Setback Requirement

associations, or corporations, similar to HHFA’s Section 231 insured program for the elderly. The purpose was to stimulate the provision of multifamily housing for elderly persons and families whose incomes enabled them to afford the terms of insured but unsubsidized private financing, primarily households of moderate income and above.

Finally, the act made two other changes in FmHA (RHS) programs benefiting the elderly. The existing Section 502 homeownership program was broadened to make it easier for the elderly to receive low-interest loans to purchase and rehabilitate existing housing and to purchase sites for new housing. Moreover, the maximum grant amount under the existing Section 504 rehabilitation program was increased, in part, to enable elderly owner-occupants to better improve the health and safety conditions of their dwellings. (SEE ALSO: Elderly; Section 202)

—Robert Wiener

Further Reading

Shared-Appreciation Mortgage

A shared-appreciation mortgage (SAM) is a loan that grants the lender a fraction of the property securing the mortgage increases in value between the closing of the loan and the earlier of (a) loan maturity or repayment and (b) sale or transfer of the property. In return for this lump sum payment (the “contingent interest”), the lender discounts the mortgage interest rate set below the prevailing market rate for a conventional fixed-rate mortgage.

A SAM is special kind of shared-equity mortgage (SEM), wherein lender and borrower partner in ownership of the property; in a SAM, the partners share only the increase in property value over the life of the mortgage. With SAMs, the interest rate discount depends on the lender’s expectations about property price inflation in that local market. In a volatile housing market, SAM lenders incur considerable risk. The downside risk to lenders is that they overestimate the appreciation in property prices; the attraction to lenders is that they can protect themselves against unexpectedly high inflation. The advantage to SAM borrowers is that they can rearrange their lifetime stream of payments: less in monthly interest charges now in exchange for a balloon payment (the contingent interest) at a future date. One difficulty with SAMs is that they reduce the net financial incentive (that is, the capital gain that must now be shared with the lender) for homeowners to fully maintain or actively renovate or add to a dwelling over the life of the SAM. (SEE ALSO: Alternative Mortgage Instruments)

—John R. Miron

Further Reading

Shared Group Housing

Shared group housing is a living arrangement in which three or more unrelated adult persons (but usually less than 20) operate as a single housekeeping unit in a conventional residential structure. Typically, occupants have their own bedrooms and sometimes their own bathrooms, but they share the kitchen, living room, and other common living areas. They also share responsibility for the usual residential upkeep and homemaking tasks, although one or more hired persons may do the housekeeping, laundry, home