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Achieving the American Dream? A Longitudinal Analysis of the Homeownership Experiences of Low-Income Households

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Introduction

The ownership of property in the United States has long been linked to notions of independence, security, and material and personal well-being. As far back as the Homestead Act of 1862 and continuing to the present American Dream Down Payment Act, the U.S. government has promoted and propagated these ideals through a variety of programs that both directly and indirectly support the ownership of land and house. The emphasis on homeownership has become increasingly apparent in federal low-income housing policy, and numerous government programs promote homeownership opportunities among low-income and minority families. These programs are justified on the grounds that homeownership leads to capital accumulation, that it promotes responsibility and improves one's self-esteem, and that it increases neighborhood stability, property maintenance, and community involvement.

Despite the efforts to expand homeownership opportunities to low-income families, few studies have examined whether or not low-income households benefit from owning a home (McCarthy, Zandt et al. 2001; Rohe, McCarthy et al. 2000). My research speaks to this gap in our knowledge. In my dissertation, I ask and answer three inter-related questions that examine some of the underlying assumptions about homeownership for the poor. First, I examine *who* among low-income households becomes a homeowner. I argue that who becomes a homeowner, and how, are important factors that shape the homeownership experience. Second, I assess whether buying a home entails a positive change in the household's geography by examining *where* low-income families buy homes. Do low-income families move to better neighborhoods with good schools when they become homeowners? Or are they finding themselves trapped in disadvantaged neighborhoods with declining property values? Third, I analyze *what happens after* a low-income renter buys a home, and examine whether or not homeownership confers financial or neighborhood benefits over time. Do low-income homeowners experience capital gains at the same rates as higher income homeowners? Or are they at greater risk of losing their homes as the result of the job insecurity and financial instability associated with working in the lower echelons of the labor market?

My research addresses these questions both qualitatively and quantitatively. For the qualitative component, I interviewed 55 low-income homeowners in Seattle,

Washington. For the quantitative analysis, I use data from the Panel Study on Income Dynamics (PSID) to track the homeownership experiences of a nationally representative sample of low-income households between 1976 and 1993.

In this discussion paper, I summarize my dissertation research and highlight the key findings that have relevance for U.S. homeownership policy. To situate the discussion that follows, I begin with a brief review of the literature on low-income homeowners in the United States, and describe my research methodology. However, this paper does not include the extensive literature review, detailed methodological steps, or all the analyses contained in the dissertation. For additional information on this research project, please contact me directly at cmkatz@u.washington.edu.

Literature Review

While the volume of studies on homeownership in the United States could fill libraries, surprisingly little research has focused specifically on low-income homeowners and the benefits of homeownership for low-income families. In two extensive reviews, William Rohe, George McCarthy, and their colleagues outline the key social and financial benefits that are often attributed to homeownership (McCarthy, Zandt et al. 2001; Rohe, McCarthy et al. 2000). The authors find that the evidence for the benefits of homeownership is inconclusive, and that significant gaps in our understanding remain. In particular, they point out that few studies have analyzed whether or not low-income households can expect to benefit from homeownership in the same way as their wealthier counterparts.

This gap in our knowledge is likely to be short-lived, as recent trends point to the growing importance of the low-income homeownership market. In 2000, more than half (52 percent) of low-income households owned their homes (Joint Center for Housing Studies 2001). Although households with higher incomes are more likely to be homeowners than those with lower incomes, the relative gap in homeownership rates between the two income groups has narrowed since 1994. In addition, the past decade has seen an increase in lending to low-income households. Loans to low-income homebuyers rose by 97 percent between 1993 and 1999, adding 2.4 million new low-income owners over the same period (Belsky and Duda 2002a). Observing these trends, researchers have

realized how little we know about low-income homeowners, and have in turn responded by initiating several research programs on the low-income homeownership boom.[1] In an important contribution, the Brookings Institution recently published *Low-Income Homeownership: Examining the Unexamined Goal,* which addresses many different pieces of the low-income homeownership puzzle, including an overview of trends in the 1990s, the affordable lending industry, the borrowing constraints faced by low-income households, and the economic and social impacts of homeownership (Retsinas and Belsky 2002). However, the literature that specifically considers the experiences of low-income homeowners in the United States is still small.

Eric Belsky and Mark Duda (2002a) have written the best review of recent low-income homeownership trends. Using the 1997 wave of the American Housing Survey (AHS), they analyze the characteristics of low-income[2] homeowners and where they live. The AHS includes data on homeowners who purchased their houses in the year leading up the 1997 survey. Belsky and Duda found that low-income homeowners were more likely to be younger and married couples with children than low-income households who remained renters. The median income of the buyers, at $20,000, was over 50 percent greater than the median income of the continuing renters. They also found that geographic variations in housing prices influenced a family's ability to buy a house, with low-income households being twice as likely to purchase a home in rural areas as in metropolitan areas. Although the majority of all new owners purchased single family homes, low-income homeowners were more likely to purchase other types of housing (i.e. condos, mobile homes), particularly in the South, where nearly 40 percent of them bought manufactured homes. Belsky and Duda then analyzed the location of purchases of low-income households in nine large U.S. cities[3] between 1993 and 1999. Using a measure of distance to the central business district, they found that low-income and minority borrowers tend to buy homes in suburban areas and outside of low-income census tracts, resulting in some degree of income mixing in the suburbs. They also found that high-income households avoid buying homes in low-income, inner city census tracts.

Two other studies have also used the AHS to answer similar research questions. Using the 1993 survey, Herbert (1995) analyzed the potential for increasing home ownership among black families if they owned homes at the same rate as

comparably situated whites. Although not focusing specifically on the characteristics of low-income home owners, he found that for first-time homeowners between 1990 and 1993, households earning less than $20,000 a year were more likely to live in rural areas, in the South, and in manufactured housing than those with higher incomes. In addition, he found that inheritances and the availability of "no down payment" loans were more important in making home ownership possible for low-income households than for higher income households.

Louie, Belsky and McArdle (1998) used the 1995 AHS to study the demographic characteristics of low-income[4] owner households. (While the 1993 and 1997 AHS analyses reviewed above analyze the characteristics of households who bought a home in the previous year, this study describes the characteristics of *all* low-income homeowners in 1995, regardless of when they purchased their home.) They found that almost half of low-income homeowners in 1995 were over the age of 65. Low-income homeowners were also more likely to be minorities, single parents, female headed, and disabled than were higher income homeowners. Interestingly, the geographic differences between low-income and higher income homeowners were less pronounced than in the other two AHS studies, although low-income homeowners were still slightly more likely to live in rural areas and in the South.

Taking a slightly different approach, Denton (2001) uses the 1960, 1970, 1980, and 1990 Integrated Public Use Microdata Series to compare the differences in homeownership rates and house values between native born non-Hispanic whites and blacks. Defining "low-income" as the lowest two income quintiles, she found that for all time periods, low-income blacks were less likely than their white counterparts to own homes, and owned homes of lesser value. However, the homeownership gap between whites and blacks was smaller for low-income households than for all households. She also analyzed whether low-income home owners reside in better neighborhoods than low-income renters. Using 1990 census data for Washington, D.C., she found that on average, poor owners lived in somewhat better neighborhoods than poor renters. However, low-income black owners lived in neighborhoods that had higher levels of poverty, older and more derelict properties, and lower house values than their white counterparts.

The few studies that have looked specifically at the wealth gains realized by low-income households have found conflicting results. Some researchers have found that high-cost homes appreciate more quickly than low-cost homes (Seward, Delaney et al. 1992) , while others have found that lower cost homes or homes in underserved areas appreciated as well as or better than high cost homes (Pollakowski, Stegman et al. 1991; Quercia, McCarthy et al. 2000) , and still others have found that the levels of house appreciation depend on local housing market cycles and conditions, as well as the timing of the purchase and sale of the home (Belsky and Duda 2002b; Case and Marynchenko 2002; Case and Mayer 1995; Case and Shiller 1994). This lack of consensus is not surprising, especially since the study sites are located in different cities and across different time periods. It is reasonable to expect that house price appreciation is contingent on both time and place, whether the market is experiencing a bubble or a bust, whether the neighborhood is "hot" or "not", and perhaps also on non-measurable characteristics such as a particularly quaint street or a fantastic view. We do not yet fully understand the dynamics of house price appreciation, particularly when it comes to the experiences of low-income or minority families.

