my personality." Cost was a significant concern, including both the upfront payment required by many communities as well as the long-term cost. One participant worried they would run through all of their assets (including home equity) while still living if they opted for a continuing care community. A 77-year-old participant with a chronic health condition said the following:

> When you're in a home for so long and you need so many things done in your home, it's almost nice to think that you could go somewhere that's new and you don't have to think about those things. A lot of our friends are going from really big homes to these places, and they're really small, but they have a training room and all the activities and everything, so they're loving it, you know? They're really downsizing in a big way, [but] here in southern California, it's almost a million dollars to get into [these communities] and the rents are so high. So you have to really, really think about what you're gonna do. (Participant age 77)

That same participant, however, reported that their partner didn't want to move, highlighting the **challenges that can arise in partner and multiple-person households over residential choice**. In the case of this couple, the partner who wished to stay put had long-term care insurance, while the other who would consider moving did not. Another noted that the timing of a move to a continuing care community is critical, as one needs to move when healthy enough to qualify for assisted living.

- ***Obtaining care at home under long-term care insurance.*** Some participants had long-term care insurance (LTCI). Two participants volunteered that they had purchased it after experience with elderly parents who had benefited from LTCI policies. One said LTCI was important to their mother, "especially for asset protection and freedom of choice"; this same participant added that they did not have a spouse, children, or siblings, so they wanted to be sure to have a plan for paid care should it be needed. This sentiment was echoed by another LTCI policy holder who was unmarried and childless and thought they would prefer to receive care in their home.

Participants acknowledged that care is expensive, but most who did not have LTCI believed they could handle any expense that came their way through savings, without having to dip into housing wealth, as we discuss more below. In a sentiment echoed by others, one participant remarked, "It's just something that I feel I'll just deal with when the situation arises… I'll just deal with it, and I feel financially secure enough that I should be able to handle whatever comes along." One person, however, said they'd be in trouble financially, offering that they had thought about having someone come live with them in exchange for light care, but if heavier care was needed, they would probably run through their investments. They remarked, "I'm unable to plan. I'm only able to consider. I will deal with it when it happens."

Most Participants See Home Equity as a Resource of Last Resort

Across all the focus groups, most participants expressed that home equity was an asset that they did not ever intend to tap, or would tap only if other resources ran out—which most thought was highly unlikely. In the focus groups, the moderators pressed on scenarios that might require an unusually large expense, such as the need for daily long-term care in the home or a moderately-sized renovation to a bathroom. Even in these scenarios, participants continued to refer to home equity as an asset of last resort or a "security blanket," as these statements reflect:

- "I've been very good financially…**I don't think I would ever [tap home equity].**" (Participant age 68)

- “My health is worked out. And so I’m in a position now that, monetarily, **I would never have to touch anything about my house**. My kids will have that. And then everything else I’ve got through investments covers everything that might happen.” (Participant age 76)
- “I wouldn’t say it’s a sure thing, but **[tapping home equity is] like a backup**. If I run out of money, **that’s…gonna be my step two**.” (Participant age 73)
- “Having that [equity], that’s a **cushion**, that **security blanket** of knowing I’ve got all that equity in there, and if God forbid, something did happen and I needed to make a change, I know that that money's there.” (Participant age 77)
- “Now….if the air conditioning or heating system goes out—I hope I’m not jinxing myself here by saying that!—you’re looking at…a very substantial investment, and so do I…dig into my savings or do I borrow?... I’d have to cross that bridge when I come to it. But **I would rather not use it unless it’s an emergency and I have to**.” (Participant age 79)
- “I would definitely use this house as a **last resort**.” The participant, aged 67, noted they have been living off of other investments and also that they had a minimum selling price they would take for their house if it came to a sale.

Nearly all participants said they would use other assets before home equity. One said, for example, “I wouldn’t wanna be tapping [equity]. I would go to the portfolio first and use that, if need be, to pay for anything that would be out of the ordinary.” **Some people with existing medical conditions did anticipate tapping equity, but still as a last resort.** One focus group member planned on a reverse mortgage in the future but would first use up other investments.

Another, age 80, pointed out that **current interest rates shape thinking about tapping equity versus utilizing other forms of savings**. “I like the idea of having [the] availability of a reverse mortgage…but because the rate is higher than what I’m making on savings, it would make more sense to use my savings first and then go into [a] reverse mortgage.”

