ACCESSIBLE ALABAMA

ISSUE BRIEF

Barriers to Home Purchasing for Individuals with Disabilities and Their Families

By: Eric M. Peebles, PhD, CRC

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Background

Accessible Alabama continues its commitment to exploring barriers and facilitators to increasing livable housing options for individuals with disabilities and those who wish to age in communities of their choice. The organization provides nonpartisan analysis of existing regulations and makes recommendations for improvement that help to further its mission.

Since our inception, we have encountered tremendous resistance from housing providers to incorporate concepts of universal design into both new construction and modification of the existing housing stock. An analysis of the Internal Revenue Code reveals that most accessibility enhancements are prohibited from being considered during the appraisal of a home. Deeming that a certain improvement increases property value precludes the owner from using the cost of renovation as a deductible medical expense. IRS publication 502 stipulates that, "Certain improvements made to accommodate a home to your disabled condition, or that of your spouse or your dependents who live with you, don't usually increase the value of the home and the cost can be included in full as medical expenses. (Internal Revenue service, p. 8-9, 2016)."

Case Example

This creates a situation where many people who need major renovations to make a home livable for a family member with a disability cannot roll these costs into a conventional home loan because this would not be included in the report of an independent appraiser. Consider the example of Jennifer Thayer, mother of a young man with cerebral palsy from the Twin Cities region of Minnesota:

Sometimes when you build a home, the appraisal of our home is LESS than the amount that we put into it! "How can this happen?" you ask. Yet, apparently with the recession, banks and mortgage brokers are a little tough to work with. The criteria for a home value has changed and the appraisers are not being as generous as they once were.

In our personal case, we built a one-story rambler with a basement. We included handicap accessible features, cut costs here and there to enable us to plan for implementing future features, and added personal touches outside our budget to make it feel like our home. We did not have the building crew finish our basement, as we plan to do that on our own to cut some cost.

So, upon visiting our newly built house, the appraiser views it at a one level three-bed, three-bath home. Do we get appraised value for the additional basement space? Nope, not finished. Do we get appraised value for the in-floor heat in the basement? Nope, not in a finished space. Do we get credit for the wide walkways, accessible bathroom, barrier-free additions to our home? Or the allowance for the ceiling lift track to be added along with the wheelchair platform lift allowed for in a corner of the room? Nope. Basically, all the features we included in our house-build that raised the price of our build do not help increase the value of our home. "Handicap accessible features only have value to those who need them, not the average home buyer." In fact, we are now in a bind of having to enter our closing WITH a significant amount of additional cash to cover the extra spending that the bank will not add to our mortgage due to our lowly appraisal.

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You would think that with the very small number of handicap accessible homes on the market that our assessment would have INCREASED in value due to the need of these homes. Apparently not. There isn't consideration for the special needs community in this part of life either! When handicap accessible homes go on the market, they are snatched up, sometimes with bidding wars of numerous bids going over what they are valued. Why? Because they are accessible! Yet here we are, looking at dipping into our retirement fund to pay for these all-important features to make our little guy's life easier. It is extremely difficult to not grow bitter and angry in CP Land when those in World Typical do not even attempt to understand.

The mortgage guy feels bad. These things should be considered, yet they weren't in our case. Our builder feels terrible. This has never happened in his life as a home builder. It is the recession, the lack of current rambler comparable homes, and the appraiser's current need to control prices. However you slice it, we feel jipped, jinxed, and jaded.

So, lesson learned the hard way. I called the ARC of MN, Disabilities Housing unit of MN, ADA compliance unit at the state level. No luck. We just got caught in an unfair situation. Everyone I spoke with was appalled. Yet, no one had an answer.

So our house is being completed. It is a lovely home we plan to remain in for many years to come. Yet this process was tainted. The new home experience altered. And all because we needed things that a typical family wouldn't. Things we wish wouldn't have to be necessary in the first place.

And that, folks, is the cost we pay in CP land for a place to call home (Thayer, 2014).

Low interest loan options for individuals with non-traditional income and credit histories such as the 203K loan program can serve as a valuable tool for individuals to secure financing, but even these programs require an appraisal before a loan can be underwritten.

Consider the example below based upon an existing home that appraises for $150,000:

appraised *value* = $150,000
+ cost of accessibility features = $20,000
= *purchase cost* $170,000
+ *10% down payment*, $15,000

Total buyer cash due @ close = $35,000

Without an incentive to modify the appraisal process, individuals with disabilities and their families will continue to have difficulty financing for enhancements that allow a home to be considered livable for individuals with the most significant disabilities and their families.

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Recommendations

- Additional research is required to examine the extent to which this policy adversely affects individuals with disabilities and their families.
- Pending research outcomes, demonstration grants need to be awarded to the affected population to determine the level of subsidy needed such that the purchasing power of individuals with disabilities is equalized with peers without disabilities.
  - Projected need approximately $20,000 per family
- Working with our public-sector partners and private foundations, develop a revenue neutral refundable tax credit or other grant program (with a cap no lower than $20,000 per family) to help fill the shortfall in accommodations financing experienced by individuals with disabilities, our aging population and their families.

References

Internal Revenue Service. (2016). IRS publication 502: Medical and dental expenses. Retrieved from https://www.irs.gov/pub/irs-pdf/p502.pdf

Thayer, J. (2014, May 31, 2014). The cost of an accessible home. Retrieved from https://blog.easystand.com/2014/05/the-cost-of-an-accessible-home/

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