My research builds on these studies in three significant ways. First, my research analyzes the homeownership experiences of a nationally representative sample of low-income households using longitudinal methods. As such, I am able to follow a sample of low-income households over time and examine what factors facilitate the shift into homeownership, as well as what happens to them after they become homeowners. Second, by linking U.S. census data on neighborhood characteristics to a household's socio-economic status, I am able to directly assess the neighborhoods in which low-income homeowners live, providing a first look at the house prices, employment opportunities, as well as education and other services available to low-income homeowners in their neighborhoods. Third, in analyzing the benefits of homeownership, I focus specifically on the benefits realized by individual households. For example, most studies that measure house price appreciation tend to look at the appreciation of "low priced" houses or houses in "low-income" neighborhoods, and **not** on the appreciation of houses owned by low-income individuals.[5] My research is the first to look at the change in property values held by low-income families, compared with those of middle- and

high-income families, over the course of owning a home.

Methodology

I chose to analyze the experiences of low-income homeowners both qualitatively and quantitatively. For the qualitative analysis, I interviewed 55 low-income homeowners in Seattle, Washington. The goal of the interviews was to provide a contextualized and in-depth look at the experiences of low-income homeowners. In particular, I was interested in understanding how low-income homeowners fared in Seattle's expensive housing market. Between 1990 and 2000, the median house value in King County increased by 70 percent, from $140,100 to $236,900. And although job growth and wages during this period were also high, by the middle of 2001 and right in the midst my fieldwork, the region entered a period of economic downturn and experienced significant job losses. As I discuss in the section on unemployment below, these changes had a dramatic effect on the economic well-being of the families I interviewed. Figure 1 summarizes the key characteristics of the families I interviewed. Particularly noteworthy is the large number of first generation immigrants in my sample,[6] as well as the number of families who had previously been living in one of Seattle's public housing developments.

For the quantitative analysis, I use data from the Panel Study of Income Dynamics (PSID) to analyze the homeownership experiences of a nationally representative sample of low-income households. Started in 1968 with a sample of 5,000 households, by 1993, the PSID contained data on more than 8,700 families and 50,000 individuals.[7] Originally designed to study the dynamics of poverty, the PSID primarily contains economic and demographic data, with detailed information on income, employment, welfare use, and family composition changes (Brown, Duncan et al. 1996). Although the PSID does not focus on housing per se, it does contain data on rent, house value, mortgage payments, and dwelling type, making it possible to analyze the homeownership experiences of the families in the panel. One of the main advantages of using the PSID is that it contains supplemental geocode files, which allow the researcher to link household data with geographic contextual variables. The Geocode files match the residential address of the

PSID respondents at each annual interview to the corresponding 1970, 1980 and 1990 census codes for tracts, counties and other geographic entities, allowing for a detailed analysis of the neighborhoods in which PSID respondents live. Using these codes, I was able to attach neighborhood conditions experienced by PSID respondents at each annual interview from 1976 to 1993.[8] Like other researchers, I use census tracts to approximate the idea of a local "neighborhood." The PSID respondents' residential address for the period 1976 to 1985 are linked to 1980 census data, and addresses for the 1986 to 1993 period are linked to 1990 census data.[9]

Defining "Low-Income" Households

The Department of Housing and Urban Development (HUD) defines low-income households as those who earn less than 80 percent of their local area median income, and extremely low-income households as those who earn between 30 percent and 50 percent of their local area median income, adjusted for family size.[10] Most researchers studying low-income homeownership adopt this definition in selecting their sample. The strength of HUD's definition is that the income limits account for differences in the cost of living from one place to the next. This approach is different from the U.S. poverty line, for example, which is the same regardless of where you live. By linking income limits to the relative wealth within a geographic place, HUD's income thresholds better capture the relative disadvantage that low-income households face in entering the homeownership market.

However, the HUD definition also has a serious flaw, in that it captures neither the dynamic nature of income, nor the nature of vulnerability associated with working in the lower reaches of the labor market. One of the most interesting findings to emerge from my qualitative interviews was that some of the "low-income" households I interviewed were not "poor." My selection criteria—households who were earning less than 80 percent of county median income[11] and who had bought their house within the last five years—resulted in professionals and young college graduates as well as 'welfare moms' and Ethiopian immigrants. At first I was disappointed by the range of experiences—after all, I was interested in "the poor"—but then I realized the importance of understanding who really does fall under the blanket term of "low-

income." Assuming that low-income homeowners are a homogenous group obscures key differences that may influence whether a low-income household moves up the housing ladder or ends up in default proceedings.

In particular, the interviews pointed to the danger of using a cross-sectional definition of income in understanding the homeownership outcomes of poor families. While some of the households I interviewed met the 80 percent threshold definition, their income was low only temporarily due to an unexpected exit from the labor market, migration, or divorce, and they anticipated a significant increase in their wages the following year. Others had significant parental resources that they were able to draw on to make homeownership possible. For example, Margaret and her husband Jim bought their house last year. Jim is in law school, and surviving on Margaret's salary as an elementary school teacher is tight. They borrowed $10,000 from Jim's older brother for the down payment and benefited from the House Key Teacher[12] program. Despite the fact that they are struggling financially, they expect that when Jim finishes law school next year, he will easily find a job with an annual salary of $100,000 or more. Their experience stands in stark contrast with that of Abdi and his wife. Abdi and his wife worked five minimum wage jobs between them for over a year in order to build up savings for a down payment, each logging more than 80 work hours a week. Abdi continues to work two janitorial jobs, and takes on extra gardening contracts when he can. He pays more than 50 percent of his income on his mortgage, and prospects for finding better paid jobs in the future are slim.

Yet, on paper, Margaret and Abdi have almost the same annual income, around $40,000. For me, this raised the complicated question of how to define "low-income" households in a way that I would be able to account for these differences. From a policy perspective, it is much more important for us to identify the experiences of low-income homeowners such as Abdi than for an upwardly mobile couple such as Margaret.[13] Taking advantage of my longitudinal research design, I defined household income over time, in an attempt to account for the substantive differences between families who are temporarily low-income and those who experience prolonged or persistent poverty spells.

Specifically, the sample was constructed as follows. First, I delimited the population of PSID renters in four ways. The sample consists of all PSID renters between

1976 and 1989 who met the following criteria: a) who were between the ages of 18 and 45 when they entered the survey or began their own household[14]; b) who were part of an original PSID family[15]; and c) who were the head or wife of a household. In addition, renters who had owned in any of the five years previous to entering the sample were deleted.[16] My assumption is that entering the home ownership market for the first time is qualitatively different than purchasing a second (or third) home after a period of renting. Once a household has entered the homeownership market, the factors that influence future transitions are more likely to be related to life course or labor market factors, such as divorce, retirement or residential mobility for a new job (Clark and Withers 1999; Dieleman, Clark et al. 1995). I stop adding new members to the sample in 1989 so that I have at least 5 years of data after a household enters the period of observation.

Second, I constructed income thresholds to distinguish between low-income, middle-income and high-income renters. Using the PSID geocodes, I matched each household's income—adjusted for family size—with that of their county median income. A renter is considered low-income if they were part of a household that had an income under 80 percent of county median income, adjusted for family size, **for every year that they were a renter *as well as* the year in which they bought their house**. In other words, if a respondent entered the sample in 1982 and bought a house in 1989, they would *only* be low-income if they met the 80 percent threshold for each and every year between 1982 and 1989. Although this is a more stringent criterion than that used by HUD in assessing program eligibility, it does ensure that most of the "low-income" renters in my sample are not those who are temporarily poor as the result of a job change or relocation. I interpret these households to be truly poor—or underclass—in that they do not experience an increase in wages over time, and remain relatively disadvantaged compared with other households in their area over a prolonged period. Middle-income renters are those whose income fluctuates above and below the 80 percent threshold during the time that they were a renter, as well as the year in which they bought their house. For example, if a respondent entered the sample in 1982 and bought a house in 1989, they would be middle-income if they had earned below the 80 percent threshold for three out of the seven years. This category would capture a young professional who has recently graduated from college and who may have a low-income the first few years of

establishing their independence and career, but then quickly see an increase in wages. It would also capture someone who takes a break from working for a year or two, but returns to a well-paid position. High-income renters are those who earned above the county median income for each and every year between when they entered the sample, as well as the year in which they bought their house. These households should not face many financial constraints in entering the homeownership market, and are consistently "well-off" compared with the other two groups.[17]

I disaggregate all my analyses not only by class, but also by race, distinguishing between the experiences of white and minority households. Studies have consistently shown that race influences the ability of a household to enter into homeownership, the neighborhood in which they are able to buy a house, as well as the benefits that homeownership confers. Blacks are less likely to own a home, own homes of less value, and are more likely buy homes in primarily black tracts and in central cities than are whites, even after considering group differences in income, wealth, household composition, and location (i.e., see Alba and Logan 1992, 1993; Flippen 2001; Gyourko, Linneman et al. 1997; Horton 1992; Jackman and Jackman 1980; Long and Caudill 1992; Massey and Denton 1993; Myers and Chung 1996; Oliver and Shapiro 1995; Rosenbaum 1996). While the qualitative data does consider the unique experiences of immigrant groups, unfortunately the quantitative data from the Panel Study of Income Dynamics (PSID) cannot be used to assess the different homeownership experiences of immigrants.[18] For this reason, the quantitative research relies on a white/minority distinction, although the large majority of minorities in the PSID are African Americans.