Participants Were Concerned That Tapping Equity Could Limit Future Flexibility

Related to reluctance to access home equity only as a last resort was the **idea that tapping equity could foreclose options.** With less housing wealth, participants thought that they might have fewer choices about where and how to live in the future. “I don’t wanna get a reverse mortgage and then end up with so much less if I [want to] make a move,” said one 75-year-old participant. This respondent suggested they would wait as long as they could before taking a reverse mortgage, doing so only when they felt they would not move again, including to assisted living or other settings with higher levels of care.

This theme is reflected less overtly in other exchanges. Several focus group participants expressed interest in or curiosity about continuing care retirement communities but noted their high entry fees. Since these fees might be paid with the proceeds of a home sale, it is possible that participants are thinking about their housing wealth as a tool to fund future care needs, at least in an alternative setting.

Some Had Tapped Equity or Had Plans to Do So

Despite few participants having plans to tap equity, some had already done so, though not to pay for LTSS or other healthcare costs. Participants reported having downsized and extracted equity upon sale, previously refinancing a mortgage, taking out a HELOC or home equity loan, or taking out a reverse mortgage. While participants did not all share why they had made these moves, the following were mentioned:

- **To eliminate or reduce a mortgage payment via a reverse mortgage.** Said one participant, age 85, "About two years ago, I did a reverse mortgage on my house…so I don't have a house payment other than taxes and insurance." Another, age 78, said, "I currently have a reverse… and that was the whole thing… not having a burden of making a payment every month." This participant noted that residual equity would be available for heirs. At least one of those individuals might have been investing the money that might otherwise have gone to a monthly payment, noting that the reverse mortgage is "a good way of not having your money tied up where you can have it doing something else."
- **To pay one-time housing costs.** A 68-year-old participant took out a home equity loan to pay for a special property assessment and pay for some renovations. Another, age 69, refinanced their mortgage in order to upgrade their home to meet modern earthquake code, noting that the money they spent to do the work in 2001 has more than been made up by price appreciation.
- **To have a "safety valve" or emergency fund.** One participant in their late 70s reported they took out a HELOC "many years ago," seeing "it as an opportunity to have a safety valve, should I need one" when interest rates were low. They tapped the money when they ran into a financial difficulty, but at the point of the focus group had paid off the loan.

- **To arbitrage low interest rates.** A 66-year-old participant noted that upon selling their previous house, "I put most of the money into investments, and then I used a chunk of it to buy this place, and the interest rates were so low, it made sense to take a loan on it because I'm making more on my investments than the interest rate was when I bought the place eight years ago." In this case, holding a mortgage cost so little in interest that it made financial sense to hold debt while investing assets elsewhere. Similarly, another participant said, "I never paid my mortgage off when I got divorced or when I retired because my financial advisor had said…'Why would you wanna pay off your house? You're making 7 or 8 percent on your money and my mortgage is only 2 and a quarter [percent].' So it didn't make sense. I'm making more money on my money instead of blowing it on paying it off."
- **To transform home equity into a more liquid asset.** A participant in their 70s reported that they were not looking at using their home equity because "When I sold my condo, I sold it for a lot and I bought my new home. I was able to save a lot of the money that I got from the sale, so [I've] been using that…because it's more liquid than my IRAs."

A very small set of participants had plans to tap equity via a reverse mortgage in the future. One would do so to pay for care, using a reverse mortgage line of credit to pay for personal care as well as drivers and helpers who can run errands for them. Another already had a reverse mortgage and said they wanted to use another in the future, after a move they and their partner were planning.

Participants had strong opinions about reverse mortgages. A 78-year-old participant who currently had a reverse mortgage, taken out so that they could reduce monthly housing costs, noted, "I think reverses had gotten a bad rap a number of years ago. But they are FHA loans now, and they're very well regulated, and you're not gonna get hurt and…it's a good way of not having your money tied up where you can have it doing something else."[40] The same person noted that, if they passed away, their spouse and children would have access to any remaining funds and assumed that the house would continue to appreciate in value, adding to the benefit to their heirs. On the other hand, however, some participants had quite negative views of reverse mortgages. "I had some friends that had very bad experiences with it, so I'm not into it," said one 76-year-old respondent.

Interestingly, most participants reported receiving some kind of financial advice or engaging in formal financial planning. The majority said that that their homes were in trusts.