Figures 2 and 3 present the summary statistics for the PSID renters in my sample.[19] The sample consists of 5,279 renters, of which 28.6 percent (1,508) are classified as "low-income," 57.8 percent (3,052) are classified as "middle-income," and 13.6 percent (719) are classified as "high-income." The skew towards the lower income groups is due to the PSID's initial focus on poverty dynamics. In total, about half of all of the respondents in the sample moved into homeownership (48.5 percent). Not surprisingly, low-income renters were the least likely to buy a home, with only 24.1 percent moving into homeownership, compared with 53.1 percent of middle-income renters and 80.5 percent of high-income renters.

The differences between the low-income, middle-income, and high-income renters are consistent with theoretical expectations. All three categories are skewed towards the younger age groups, largely by virtue of the selection of renters, a group who is on average younger than the overall population. Low-income renters were more likely to be minorities, female, and single with children than were both middle- and high-income renters. In contrast, high-income renters were more likely to be married (both with and without children), have two earners, and work in a professional or managerial position. Around forty percent of low-income renters did not have a high school diploma, while middle- and high-income renters were significantly more likely to have a college or advanced degree. The geographic distribution of the two groups is quite similar, however, with low-income renters only slightly more likely to live in the southern states and high-income renters more likely to live in the Northeast and in large cities.

Stratifying the analysis by race also reveals expected results. (Figure 3) Minorities were less likely than whites to buy a home, regardless of income status. Only 18.6 percent of low-income minority renters became homeowners during the study period, compared with nearly 40 percent of low-income white renters. Minority renters were also slightly older, less educated, and were more likely to be single parents and wage laborers than their white counterparts. Geographic differences also become more pronounced. White low-income renters were much more likely to live in rural areas (41.1 percent) than either white high-income renters (26.7 percent) or minority low-, middle- and high-income renters (19.6 percent, 21.9 percent, and 20.8 percent, respectively). Minority households of all income categories were also much more likely than whites to live in the South.

Before turning to the results of the analysis, two caveats are necessary. First, although I do use weights in presenting descriptive statistics to make the analysis relevant to the broader population, the sample is limited to those who bought homes between 1977 and 1993. Housing markets are greatly influenced by macroeconomic conditions, and therefore the experiences of current low-income homeowners may not be the same as the ones analyzed here. Second, my qualitative and quantitative samples do not "match," in that the Seattle sample is very different from low-income households in the PSID.[20] As

such, the following results should not be seen as definitive, but as a preliminary step in understanding the experiences of low-income homeowners. Hopefully, my analysis will raise important questions about how we can better design housing policies to ensure that homeownership benefits low-income and minority families, and prompt further research in this area.

Who are Low-Income Homeowners?

In the first substantive chapter of the dissertation, I take the sample described above and analyze who among these renters in the PSID becomes a homeowner, and examine what factors are the most important in determining the transition into homeownership using a discrete time logit model.[21] The analysis did not produce any unexpected results, and I do not present the models here. As we saw in the previous table, high-income families are much more likely to move into homeownership than are low-income families. For low-income families, being white, in a couple, working in a professional or managerial job, and having a high school degree or above all increase the likelihood that they will buy a home. The models show that low-income professionals are 2.2 times as likely to transition into homeownership as are wage laborers, and low-income renters with a high school degree or above are 1.4 times as likely to buy a home as those who did not finish high school. The effects of occupation and education are more important for low-income than for higher income households.

So who are low-income homeowners? Figure 4 compares the characteristics of low-income homeowners to low-income renters, as well as to middle- and high-income homeowners in the PSID sample.[22] The analysis shows that there are clear differences between the low-income households who became homeowners versus those who remained renters. Those who became homeowners are more likely to be white, older, and married with children than those who remained renters. Their median income is also significantly higher—$17,000 compared with only $9,000. More than three times as many low-income households who became homeowners had two earners. Low-income homeowners are also more likely than low-income renters to work in professional or managerial positions. Another striking difference is where low-income homeowners live in relation to low-income renters. Forty percent of low-income

households who remained renters lived in or near large cities, compared with only sixteen percent of those who became homeowners.

While more privileged than those who remained renters, the table also shows that in comparison with their wealthier counterparts, low-income homeowners are more likely to be minorities, female headed households with children, and wage laborers. Their earnings are approximately one-half the earnings of middle-income families and one-third the earnings of high-income families. They are also less likely to have a college degree. Only 4 percent of low-income homeowners have a college degree or above, compared with nearly 40 percent of high-income homeowners. I was surprised to find that middle- and high-income homeowners were more likely to have 2 earners in the household (50.8 and 61.1 percent respectively) than low-income homeowners (19.7 percent). I was actually expecting that a larger percent of low-income homeowners would have 2 earners, and that high-income homeowners would be more likely to reflect the traditional "one-earner" family. However, according to the Joint Center for Housing Studies, a large (and growing) number of households rely on two incomes in order to pay for housing (Joint Center for Housing Studies 2001), even at the higher income levels. In addition, some higher income homeowners may be middle- or high-income precisely because there are two earners, and that the loss of an earner would move them into the low-income category.[23]

Figures 5 through 7 depict graphically the differences in some key variables describing the PSID renters who became homeowners, further disaggregated by race. Figure 5 shows the differences in household median income across the different income and racial groups. Strikingly, low-income homeowners really do have very low-incomes, hovering around $18,000 a year in annual earnings for white households and $13,000 for minority households. Given that in 2000 the U.S. poverty threshold for a family of 4 was $17,603, this analysis shows that poor households can and do own homes. But they also own homes of very low value, at or below $50,000. (Figure 6) Interestingly, the gap in house values between low-income whites and low-income minorities is significantly smaller than the gap between middle- and high-income whites and minorities. In fact, minorities see very little increase in house value across the income spectrum. Low-income minorities own homes valued at around $47,000, while the median values for

middle- and high-income minorities are $64,000 and $62,000 respectively. In comparison, high-income whites own homes that are on average twice as expensive as low-income whites.

Figure 7 reveals another important difference between the different groups of homeowners. Almost half of all low-income minority homeowners are single mothers with children, as are 25 percent of low-income white homeowners. Among higher income groups, the number of single mothers drops dramatically, although nearly 20 percent of middle-income minority homeowners are also single parent households. Without two earners, these households may be particularly vulnerable to losing their homes in times of economic downturn.

Another interesting result from my analysis in this chapter is that the length of the poverty spell greatly influences whether or not a low-income household is able to become a homeowner. Low-income families who experience prolonged poverty spells—earning less than 80 percent of the county median for three years in a row—are unlikely to ever move into homeownership. This suggests that there remains a clear need for providing public rental assistance to poor families and that job assistance and helping families earn a living wage are critical components to solving problems of adequate and affordable housing. We should not assume that homeownership is the panacea for housing and asset accumulation among very poor households.

Although I do not present the interview results here, the qualitative research in this chapter highlighted the different routes into homeownership for low-income households. While some relied on parental resources, others worked multiple jobs and lived with extended families or took on boarders. How a low-income family becomes a homeowner is very important in understanding the potential risks and benefits of homeownership. A low-income family who inherits a house with a fully paid mortgage will not face the same problems as a single mother trying to make high monthly mortgage payments on a living wage salary. In particular, immigrants constitute a unique group of low-income homeowners, and their experiences and expectations of homeownership deserve closer study.

Where Do Low-Income Homeowners Live?

In the second substantive chapter of the dissertation, I offer a detailed look at how neighborhood conditions influence the transition to homeownership, and whether or not the shift to homeownership is associated with an improvement in a household's neighborhood. One of the major pillars of the homeownership myth is that homeowners live in better neighborhoods than renters. But does the transition to homeownership actually result in an improvement of neighborhood characteristics?

In this analysis, I compared the neighborhood characteristics of low-income respondents before and after they buy a house, to assess how their "rental" neighborhoods differ from their "owning" neighborhoods. I assessed six categories of variables that serve to describe a neighborhood's characteristics: neighborhood demographics, neighborhood wealth, neighborhood employment, neighborhood stability, neighborhood housing costs, and neighborhood services. Most of these variables are standard measures of neighborhood conditions, and I do not explain them further here. One thing I do differently than most studies is that I include both tract median income and the county median income as indicative of neighborhood wealth. Doing so allows me to compare the local neighborhood to the county as a whole. A tract with a median income significantly lower than the county's suggests a disadvantaged neighborhood at the local level, while a tract with a higher median income would indicate a better, or at least richer, neighborhood within this same geographic area. The level of services in a neighborhood was the hardest to approximate with census data. I chose to use the percent of young adults who had dropped out of high school as a proxy for the quality of the local school system. I assume that tracts with a high dropout rate indicate low-quality schools. Other service data in the census—such as the availability of sewer connections—are more reflective of the tract's level of urbanization than its quality. Same with public transit—not surprisingly, those living in big urban areas are more likely to commute by public transit than those in suburban or rural locations. Still, because the combination of low levels of public transit and low levels of car ownership could indicate the lack of ability to get to places of employment and the possibility of spatial isolation, I decided to keep these two indicators in the study.

Figures 8 and 9 present the results of this analysis, stratified by race. The statistics were calculated using the PSID weights. Neighborhood characteristics that are significantly different before and after the homeownership transition are indicated by two asterisks.

The results suggest that the neighborhood benefits attributable to the shift from renting to owning are minimal. For low-income white households, buying a house brings no significant improvements in neighborhood characteristics. Basically, there is no statistical difference in the neighborhood characteristics of low-income white households before and after they buy a house. This suggests that low-income white households buy houses in neighborhoods very similar to those in which they were renting and that homeownership in and of itself does not confer any new neighborhood benefits. In addition, low-income white households continue to own in neighborhoods that are on average poorer than the surrounding county (a median tract income of $41,486 compared with $42,155 for the county as a whole.)

For middle- and high-income white households, I did find changes in neighborhood characteristics, though again only marginally. Among white households, those who are middle-income see the greatest improvements in neighborhood quality. Their new neighborhoods are more likely to have a smaller proportion of welfare recipients than where they were renting. The neighborhoods are also more rural, and more stable. White households also shift to neighborhoods with a greater percentage of white residents. Of note is that middle-income whites buy homes in tracts with significantly higher median incomes. Indeed, they move from areas that are less privileged in relation to the county to those that are more privileged, suggesting a shift to an overall better neighborhood within the local context. High-income whites also appear to move to wealthier neighborhoods, although most of the other neighborhood indicators remain similar before and after buying a house.

Interestingly, low-income minority households experience the greatest improvements in neighborhood quality. (Figure 9) Low-income minorities who buy a home benefit from neighborhoods with lower poverty rates, lower welfare use, lower unemployment rates, and fewer single mothers. Their new neighborhoods are less segregated than the neighborhoods in which they were renting. All of these changes are

of substantive importance, although actual levels of poverty, welfare use, and the percent of single mothers remain high (see the discussion below). Nevertheless, it does suggest that for low-income minorities, buying a home can help a family enter a better neighborhood than where they were renting.

For middle- and high- income minorities, however, the neighborhood changes that accompany buying a home are less substantial. Especially for high-income minorities, buying a home does not confer the same improvements in neighborhood quality as it does for low-income minorities. High-income minorities continue to live in areas of lower median income than the county as a whole ($38,000 versus $41,000), even after buying a home. This suggests that even when they have adequate financial resources, high-income minorities do not have access to the best neighborhoods within the local housing market.

Although the fact that low-income minorities improve their neighborhoods when they move to homeownership should be seen in a positive light, this news is tempered when we examine the differences in the neighborhoods where white and minority homeowners live. There is clear evidence of racial segregation, even among homeowners. Minority homeowners of all income classes live in neighborhoods that are nearly half black. In contrast, white homeowners live in neighborhoods that are overwhelmingly white, with on average only 5 percent of the population in the tract being black. (Figure 10) White homeowners—particularly low-income homeowners—are much more likely to live in rural areas. More than fifty percent of low-income whites live in rural areas, compared with only 25 percent of low-income minorities. (Figure 11). Minority homeowners at all income levels live in neighborhoods with higher rates of unemployment (Figure 12), and in neighborhoods where median property values are lower (Figure 13) than their white counterparts. Of particular concern is that more than half of all low-income minority homeowners live in neighborhoods with a poverty rate of over 20 percent (Figure 14). Poverty levels over 20 percent within a neighborhood are associated with high rates of crime, depressed local employment opportunities, and social disenfranchisement (Massey, Gross et al. 1994; South and Crowder 1998a, 1998b; Wilson 1987).[24]

These factors all have implications for benefits of homeownership for low-income minority households. Galster (1996, p. 198) has argued that where one lives is perhaps

the most fundamental factor shaping a person's life chances, because it influences everything from our employment opportunities to our peer group. Yet the analysis presented here suggests that homeownership may not be providing low-income households, and particularly minority households, with access to the best neighborhoods. In addition, it suggests the need to further study the links between neighborhood characteristics and homeownership outcomes. Does the combination of high poverty, high levels of unemployment, and low house values serve to "trap" low-income (and perhaps even higher income) minority homeowners in a particular neighborhood? How do these different neighborhood conditions affect house price appreciation? These are important questions for future research.

What Happens After Low-Income Families Buy a Home?

In the final substantive chapter of the dissertation, I looked at what happens to low-income households after they buy a home. Following the same sample of renters as in the previous two chapters, I look at the experiences of those PSID respondents who bought homes between 1977 and 1989 and remained active respondents in the PSID until 1993.[25] I assessed three separate outcomes: a) the risk of leaving homeownership, b) the likelihood that a low-income household will experience an increase in property values over time, and c) whether or not the neighborhoods in which low-income homeowners live improve over time.

The Risk of Leaving Homeownership

The majority of homeownership studies focus on the barriers to entering the homeownership market, be it race, class, inadequate income or wealth, or supply side constraints such as the lack of affordable homes for sale. Few studies, however, have looked at the dangers of leaving homeownership. Homeownership's attendant benefits, such as capital gains, improved education outcomes, or access to better neighborhoods, accrue only after several years of being a homeowner. The first question I wanted to address was whether or not low-income households would remain homeowners over

time, or whether they would return to renting.

My analysis shows that homeownership is an incredibly fluid category, with many families moving in and out of homeownership several times over the course of their lives. Indeed, out of all of the 2036 PSID respondents who became homeowners, more than 40 percent of them returned to renting at least once during the period of observation. However, my research shows that low-income respondents are particularly at risk for returning to the rental market, and do so at a greater rate than do middle- and high-income homeowners. Of low-income households who became homeowners, only 64 percent remain homeowners after 2 years, compared with 88 percent of high-income homeowners. Over 5 years, only 47 percent remain homeowners, compared with 77 percent of high-income homeowners. The hazard rate of leaving homeownership also varies by income group. For low-income respondents, the risk of returning to the rental market is extremely high in the first three years, but then drops off. The hazard for middle-income respondents is also high in the first three years, although lower than that of low-income respondents. For high-income respondents, the hazard rate is more stable over time, hovering at around 5 percent per year.

Figure 15 shows the survival curves for the PSID homeowners, disaggregated by both income and race. The survivor function assesses the probability that a homeowner will "survive"—in this case remain a homeowner—over the period of observation (Singer and Willett 2003). The survivor functions show that the rate of return to renting varies by both income and race. Four years after buying a house, less than half of low-income minority households in the sample remain homeowners. Low-income white households fare better, but still only 60 percent remain homeowners after four years. In comparison, nearly 85 percent of high-income white homeowners still own their homes four years after moving in. Overall, many more high-income households than low-income households remain homeowners for a significant period of time. In addition, high-income respondents are much more likely to return to owning within two years of renting, suggesting that the exit to renting was only a short break in their homeownership trajectories.

The key question this analysis raises is *why* a household moves back to renting after buying a home. Many of these individuals may be leaving homeownership only

temporarily. For example, someone who is relocating to a new city may enter a period of renting in order to assess the local housing market before buying a home. Others may experience a change in housing demand and choose to return to renting for reasons unrelated to financial sustainability. To provide a first stab at answering this question, I modeled the likelihood that a homeowner returns to the rental market using a discrete time logit model. I included four individual characteristics and four "life events" that theoretically should influence the shift from home owning back to renting. For individual characteristics, I include age, race, couple status, and education. The four life events I assess are unemployment, divorce, a long distance move, and a child leaving home. The model reveals significant differences in the effects of divorce, unemployment, and long distance moves for low-income, middle-income, and high-income households.[26] The results of the model are present in Figure 16.

First, experiencing a divorce is one of the most important factors in the transition from owning to renting, regardless of race or income. For low- and middle-income households, a divorce increases the likelihood of leaving homeownership by 9.8 and 10.6 times respectively. Even among high-income households, homeowners who experience a divorce are more than 4 times more likely to return to renting than those who don't. This supports previous research that found that marriage dissolution can lead to a "falling out" of the homeownership market (Dieleman, Clark et al. 1995; Dieleman and Schouw 1989).