[40] The vast majority of reverse mortgages are FHA-insured under the Home Equity Conversion Program.

Bequest Motivations Are Strong, Including Among Those Without Children

The desire to leave wealth to children or other family members arose repeatedly in our focus groups. This was frequently related to a desire not to tap equity that would diminish or encumber the asset. One participant, age 77, noted that they wanted to leave their home to their children, and that they already had tapped into equity in the past and had "been paying it off for a really, really long time. And now that I see the end of the tunnel, I don't wanna go back and redo that again. So unless something drastic were to take place, I don't imagine doing another HELOC or anything like that." Similarly, another person, age 78, noted they would "absolutely not" go first to home equity if they had a significant expense "because I want my kids to have something free and clear."

The bequest motivation affected people's thinking about more expensive residential options. Another participant, age 85, thought they would likely remain in their current house rather than move to a retirement community to save their home equity for their children. "The over-55 communities, as they say, are outrageously expensive. And I'd like to be able to leave something to my kids."

Several participants in the focus groups reported that they did not have children but still noted their intent to leave their home to nieces and nephews in particular. One participant who had extracted equity upon the sale of their previous home said they'd put their current home in a trust for their nieces.

That said, one 76-year-old participant urged the others to consider talking to their children about a potential bequest, noting that they had consulted their children before taking out a reverse mortgage; their children urged their parents to use the equity in their home to reduce their monthly expenses:

> We had a family meeting, and both my kids said, it's your money. Use it. We'll do okay on our own. That's why we went ahead and did the reverse mortgage because that was my plan, to leave it for the kids, 'cause you want to leave them something, at least make their lives a little easier, but they don't care… So I guess it depends on what situation your kids are in, but they were perfectly happy to have me do it this way.

Some Had Plans to Lower Housing Costs and Increase Income to Address Care Needs

One 85-year-old participant, a real estate agent, reported that they are planning to build an accessory dwelling unit (ADU) in their backyard, hoping to bring in income that would "solve a lot of my financial issues." Another noted that they had a casita, a small home with a bathroom and some small kitchen appliances that is used as a guest house, and another chimed in that these are becoming more popular and could be useful for a future caregiver. Finally, another participant, age 80, had just learned they might be eligible for energy-saving heat pumps and solar panels, which they thought could lower their housing costs.

Conclusions From Focus Groups

Even given that people would not be able to access all of their equity while remaining in the home, those with good credit might be able to extract a substantial share. **However, in the four focus groups we conducted with overlooked middle homeowners in California age 65 and up, nearly all participants agreed they did not want to tap equity, nor did they think they would need to, even in the face of LTSS needs**.

Consistent with other research, overlooked middle homeowners in California tended to see housing wealth as a unique asset. For the most part, participants planned to gift their home or the wealth in the home to heirs and had planned to do so through estate planning and use of wills and trusts. The motivation to leave property or housing wealth came up often, even among participants who expressed that their children, nieces, and nephews were financially secure. Several remarked upon the importance of bequeathing that property unencumbered by debt.

Most also saw home equity as an asset they would tap only if they spent through their other investments and accounts, though few believed this would occur. Participants consistently spoke about home equity as a resource of “last resort,” a “security blanket,” and a “backup” that would be available in an emergency. Even the one participant who anticipated taking out a reverse mortgage said they would do so only when other investments were exhausted. **Overall, focus group participants expressed confidence in their financial stability**, including their ability to weather large LTSS expenses without tapping into home equity in the future.

Several participants discussed extracting equity in the past by downsizing their homes or through financial mechanisms like cash-out refinancing, home equity loans, and home equity lines of credit (HELOCs). Some even mentioned holding onto existing mortgage debt that they could afford to pay off because its interest rates were lower than what they were receiving from investments. However, with the exception of a small group that was interested in reverse mortgages or had one already, none saw themselves refinancing or using other tools to extract equity in the future. These sentiments are likely influenced by the current interest rate environment, but it is difficult to say how much lower interest rates would change participants’ opinions given their aversion to debt. **Indeed, some saw**

tapping equity as limiting their future choices: by reducing their housing wealth, they would have fewer options for moving to another home in the future, should they need a continuing care community or different type of home.