My interviews hinted at why divorce is more likely to precipitate a shift back to renting for low-income and middle-income homeowners than it is for high-income homeowners. For many of my interview respondents, getting married and having two incomes was the trigger to move from renting to owning. Divorce, and the associated loss of the second earner, led these families to slip below the low-income threshold. Out of 55 respondents, eight respondents had bought their house as part of a married couple, but a subsequent divorce had resulted in a significant loss of income and an attendant high monthly mortgage payment. Melanie, for example, described how she and her husband bought a two-bedroom house in West Seattle for $169,000 three years ago, right before the birth of her son. Her husband left her six months later. "It was no problem buying the house. Together we were making about $70,000 a year, we had some savings, and

making the mortgage was easy. Now it's tough…I earn $28,000 a year, and my mortgage is just over $1000 a month, without taxes or insurance." A string of bad luck has also taxed her finances. "I was doing okay, you know, but then the car broke down and I had to have a root canal, the hot water heater gave out. It seems like every month there's something. Now my [credit] cards are sky high." Since her divorce, Melanie has accumulated approximately $7,000 in credit card debt. Stories like Melanie's suggest that low-income or middle-income households who lose an earner as the result of a divorce may be particularly vulnerable to losing their homes because they relied on the two incomes to make homeownership possible in the first place. For a high-income household, in contrast, divorce may result in a short-term return to renting as the result of changes in the demand for housing, or as a result of the relocation associated with the life course change.

In addition to divorce, unemployment also significantly increases the likelihood of returning to renting for all income groups. But the results were somewhat different than I had anticipated. My initial expectation was that losing a job should have a greater effect for low-income households, who may not have as much of a savings buffer to help make the mortgage payments when times are tight. Thus, the effect of the loss of an earner—especially for non couple households—should be greater for low- and middle-income homeowners. However, the model results show that effects of unemployment are much greater for high-income homeowners than low-income homeowners. For low-income homeowners, the loss of a job doubles the risk of returning to renting. And among middle-income households, those without a job are 2.8 times as likely to move back to renting. However, high-income homeowners who experience unemployment spell are 7.7 times more likely to move back to renting than those who don't.

Why might the effect of unemployment be greater for high-income households? This unexpected result is partly a function of the "event" I am modeling. While the model predicts whether or not unemployment increases the likelihood of moving back to renting (which it clearly does), the model does not predict who is more likely to lose their jobs (a different "event"). When I did this second analysis, I found that low-income homeowners were 1.5 times more likely to lose their job than high-income homeowners. Low-income minorities were the most likely to lose their job, with nearly 15 percent of

them experiencing an unemployment spell coincident with leaving homeownership. In comparison, six percent of high-income whites left or lost their jobs before moving back to renting.[27]

Another difference between low-income and higher income households is the link between unemployment, a return to renting, and undertaking a long distance move. As the model predicts, long distance moves increase the likelihood of moving back to renting for all households. However, the effects are greatest for high-income homeowners (9.1 times compared with 5 times for low-income homeowners). Again, when I modeled the likelihood of undertaking a long distance move, I found that high-income homeowners were 1.6 times as likely to do so as were low-income homeowners, and twice as likely to move long distance if they're unemployed. The effects are even more marked by race. Indeed, among homeowners who were without a job, 40 percent of low-income whites, 52 percent of middle-income whites, and 70 percent of high-income whites undertook a long distance move in the same year. In comparison, only about 8 percent of minorities did, regardless of their income. Furthermore, minorities were significantly less likely than whites to move for job-related reasons. Only 2 percent of low-income minorities gave job related reasons as grounds for moving, compared with 23 percent of low-income whites. Even among high-income minorities, only 5 percent said they moved because of a job, compared with almost 25 percent of high-income whites.[28]

The effect of a high school or college degree further suggests that high-income households may be returning to renting as the result of a job related relocation. For low- and middle-income households the effect of a degree decreases the likelihood of moving back to renting. For them, having a degree may "protect" the household within the local labor market and increase the likelihood of finding another job. For high-income households, however, the sign is reversed (though not significant), suggesting that a degree *increases* the likelihood of returning to the rental market. Highly educated, high-income households may therefore be accessing career networks and labor markets that cover a larger geographic area compared with low-income households, requiring relocation and a temporary move to renting. (Fischer 1982; Detang Dessendre and Molho 1999; van Ham 2001) Low- and middle-income households with low education levels, in contrast, may not have that option.

While far from conclusive, this analysis suggests that there are important links between labor market participation and the ability to remain a homeowner, especially for low-income households. The difference in the shapes of the hazard, the survival rates, and the effect of the covariates in the model all suggest that the reasons for leaving homeownership are different for low-income and high-income households. While still a hypothesis, the evidence suggests that for high-income households, the link between unemployment and the shift back to renting may be a function of relocating to pursue a new career or life path. As Clark and Withers have shown, job changes are important triggers for residential relocation (Clark and Withers 1999). In these cases, the return to renting may only represent a short break in the housing career, with a move back to owning within two or three years, perhaps after the local housing market has been explored or life course events have stabilized. Unemployment may also be a voluntarily break from working, for example, in anticipation of a new job or relocation. For low-income and middle-income households, in contrast, unemployment may be driven more by conditions in the local labor market than by career choices. Layoffs, combined with a lack of suitable, local jobs, can trigger a longer term shift back to renting due to the resulting problems of mortgage affordability. We need to develop a much more sophisticated understanding of the links between employment, migration, and homeownership for low-income households. For example, what is the relationship between the length of the unemployment spell and the ability to maintain mortgage payments? Does owning a home limit the ability of low-income households to pursue jobs in other labor markets?

While the quantitative analysis suggests that there are important differences in the reasons why different homeowners return to renting, the qualitative interviews illuminated strong links between unemployment and homeownership affordability. Different levels of susceptibility to unemployment—and the ability of the household to cope with it—was the most important finding to emerge from my interviews. When I began doing my interviews, the Seattle economy was riding the ".com" wave, and unemployment was low. Employers were scrambling to find workers, and were more than willing to hire public housing residents, immigrants, and other unskilled laborers to fill demand. By the time I finished the last interviews, however, Seattle's economy had

taken a serious hit.

The effects of this downturn on the families I interviewed were dramatic. Twenty-five percent of the 55 households I interviewed (14 households) lost one or more earners to layoffs during the time between when they bought their house and when I interviewed them. Another ten had lost their "stable" jobs and were now making ends meet by working multiple low-wage jobs without benefits. Six were still working in their old jobs, but had their hours reduced and their benefits cut. In total, 30 out of 55 households were affected by the economy's slump, with significant repercussions for their household income and their ability to make the mortgage payments. To provide just one example, Jorgé and his youngest brother, who were both working in the brick industry, were laid off shortly after buying their home together. "I was surprised when they gave us the news. I had worked there for four years, and was making a good salary…but my boss said construction jobs were down, and he couldn't afford to keep us on." Since losing this job, Jorgé has only been able to find work as a busboy at a local tacqueria. His brother now works at McDonalds at minimum wage. Two other family members contribute to the household income by also working at fast food restaurants, while Jorgé's father and his eldest brother have both been able to hold on to their gardening jobs . Although they are getting by, it is only because they have access to six adults, all of whom are working for low, hourly wages without many prospects for career advancements.

High Mortgage Payments in Relation to Income

Increasing the risks for low-income households who lose an earner (either through divorce or unemployment) is the relatively high mortgage payments relative to their income. The standard convention is that a household should not pay more than 30 percent of their monthly income in housing costs, while cost burdens above 50 percent of pretax income are considered severe and thought to be unsustainable over the long term (McCarthy, Zandt et al. 2001, p. 10). However, among those I interviewed, half were paying more than 50 percent for their mortgage, not including utilities or other maintenance costs. High mortgage payments in relation to income were apparent for low-income households in the PSID as well. In the PSID sample, nearly 20 percent of

low-income homeowners were paying more than half of their pretax income for their mortgage the year before returning to renting, compared with only 5 percent of middle-income and 2 percent of high-income homeowners.[29]

Through my interviews, I learned that many lenders are encouraging low-income and minority groups to undertake this high level of debt ratio. As one mortgage lender told me, "In a city like Seattle you got to do [the higher debt load] if you're trying to get these people into homes. The homes are just too expensive. I like to call it "demonstrated ability". If they've been paying 50 percent of their income in rent for a couple of years, you know they can handle the mortgage. They've shown they can handle that debt." Another told me "I'm here to help people get more of a house. Fifty percent is feasible if it gets them a bigger house. It will benefit them more in the long run." And when I spoke with the low-income homeowners about the 30 percent guideline, many of them said that they hadn't heard of this guideline or thought about their mortgage in those terms. "The bank said I qualified to buy a house for $250,000, so that's what we did."

A mortgage payment exceeding fifty percent of pre-tax income may be sustainable for people with steady jobs and the likelihood of wage progression. However, this wasn't the case for many of my respondents. The structure of the low-income labor market has changed dramatically from the "Fordist" model that characterized the period with the greatest increases in homeownership rates. Rather than the model of the (male) single wage earner bringing home a living wage salary, the low-income respondents I interviewed were working in jobs characterized by income insecurity and minimal benefits. Kim-Hoanh, who runs her own nail salon, says she can see her income fluctuate from $1500 to $3200 a month. And since the economy's downturn, manicures and pedicures are low on people's list of priorities. "I worry so much now about making the mortgage. My payment is $1200 a month, but this is around 50 percent of my income on a good month, more on a bad month." When a month is particularly tight, she relies on consumer credit cards to pay for food and gas, which further increases her debt burden. Madeline's husband, who makes a base wage of $5.60 an hour at the party rental store, is dependent upon the overtime and tips he makes on weekends to boost his salary. "Now with the economy being so

bad, we don't get the same elaborate parties anymore. Some months go by without any weekend bookings." He estimated that he was only earning half of what he did just a year earlier, although he was hoping that business would pick up again in the spring and summer. Two of Madeline's housekeeping clients have reduced her visits from once a week to every other week. Chin Leng, who practices Chinese medicine, says that the number of clients coming to see him has decreased dramatically. "No one has money for it now." Chin Leng's wife works in a garment factory, five days a week, and business there has also slowed down. Until recently, she was able to work six or seven days a week, and at least 10 hours a day. Now she feels lucky when they give her work for six hours. Many of the families I interviewed spoke about mounting consumer debt since they had purchased their home, with two of them telling me that they had incurred over $10,000 in credit card debt over the past few years.

The combination of consumer debt, high mortgage payments, and job insecurity can pose a real risk to low-income homeowners, and increase the risk of default and foreclosure. A housing counselor at the Fremont Public Association[30] in Seattle noted that more questions should be asked about the policy goal of getting people into homeownership. "Lenders try and get people into the biggest house they can afford. But this keeps them on the edge of poverty…[having such a high mortgage payment] eliminates the opportunity to save money for a rainy day or to pay for furthered education. You also lose community involvement because everyone is working two or more jobs and they don't have time for their families. You've torn away the infrastructure for community development…Do we just want to crank people into homes? As fast as we're creating home ownership opportunities for low-income families, we're losing them twice as fast on the other end." Although the current effort to expand homeownership opportunities to underserved populations is important, focus should also be placed on "post-purchase" support to ensure that homeownership is sustainable.

The Financial Benefits of Homeownership for Low-Income Households

There is no doubt that homeownership has been an important contributor to the growth of aggregate household wealth (Holloway 1991). In the United States, the

average price of a "constant quality" house rose from $67,400 in 1977 to $207,700 in 2002, an increase of over 200 percent. But house price appreciation is contingent on a variety of factors, and may not be evenly distributed across all groups of homeowners (McCarthy, Zandt et al. 2001). In my analysis of the PSID data, I find that low-income homeowners do not see the same levels of house price appreciation as do higher income homeowners.[31]

Figure 17 shows the mean homeowner house values for the set of PSID homeowners by race and income, measured at each interview year, compared with average U.S. house values for the same period. (All house values are adjusted to 2000 dollars using the Consumer Price Index.) Immediately, the value of disaggregating house values by income and race is apparent. The trend for white, high-income households closely resembles that for the US average, although the overall level of house appreciation is in fact somewhat higher. In contrast, average house values for properties owned by low-income minorities decreased between 1977 and 1993, mimicking neither the gains nor the losses experienced by U.S. house values as a whole. Perhaps the greatest gains were realized by middle-income, white households. Their average house values nearly doubled, from just over $70,000 in 1977 to just under $140,000 in 1993. However, with the exception of middle- and high-income whites, overall real estate value gains were modest, with very few low-income (white or minority) households benefiting from the huge increases in house prices witnessed in the early to mid-1980s. And although properties held by middle-income and high-income minorities did appreciate by 30 and 50 percent respectively, their gains were not nearly as substantial as those for white households.

What this graph does not account for, however, is the length of ownership. For example, since the graph shows the average value of all homes owned by members of the PSID sample in 1985, it combines the values of those who bought a home in 1977 with those who bought their home in 1984. Therefore, it does not analyze the individual returns to homeownership over the owning spell. Figure 18 provides a different slice of the same house value data. This time, I calculated mean values by the number of years the respondent in the sample had been a homeowner. In other words, duration "5" represents the mean value of housing held by respondents who had owned their home for

five years. The dramatic finding is that for low-income minorities, low-income whites, and middle-income minorities, the financial returns to homeownership over even 10 or more years of owning a home are extremely small. Indeed, for low-income minority homeowners, the average value of their housing only increased from $50,000 to $65,000—roughly a 30 percent increase over a 10 year period. While this does represent an increase in house value, this rate of return is less than the "riskless" return on Treasury bills, which averages about 4 percent per year (McCarthy, Zandt et al. 2001). The returns to low-income whites were also only around 30 percent over a ten year period. For middle-income minorities, house values only increased by 9 percent. In contrast, middle- and high-income whites experienced steady gains, with those owning their homes for ten years or longer experiencing average increases of around 50 percent.

Figure 19 shows the house value data in yet another light. Since average appreciation rates can mask the distribution of gains and losses, I calculated the mean difference in values between the first and last year of the observed homeownership spell and graphed it over the distribution of the sample. The conclusion from this graph is that homeownership doesn't guarantee the financial wealth that popular wisdom might predict it would. The majority of house values stay relatively constant, with as many households experiencing property losses as gains. It is only at the extremes that we see large gains (and losses). Also noteworthy is the distribution of gains and losses across the income and racial categories. White households, across all income categories, are much more likely to see an increase in house values compared to their minority counterparts. Losses, however, are more evenly distributed across income and racial categories. In other words, while whites seem to gain more in terms of house appreciation, minorities don't necessarily lose less.

Another way to assess the economic benefits of homeownership is to analyze changes in housing equity as opposed to house value. One of the benefits of home ownership is that it is a highly leveraged investment, and a small outlay of money (the down payment) garners control of a high value item. Even a small increase in house value can result in a large increase in equity. Unfortunately, the PSID does not collect annual data on share of the house value that is held as equity compared to the share that remains as mortgage principal. In 1994, however, the PSID conducted a special wealth

supplement that includes both data on household assets, housing wealth, and the amount of the mortgage principal remaining on the house.[32] Using this data, I analyzed the distribution of wealth for my sample of homeowners, given that they were still present in the PSID in 1994. I also compared average homeowner wealth with the wealth of households in the PSID sample who remained renters. Figure 20 shows the results of this analysis. For homeowners, the households' total wealth is broken down by the amount of wealth held in their housing (housing equity) as well as the amount of wealth held in other assets (such as stocks, bonds, and savings accounts.) For those who remained renters, all wealth reported is from other assets (since they do not own a home.)

Not surprisingly, high-income households are wealthier than either middle- or low-income households, and whites are overall wealthier than blacks. The figure shows that the majority of wealth held by low-income households is wrapped up in their house. Especially for low-income minorities, housing wealth is their only real asset. As household wealth increases, the portfolio share of housing wealth decreases. The figure also shows that overall, homeowners are wealthier than renters. In addition to their housing equity, low-income homeowners had higher non-housing wealth than their renter counterparts. Indeed, neither white nor minority low-income renters have any wealth at all. This provides strong evidence that homeownership can be an effective asset building strategy for low-income households. Although the evidence shows that low-income households benefit less from owning a home than their wealthier counterparts, many do experience house price appreciation and associated wealth gains. And at certain times, in certain cities, appreciation may be dramatic. It is too early to tell the fate of the low-income homeowners in Seattle. Yet even with the economy slump, the region has continued to experience increasing house values, and it is likely that if these families are able to stay in their homes, they will financially benefit from owning a home over the long term.

Do Low-Income Homeowners Experience Neighborhood Improvements?

In this last section, I analyze whether or not homeownership can be linked to neighborhood improvement over time. Homeownership is thought to confer benefits "to the neighborhood by stabilizing property values, encouraging maintenance and upkeep of

properties, and improving social conditions like high school dropout rates or crime rates" (Rohe, McCarthy et al. 2000, p.20). Homeowners, in turn, benefit from these improvements through better schools for their children and stable or increasing property values. Increased homeownership rates and neighborhood conditions are thus thought to be mutually reinforcing, leading to ever greater property values and improved social conditions (Rohe and Stewart 1996).