Most participants had experienced strong housing price appreciation and expected that to continue, despite the increased risks to equity from wildfires and the challenge of the cost and accessibility of property insurance. Nearly all felt they had a good sense of the current value of their homes, though they also recognized these values were "on paper only," which again may distinguish housing from other assets like a retirement account or pension whose amount is more easily knowable.

Yet many also acknowledged that one's future health, and healthcare costs, are uncertain. A handful had long-term care insurance, which they hoped would cover their care at home while protecting their assets, but most had vaguer plans: potentially moving to a continuing care retirement community, though affordability was a major concern, or moving nearer to family. Just one, someone with a chronic condition, spoke about using a reverse mortgage to pay for care in the future. Several people without partners/spouses or children appeared to have given a bit more thought to future care and its cost or expressed more anxiety about it.

A notable finding from the groups was that several participants remarked that they valued the discussion, particularly the exchange with peers. One noted, "You just opened the door to a lot of new information for some of us," and during the conversations, there were periodic exchanges of advice and ideas (such as to investigate village organizations or to reconsider negative perceptions of reverse mortgages).

Part IV: Potential Risks to Home Equity in California

Our research offers a snapshot of home equity among today's overlooked middle in California and current opinions about its use to pay for LTSS costs. We also asked whether, in the next two decades, there might be serious risks to older adults' home equity that could reduce the amount potentially available for care.

It is difficult to predict the rate of house price appreciation that California may experience in the next two decades, and we do not try to do so here. House appreciation has been strong overall in the last decade. The state experienced its last decline in median home prices during the Great Recession, when the median single-family home bottomed out at $381,000 in 2012 after reaching a high of

$646,000 in 2006. Yet since 2012, home prices have appreciated roughly 185 percent to reach over $970,000 in the third quarter of 2025.[41]

Going forward, we highlight two areas of consideration for how well home equity might help overlooked middle homeowners meet the LTSS needs: first, demographic shifts, including the aging of the baby boomer population itself and its effect on the housing market as well as the growth in populations who have traditionally had lower homeownership rates and less home equity; second, climate change and its effect on the costs of ownership.

Demographic Shifts

Going forward, home price appreciation or the risk of depreciation will be shaped by a host of factors: regional housing supply and the demographics of demand; broad economic forces related to employment, inflation, and interest rates; community-specific features (such as school quality), and, at the individual level, property-specific features and investments. We mention one specific demographic issue here that relates directly to population aging: whether housing prices might depreciate in certain markets as the homes of older adults flood the market when baby boomers either pass away or move to other settings (e.g., assisted living, the homes of family), particularly if those homes are mismatched with the needs and preferences of younger buyers.[42] **While an influx of older adults' homes could affect the market in places that younger families find less desirable, pent-up demand for housing might counteract the effect of this influx on housing prices.** Furthermore, the baby boom generation spans two decades, and a "senior sell-off" might not be of sufficient scale to reshape markets at any given time. A recent report titled "Who Will Buy the Baby Boomers' Homes When They Leave Them?" notes that "Overall, housing supply and demand shifts from changing demographics are slow moving and highly predictable, which suggests that there will not be measurable effects on house price growth from population aging and mortality." The report further notes that demand from younger households will absorb some of the excess supply and posits that the most likely outcome of the aging of baby boomer homeowners would be a slowdown of new construction and a softer rental market.[43]

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[41] Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/CASTHPI, using House Price Index data from the U.S. Federal Housing Finance Agency.
[42] For example, see Nelson, "The Great Senior Short-Sale or Why Policy Inertia Will Short Change Millions of America's Seniors."
[43] Engelhardt, *Who Will Buy the Baby Boomers' Homes When They Leave Them? Population Aging, Mortality, and the Future Housing Market*.

Another demographic shift that shapes future equity available to older adults in the overlooked middle is the growth of Hispanic households. These households (as noted earlier) have a lower homeownership rate and, among owners, less equity than white households. Unless homeownership gaps narrow, a smaller share of tomorrow's overlooked middle may have access to sufficient home equity to fund LTSS needs.

Climate Risk and Property Insurance Cost/Availability

A major California-specific risk to home equity growth is the increasing incidence of climate change-related disasters, which has implications for where and how new housing is built, how current housing stock will need to adapt, and the household-related decisions of homeowners to sell, move, stay in place, or retrofit their existing properties, as well as the costs they face related to insurance, taxes, and property maintenance.[44] More than 1.2 million homes in California are defined as at-risk for extreme wildfire, and six out of the ten fastest-growing state counties over the past decade are in the Central Valley and Inland Empire, regions at comparatively higher risk of excessive heat.[45] Owners in high-risk communities may see more damaged and vacant homes, putting a downward pressure on housing values and therefore on equity.[46]

Older homeowners are uniquely impacted by climate change. Preliminary research on the relationship between residential settings and exposure to climate stressors has found that older people are more susceptible to climate-related health risks, less able to respond to disasters or adapt to long-term changes, and more likely to live in older housing that is less climate-resistant.[47] Retrofitting (or repair post-event) might also fall lower on a priority list than basic maintenance and safety and accessibility improvements for older adults.

The changing climate also affects the cost and availability of homeowners insurance. California's residents have historically benefited from relatively lower insurance costs and insurance burdens due to previous state regulation governing rate increases and the models that insurers could use to price risk. However, growing climate risk in recent years, particularly from wildfires, has led to multiple insurance

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[44] Schuetz, "How Will US Households Adjust Their Housing Behaviors in Response to Climate Change?"
[45] Blood, "California Insurance Market Rattled by Withdrawal of Major Companies"; Morales et al., *Climate Change Impacts Across California Housing*.
[46] Cornelissen et al., *Overburdened: The Dramatic Increase in Homeowners Insurance Premiums and Its Impact on American Homeowners*.
[47] Molinsky and Forsyth, "Climate Change, Aging, and Well-Being: How Residential Setting Matters."

companies pulling their coverage.[48] Research by the Consumer Federation of America reported that premiums for homeowners insurance rose 21 percent in California from 2021 to 2024.[49] **For older adults, higher insurance premiums may result in owners purchasing less coverage or even foregoing coverage altogether after paying off a mortgage; indeed, prior research suggests that some homeowners choose to drop their insurance coverage shortly after paying off a mortgage, when their relationship with a lender requiring property insurance ends.[50]** Black and Hispanic homeowners are more likely to do so, meaning that there could be further systematic differences for which households are more vulnerable to the loss of housing wealth resulting from climate-related damages.

There are also equity considerations regarding insurance cost and availability. Previous research has found that individuals with subprime credit, who are also more likely to be people of color, pay more for home insurance, regardless of property and contract characteristics.[51] Insurance prices can therefore depend on who is living in the home as much as on exposure to disaster risk. Homeowners may also find it difficult to find coverage, period. Although recent reforms allowing insurers to adopt forward-looking models could encourage them to return to the market, some may also be unwilling to pay the cost of adopting these models.[52] For the insurers that do provide coverage, it is likely that consumers in higher-risk areas will need to spend more on their coverage, meaning homeownership will become more expensive.

Part V: Synthesis and Implications

California's overlooked middle homeowners have significant home equity that could be used to finance LTSS. Yet equity extraction by people who seek to remain in their homes is a complex decision-making process on the part of households who must assess their immediate and anticipated needs and have knowledge of and access to financing products, all in the context of broader economic forces, many of which present their own uncertainties.

Our research shows that homeowners perceive home equity as a unique form of wealth, understood as a long-term investment that grows over time and provides a safety net in later life.

[48] Sacks, "California Plans Big Insurance Shifts as Climate Change Hits Home"; Blood, "California Insurance Market Rattled by Withdrawal of Major Companies."
[49] Cornelissen et al., *Overburdened: The Dramatic Increase in Homeowners Insurance Premiums and Its Impact on American Homeowners*.
[50] Ramnath and Jeziorski, "Homeowners Insurance and Climate Change."
[51] Blonz et al., "Pricing Protection: Credit Scores, Disaster Risk, and Home Insurance Affordability."
[52] Boomhower et al., "How Are Insurance Markets Adapting to Climate Change? Risk Classification and Pricing in the Market for Homeowners Insurance."

Compared to other types of assets, home equity is viewed as more difficult to access (i.e., as an illiquid form of wealth). Homes also serve important social and cultural functions—providing vital shelter for oneself or one's family, a personal sense of success, and attachment to a community—which can take precedence over their economic value. Many homeowners in our focus groups saw housing debt or reductions in equity as potentially threatening their housing stability or limiting their future options. Within the overlooked middle, homeowners most likely to utilize home equity appear to be those with less non-housing wealth—in other words, those with fewer financial alternatives.