Figures 21 and 22 compare the characteristics of neighborhoods of PSID homeowners in the first year they bought a home with the last year that they were in the sample. Again, the results are fascinating. Earlier, I found that low-income minorities gained the most in terms of neighborhood benefits when they moved from renting to owning. However, once they are owners, the neighborhoods in which they live do not significantly improve over time. Even for middle- and high-income minorities, the benefits are slight. Both middle- and high-income minorities experience a lower high school dropout rate and an increase in the length of time residents have lived in the community, and high-income minorities also benefit from a greater share of residents holding professional or managerial jobs. But, for minorities of all income groups, neighborhood house prices did not appreciate significantly over time.

Low-income white households also do not experience many significant positive changes in their neighborhoods. In contrast, higher income white households experienced the greatest improvement in neighborhood quality. Indeed, the neighborhoods in which middle- and high-income households lived experienced a 30 percent increase in house values. High-income white households also saw significant improvements for a number of other indicators as well, including a reduction in the number of households with welfare income, an increase in tract median household income, improvements in the high school dropout rate, lower unemployment rates, and an increasing proportion of residents working in professional or managerial jobs. This analysis suggests that many of the neighborhood benefits ascribed to homeownership are experienced largely by white, middle- and high- income households.

Conclusions

I would like to conclude with what I believe are the three most important "take

home messages" from my research. First, I think that the analysis shows that more emphasis needs to be placed on supporting low-income households after they become homeowners. The risk that a low-income homeowner returns to renting in the first few years after buying a home is extremely high. The ability to afford the mortgage and to remain in homeownership is dependent upon a steady income flow, and life events such as divorce or the loss of a job can greatly affect household income, precipitating a return to the rental market. Low-income homeowners may be especially vulnerable to losing their homes: their jobs are often unstable, they have few savings to protect them from a "rainy day", and they pay an inordinately large share of their income for housing. As such, the promise of homeownership is likely only to be realized to the extent that government policies enable households to cope with crises in income, health, and family circumstances. In some of my interviews with low-income homeowners, particularly with those who came from public housing, respondents said that they did not know where to turn for help. Dinh, who had found his seafood cleaning job with the assistance of a job counselor while living in public housing, told me that he wished that he still had access to the same services as when he was a public housing resident. "It would help to have someone who could tell me how to find a new job, and open doors for me." Other people I interviewed did not know that they could go to Fremont Public Association for delinquency counseling, or that mortgage lenders would be willing to negotiate the terms of their loan. Providing job placement and counseling services for those who lose their jobs, expanding training opportunities to promote career mobility and wage progression, and educating low-income families about the home-buying process to make sure they understand the implications of a high debt ratio would all help to ensure that homeownership is a positive experience. Otherwise, the focus on promoting homeownership will only be counterproductive over the long term.

Second, my research shows that the benefits of homeownership are not evenly distributed across either class or race. Even for those who remain homeowners, I find that low-income households do not gain as much from owning a home as do their wealthier counterparts.

Minorities may benefit the least from the advantages of owning a home: they experience less house appreciation, accumulate less housing wealth, and see fewer

neighborhood improvements over time than their white counterparts. In fact, many of the benefits ascribed to homeownership—such as significant house price appreciation and neighborhood improvements—are experienced primarily by white, middle- and high- income households. Homeownership as such will do nothing to remedy the gap between white and minority wealth, and these continuing disparities are likely to have significant effects now and for the next generation. The policy interventions here are not straightforward, and will require increased neighborhood and community development, improved education, as well as continued efforts to reduce discrimination in mortgage lending and real estate practices.

Third, we need more research that specifically looks at the experiences of low-income homeowners. If nothing else, my research has shown that there are important differences between the homeownership trajectories of low-, middle-, and high-income families. Several questions remain unanswered. What has been the experience of low-income homeowners between 1993 and 2004? What are the links between unemployment and mortgage default? How do neighborhood characteristics influence house price appreciation? We also need to increase our knowledge of the debt and financing arrangements of low-income homeowners. Understanding the source of funds for the down payment or the role that intergenerational wealth transfers play in making homeownership possible may help to illuminate why one low-income household becomes a homeowner and another doesn't, or to explain the persistent inequalities in homeownership outcomes between whites and minorities. What resources do low-income families have to draw on when times get tight, and how does that affect their vulnerability to losing their homes? Finally, we need more research that assesses the intergenerational aspects of homeownership. In many of my interviews, respondents chose homeownership "for the children." Perhaps the benefits of homeownership should not be measured on a 5-20 year time scale, but rather one that spans 40-50 years. This analysis could provide a very different set of answers to the question of whether or not homeownership contributes to the well-being of low-income households.

Finally, my dissertation does not consider the non-quantifiable benefits of owning a home. Despite repeated comments about the stress and financial hardships of making their mortgage payments, almost every single person I interviewed said

that they were happy with their decision to buy a house. Families were relieved that they were "no longer sinking money into rent," and felt that their purchase was "a good investment." Many of the immigrants described how owning a home was important for them in terms of establishing roots, and that being a homeowner meant finally being an "American." As Quan told me, "Now, this is "home" for us. [Owning this house] makes us feel more like this is our country." Or Jorgé, who said, "I feel more secure. No one can take this away from me…I used to be afraid [of being deported], but now I have my green card and my house. I am legally here." Others expressed relief at getting away from bossy landlords or the prying eye of the housing authority. "When you're renting, everyone's in your business. Here I can do what I want. I can paint, I can have a party, I can hang my laundry outside." Others carefully showed me around every room in the house, pointing to the doorsill they had painted or the carpet they installed. The pride of ownership was palpable. As Abdi eloquently put it, "This is my dream from the moment I came to America. Here I can own my house. It is good to make this dream real." The challenge will be to develop policies to ensure that this dream is both achievable and sustainable.

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Endnotes

[1] The topic is receiving considerable attention from researchers at the University of North Carolina, Harvard University's Joint Center for Housing Studies, the Urban Institute, and the Ford Foundation.

[2] One of the major drawbacks to previous research on low-income homeownership is that each study uses a different definition of low-income, making it difficult to compare results across studies. The most common approach is to use the program eligibility criteria set by HUD, which specifies "low-income" households as those that earn 80 percent of area median income, adjusted for family size. In this article, Belsky and Duda use two different categories of "low-income" households, the first being under 80 percent of area median income, and the second being between 50 and 80 percent of area median income.

[3] Atlanta, Detroit, Hartford, Houston, Miami, Milwaukee, Philadelphia, Phoenix and Portland.

[4] They define low income as less than 80 percent of area median income.

[5] A low-priced home could be owned by a landlord, a wealthy family, or an upwardly mobile couple, making it difficult to gauge whether or not the benefit of house appreciation (if it occurs) actually accrues to low-income households.

[6] The majority of immigrants in my sample did not speak English, and were interviewed with the assistance of an interpreter.

[7] Since I initially proposed this research, the PSID has made early release data available for the 1994-2000 survey years. However, due to the lack of comparability between these survey years and the public release files for 19681993, I chose not to extend my research to 2000. This is an important avenue for future research, especially now that Census 2000 data are also available.

[8] Although the PSID began in 1968, I begin my analysis with the 1976 wave of the survey. I made this decision for two key reasons. At the start of the study, the PSID experienced significant attrition. Combined with the lack of consistent census variables and changing census boundaries between 1970 and 1990, the neighborhood analysis proved to be less problematic when I started the sample in 1976. Secondly, by starting in 1976, I was able to avoid problems of left censoring (where it is not known whether or not the event has occurred previous to the period of observation) as I was able to control for the tenure history of households for the years previous to 1976.

[9] See South and Crowder (1997; 1998a; 1998b) for a similar approach.

[10] The specific "area" and criteria that are used to set the limits vary considerably across the United States. (U.S. Department of Housing and Urban Development 2003a)

[11] In 2001, the 80 percent of Seattle's median income threshold was $36,750 for a single person, $42,000 for a family of two, $47,250 for a family of three, and $52,500 for a family of four.

[12] The benefits of the House Key program include a lower down payment requirement, a relaxed qualifying ratio, and lower interest rates than conventional mortgages.

[13] While there is nothing wrong with providing homeownership assistance to upwardly mobile families, or to people working in professions with low salaries (such as teachers), the goal of this research is to understand how homeownership may contribute to asset development for poor families.

[14] Although many low-income homeowners are elderly, I chose to focus my research on the working age population.

[15] The PSID includes new panel members if individuals join an original panel family, i.e. through marriage. However, these individuals are not included in the analysis because their probability of selection differs from the original sample selection probabilities (Withers 1998).

[16] For example, for renters who entered the survey in 1976, I went back previous PSID survey years and checked to make sure none of them had owned as adults for the period 1970-1975. When I first ran the models, I did not think to delete renters who had owned previously, which significantly changed the results of the analysis. Renters who had previously been owners were older, wealthier, more likely to be families, more likely to buy a home within one to two years of being a renter, and more likely to buy in rural areas.