Disparities in home equity and in application and denial rates for financing to extract home equity are especially concerning. For Hispanic and Black homeowners who have historically faced barriers to accessing homeownership and reaping its full benefits, maintaining home equity in later life may be particularly important for building and preserving intergenerational wealth. At the same time, however, higher denial rates for applications for financing mean that Black and Hispanic homeowners looking to tap equity face greater hurdles when they wish to do so. More research is needed to understand how efforts to reduce racial and ethnic homeownership gaps and to build intergenerational wealth might interact with efforts to promote the tapping of home equity later in life, particularly as the overlooked middle itself becomes more diverse in the future.

In California, a particular issue is the question of growing climate risk. As the cost and availability of homeowners insurance continues to evolve, it is likely that older homeowners, especially those living in higher-risk areas, will need to pay more for their coverage. Climate-related retrofits to make a home more resilient to fire, flood, extreme heat, and other risks need to be considered alongside older adults' ongoing needs to invest in their homes for basic maintenance, accessibility, and safety. All of these might be uses of home equity. At the same time, attention is also needed to the risk of income-constrained older adults forgoing property insurance once they own a home free and clear, as their doing so can place all of their home equity at risk.

Our focus groups suggested that at least some homeowners have an appetite for moving if options are available. More than one person had thought about downsizing but had been unable to find a suitable and affordable alternative to their current home. Increased options for service-enriched housing and assisted living affordable to middle-income older households would help the overlooked middle demographic.[53] If these options were available, equity extraction could occur through home sale upon a move to a new setting.

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[53] Scheckler et al., *Older Adults Struggle to Meet the Dual Burden of Housing and Care*.

Our focus groups suggested an important role for education and information exchange about financial products that facilitate equity-tapping, but also about other options and supports available to older adults. Peer-to-peer exchanges, if facilitated by someone who could correct any misinformation (particularly about financial tools), could be especially useful. Stigma about aging, disability, and reliance on public resources may also discourage some older adults from becoming familiar with agencies and organizations that can provide information on aging services and alternative forms of support, such as the village organizations that came up in our focus groups. Creative partnerships with trusted organizations and community institutions, as well as reframing issues to emphasize choice and autonomy rather than dependence and decline, could be useful in engaging older adults around planning for their futures.

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Appendix 1: Methods for Estimating Home Equity Among the Overlooked Middle in California

To assess the home equity available to overlooked middle households, we first devised an estimate of home equity based on 1) reported housing value, 2) reported presence of housing debt, and 3) imputed amount of housing debt. Equity equals home value minus housing debt. As we explain below, estimates of home equity depend upon the availability of reliable and geographically meaningful data on home value and mortgage amount.

Data

We relied on two datasets for the estimation of home equity. The American Community Survey provides demographic and housing data, including home value and the presence of a mortgage, with a sample size that enables us to focus our analysis just on California. The Health and Retirement Study offers a much smaller sample size but data including demographic information, home value, presence of a mortgage, and mortgage amount.

Home Value

The first important variable in our analysis is home value. Since only a small share of the housing stock is sold in any given year, it is impossible to observe actual values for all homes. Data on observed sales transactions are also limited in that they likely skew towards homes bought and sold by younger owners who move more often. A second potential source of data on home value is tax assessment records, but these seldom reflect actual market value. For these reasons, we opted to rely on home value estimates reported by homeowners themselves. We used 2023 American Community Survey (ACS) data, in which respondents are asked "About how much do you think this house and lot, apartment, or mobile home (and lot, if owned) would sell for if it were for sale?"

These data should be interpreted with caution. Most older owners have lived in their homes for many years, keeping the house off the market longer than younger buyers, so it can be harder to estimate specific features of the home that impact value, such as the condition of the roof or HVAC system. Time of purchase and (mis)perceptions of the housing market can also cause over- or underestimation of the value of one's home.[54]

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[54] Deggendorf and Wilcox, "Invisible Equity: Do Homeowners See How Much Home Equity They Are Sitting On?"; Davis and Quintin, "Default When Current House Prices Are Uncertain"; Haurin et al., *Debt Stress and Mortgage Borrowing in Older Age*; Lusardi, "Financial Literacy and Financial Decision-Making in Older Adults."

Presence and Value of Mortgage

The second step in estimating homeowners' equity is identifying the presence and amount of extant mortgages. The ACS also asks whether homeowners have a mortgage on their property; however, it does not ask the respondent to report the outstanding balance of their mortgage. We used 2022 Health and Retirement Study (HRS) data to model the size of the mortgage for homeowners 50 and older that carried mortgages on their homes, data which have been found to be fairly reliable.[55] In the HRS, respondents are asked "Do you have a mortgage, land contract, second mortgage, or any other loan that uses the property as collateral?" If so, they are asked "about how much do you still owe on the (loan)?" They are then asked that pair of questions for a home equity line of credit, the maximum amount that can be borrowed on that credit line, and the amount actually borrowed against that line. Responses to these questions are used to construct a loan to a value ratio that we apply to the 2023 ACS California data to derive mortgage size and ultimately, to produce a final equity estimate. We then supplement this analysis with an exploration of recent Home Mortgage Disclosure Act data to provide insight on recent attempts to access equity among older adults in California.

Methods

We used the national-level HRS data to construct loan-to-value (LTV) ratios that we then applied to ACS data to estimate the size of outstanding mortgages and, ultimately, to estimate home equity.

The HRS includes both home value estimates and mortgage size estimates. LTV is a ratio of the total outstanding housing debt to the home's value. Outstanding housing debt could include first mortgages, additional junior mortgages, home equity loans, and lines of credit.

$$\frac{\text{HOUSING DEBT}}{\text{HOME VALUE}} = \text{LTV Ratio}$$

We produced separate ratios for home values over and under the median value, income, and age. To estimate LTV by home value, we divided households into two groups: those with homes below California's median value of $700,000 (as tabulated using the ACS) and those with homes above that median. Within both home value groups, we then differentiated owners with income under 139 percent of the federal poverty level (FPL), between 139 percent and 500 percent FPL (the overlooked middle),

[55] Alwin et al., "Reliability of Self-reports of Financial Data in Surveys: Results from the Health and Retirement Study."

and over 500 percent FPL. Finally, within each FPL band, we assessed a separate ratio by age band, for owners 50–64, 65–74, and 75 or older. (Due to a small sample size of homeowners with income under 139 percent FPL but a home valued at or over $700,000, we produced a single loan-to-value (LTV) ratio for all ages in this group.)

Estimated LTVs for each group are shown below:

Table A1: Estimated LTVs by Home Value

Homes Valued Under $700,000								
	Age 50 and Older		**Age 50–64**		**Age 65–74**		**Age 75 and Older**	
	LTV	**# Obs.**	**LTV**	**# Obs.**	**LTV**	**# Obs.**	**LTV**	**# Obs.**
Under 139% FPL			0.40	81	0.38	65	0.27	40
Overlooked Middle: Between 139% and 500% FPL			0.45	248	0.40	271	0.34	207
501% FPL and Over			0.41	370	0.36	226	0.36	97
Homes Valued at or Above $700,000								
	Age 50 and Older		**Age 50–64**		**Age 65–74**		**Age 75 and Older**	
	LTV	**# Obs.**	**LTV**	**# Obs.**	**LTV**	**# Obs.**	**LTV**	**# Obs.**
Under 139% FPL	0.43	24	-	-	-	-	-	-
Overlooked Middle: Between 139% and 500% FPL			0.41	20	0.17	22	0.14	19
501% FPL and Over			0.33	130	0.29	82	0.25	43

Notes: Table 1 provides only LTV estimates used in this analysis. The LTV estimate for the age group “50 and Over” is provided only for homeowners with incomes below 139% FPL and home values above $700,000; the “-“ represents insufficient sample sizes in the narrower age bands. In all other cases, sample sizes were sufficient to estimate LTVs for the narrower age bands 50-64, 65-74, and 75 and over. Since we did not utilize an LTV estimate for age 50 and over for these groups in our analysis, we omit those from this table.

As expected, LTV ratios are highest among owners age 50–64 and lowest among those age 75 and over.

These LTV ratios were then used to impute mortgage amounts for ACS households according to the home value, federal poverty level, and age, and this predicted mortgage amount was subtracted from total reported home values to estimate home equity. For owners without a mortgage, the reported home value was used as home equity.

Appendix 2: HMDA Analysis Methods and Summary Statistics

The Home Mortgage Disclosure Act (HMDA) data is used to describe older adults' interactions with the mortgage market in California. The Consumer Financial Protection Bureau (CFPB) administers the HMDA dataset, which is built from lender-reported loan application registers. Because the dataset is not a survey of people and does not represent all homeowners, it is best understood as a record of mortgage-related applications and originations that covered lenders are required to report. This makes it especially useful for examining who is applying for credit, which loan products are used, what happens to applications (approved, denied, withdrawn, incomplete), and how these outcomes differ across groups within California's mortgage market.

We restricted the HMDA dataset to California applicants age 65 and older and further limited the sample to owner-occupied principal residences, single-family (1–4 unit) site-built properties, and loans that are not for business or commercial purposes. A key limitation is that HMDA is structured around applications rather than individuals and provides no unique personal identifier, so the same person may appear multiple times in a year if they shop across lenders, reapply after a denial, or pursue different products. As a result, HMDA observations should be interpreted as measures of market activity, lending pathways, product usage, and application outcomes rather than as counts of distinct borrowers or prevalence of borrowing. HMDA also captures only those who apply for credit (excluding non-borrowers and discouraged applicants), includes some reporting constraints (for example, denial reasons and limited pricing coverage for subsets of loans), and does not track post-origination outcomes such as repayment, modification, default, or property sale.

Appendix 3: Focus Group Methods and Profile of Participants

We held four focus groups in early December 2025 with older homeowners in California's overlooked middle. The groups were held virtually.

In recruiting participants, we partnered with Sago, a marketing research firm. Participants were drawn from Sago's database and screened according to our criteria. Those who participated were paid $125 for their time. Focus group sessions lasted between 60 and 75 minutes.

In recruiting, we specified that participants must own their primary home in the state of California and have incomes roughly between 139 and 500 percent of FPL (rounded for simplicity), which we adjusted for the potential participants' household size. We conducted separate groups with those age 65–74 and those 75 and over, on the hypothesis that the two groups might have slightly different experiences with LTSS need and equity extraction.

In total, we had 28 participants in the focus groups, 18 of whom were age 65–74 and 10 of whom were 75 or over. The overall median age of participants was 73, with a range from 65 to 85, and the sample was roughly split among people living alone, with one other person, and with two or more people. However, those living with two or more people were more likely to be under age 75 (**Table A2**).

Table A2: Focus Groups Summary Statistics

	Focus Groups 1 & 2: CA Overlooked Middle Homeowners Age 65–74	Focus Groups 3 & 4: CA Overlooked Middle Homeowners Age 75 and Over
Total number of participants	18	10
Median age	69	78
Share living alone	28%	40%
Share living with one other person	28%	50%
Share living with more than one other person	44%	10%

According to a brief pre-focus group survey, participants were mostly white or of European descent: all of the oldest participants identified as white, while 7 younger participants described themselves as Asian (including East, South, and Southeast Asian), Native American or American Indian, Black (including African, African-American, and Afro-Caribbean), or another race. Two people noted they were Hispanic.

The majority of participants reported that they carried a mortgage (two reported they did not have a mortgage but then noted that they had “a small amount outstanding” on a housing loan). Only two people noted they had about half or more of their debt outstanding.

Participants’ reported home values varied considerably. In the pre-session survey, we asked participants to tell us their best estimate of their housing value using the following categories: under \$250,000; between \$250,000 and \$499,999; \$500,000 and \$750,000; \$750,000 and \$999,999; \$1 million and \$1.49 million; or \$1.5 million or more. The most common response, offered by 11 participants, was the \$750,000 to \$1 million range. This is higher than the median we found in the analysis of American Community Survey data for California’s overlooked middle, and it bears remembering that the focus group is a small sample not necessarily representative of the overlooked middle homeowners in the state. In the focus groups, no one reported their home value as under \$250,000.

Participants also provided an estimate of other wealth (which we specified as excluding the value of their primary home but potentially including other property). Ten people reported assets under \$500,000, another nine estimated their assets to be between \$500,000 and \$1 million, and seven said their assets exceeded \$1 million. Two did not provide information on other assets.

Focus groups were hosted on Sago’s web-based platform and moderated by the authors of this report. The research was reviewed by Harvard’s Institutional Review Board, the Committee on the Use of Human Subjects, under IRB25-1106.