[17] Ideally, my research would also control for a household's wealth. Unfortunately, the wealth data in the

PSID are not measured annually, so I do not have an accurate assessment of a household's wealth over the period of observation. Other studies that have looked at the relationship between wealth and homeownership has found that wealth is an important determinant in the transition to homeownership (Gyourko, J., P. Linneman, et al. 1999; Oliver and Shapiro 1995). However, due to the young age of my sample, and the focus on poor households within the PSID, it is unlikely that the low-income households in my sample are wealthy.

[18] During the 1990s, the PSID added a new sample of Hispanic households to achieve a better racial representation of the current population of the United States. However, because PSID respondents can only "enter" my sample up until 1989, my study does not include the experiences of this Hispanic sample.

[19] The descriptive statistics were calculated using PSID weights and were measured the year that the renters entered the sample. Each year, the PSID calculates both individual and family weights to enable analysts to derive national estimates from the PSID sample (Hill 1992). According to Martha Hill (1992, p. 61), the PSID weights should be used for descriptive statistics such as means, variances, or simple correlations between variables. "If such estimates are not based on the weights, then they describe only what is true for the PSID sample and not what is true for either the population as a whole or for any subgroup within the population." All dollar values are converted to 2000 dollars using the Consumer Price Index.

[20] In addition to the different time period considered, the Seattle low-income homeowners had higher incomes than those in the PSID, and were buying in an atypically expensive housing market. In addition, the experiences of first-generation, non-English speaking immigrants are not reflected in the PSID.

[21] In the qualitative analysis, I look at the reasons why low-income families chose to move from renting into homeownership, and the ways they made that shift possible (i.e., through marriage and a second earner, intergenerational wealth transfers, pooling family resources). I do not present the results of this analysis here.

[22] For those who remained renters, the statistics were calculated for the last year of the period of observation. For the homeowners, they were calculated in the year the house was bought. The calculations use PSID weights.

[23] An analysis of my sample shows that over 20 percent of middle-income households would shift to the low-income category if the wife's earnings are disregarded.

[24] The U.S. Census Bureau labels neighborhoods (census tracts) with poverty rates of 20 percent or more as "Poverty Areas." U.S. Census Bureau (2002d). "Poverty Rate of Census Tract in 1989-Poverty Status of People in 2001," available online at http://ferret.bls.census.gov/macro/032002/pov/new05_001.htm.

[25] Although in the previous two chapters I also included the experiences of those who bought homes between 1990 and 1993, this chapter only considers those who became homeowners by 1989. This time cutoff allows me to follow their experiences for at least 4 years after buying a home. Although 4 years is the minimum length of observation, the majority of respondents in my sample are present for seven years after buying a home. The maximum number of years a person could fall within the period of observation for this chapter is sixteen (if they became homeowners in 1977 and did not have any missing data until 1993.) However, because the number of respondents present for more than ten years is so small, I grouped the responses of respondents in years 10 through 16 together. This approach provides me with a sample of 2036 first time homeowners, of whom 280 are low-income, 1222 are middle-income, and 534 are high-income.

[26] As with all my analyses, I also modeled the risk of returning to renting for white and minority households. Surprisingly, there were few differences between the models for white and minority households. The only difference that really stood out is the effect of a child leaving home. While having a child leave the parental home increases the risk of returning to renting for middle- and high-income white homeowners, it does not have a significant effect for minority households. For the other variables, however, the effects of the covariates on the risk of leaving homeownership are similar for whites and minorities, although there are some differences in magnitude. So while whites and minorities may face different barriers getting into homeownership, the risk factors for returning to renting are the similar. (However, minorities may be more likely to experience the risk factors, such as the loss of a job or divorce.)

[27] Unfortunately, there is no way to causally link the loss of a job with leaving homeownership, nor does

the PSID contain data on whether the unemployment spell is voluntary or involuntary. To code unemployment, I used the PSID variable that describes the household head's employment status, and specifically coded those who answered "unemployed, looking for work" as unemployment. I did not include "not working" for other reasons—such as health or disability, keeping house, or retirement—within this category. In this way, I hope to capture job changes that are specifically the result of changes in the labor market. Still, this is an area in which more research is desperately needed. For example, as Clark and Withers have shown, the timing of the unemployment measure is often a problem for analysis (Clark and Withers 1999). The PSID contains monthly data on unemployment, making it possible to analyze the exact sequence and timing of the links between unemployment, the duration of the unemployment spell, and the shift from owning to renting. This could be a useful extension of the research presented here, and would contribute to our understanding of how unemployment may affect the tenure of low-income families.

[28] For households that move between one interview year and the next, the PSID asks "why did you move?" Respondents can choose between purposive (i.e. job related) reasons, consumptive reasons (i.e. buying a bigger house), or as a response to an involuntary event such as eviction or divorce. Among all homeowners who moved back into renting, the most common reason given for moving was "in response to an involuntary event," with more than a third of all respondents giving this as their first choice. With the exception of the job related answer reported above, other differences in the answers among income and racial groups were insignificant.

[29] The difference between the PSID results and the qualitative interviews is likely due to the high cost of housing in Seattle.

[30] Fremont Public Association is a non-profit organization in Seattle that offers a housing crisis line. They work with lenders to help families who are going into default on their home loans by developing feasible budgets and negotiating loan modifications and new repayment schedules. They also provide advocacy and support for tenant rights.

[31] House values in the PSID are self-reported, and are therefore not necessarily coincident with appraised or actual market values. However, studies have found that this error is relatively small, with owner estimates being on average 3 to 6 percent higher than appraised values (Rohe and Stewart 1996). For my research, this means that low-income homeowners are more likely to overstate the gains to homeownership, and therefore should not greatly affect my conclusions.

[32] The special wealth supplements are also available for 1984 and 1989, but they do not include data on remaining mortgage principal.

Figure 1: Selected Characteristics of Low-Income Homeowners in Seattle, Washington

SELECTED CHARACTERISTICS	(N=55)	PERCENT OF RESPONDENTS
Racial or Ethnic Background		
White	15	27%
Black	15	27%
African American	9	16%
East African	6	11%
Asian	19	35%
Chinese	9	16%
Vietnamese	7	13%
Other Asian	3	5%
Hispanic	6	11%
Economic Situation		
Number of Households Previously Living in Public Housing	11	20%
Households Paying 30% or Less of Their Monthly Income for Housing	12	22%
Households Paying More Than 50% of Their Monthly Income for Housing	30	55%
Households That Have Had a Loss of Earner Since Buying House	14	25%
Number of Households Without Health Insurance	6	11%
Household Characteristics		
Number of Non-English Speaking Households	24	44%
Number of Households with Children	43	78%
Number of Single Mothers	7	13%
Average Age	43	
Average House Price (at purchase)	$191,345	
Average Household Income (2000)	$37,286	

Figure 2: Descriptive Statistics for PSID Sample of Renters

	ALL HOUSEHOLDS		
	Low-Income Renters	Middle-Income Renters	High-Income Renters
N	1,508	3,052	719
% of Sample	28.6	57.8	13.6
Number Making Transition to Home Ownership	363	1,620	579
% Making Transition to Home Ownership	24.1	53.1	80.5
Race (% White)	58.5	83.2	87.5
% Age between 18-29	82.0	89.0	72.9
% Age between 30 - 39	11.5	7.5	20.8
% Over 40	6.5	3.6	6.2
% Single with No Children	51.4	63.9	41.1
% Single With Children	29.6	7.9	1.9
% Couple with No Children	5.3	12.6	33.3
% Couple with Children	13.6	15.6	23.7
% Female Head	49.5	35.8	14.3
% No High School Degree	40.9	16.3	6.9
% High School Degree and/or Some College	55.0	62.0	55.4
% College Degree	3.3	21.4	37.4
% with Two Earners	8.7	18.9	45.4
Occupation (% Professional or Managerial)	4.4	23.6	39.7
% Living in Cities > 500,000	30.3	29.0	38.5
% Living in Cities 100,000> and < 500,000	37.5	39.1	36.0
% Living in Rural Areas	32.1	31.5	25.3
% Living in the Northeastern U.S.	22.2	22.4	34.6
% Living in the Central U.S.	26.0	28.0	25.5
% Living in the Western U.S.	17.7	19.6	13.8
% Living in the Southern U.S.	33.9	29.3	25.3

Figure 3: Descriptive Statistics for PSID Sample of Renters, by Race

	WHITE HOUSEHOLDS			MINORITY HOUSEHOLDS		
	Low-Income Renters	Middle-Income Renters	High-Income Renters	Low-Income Renters	Middle-Income Renters	High-Income Renters
N	388	1607	497	1120	1145	222
% of Sample	7.3	30.4	9.4	21.2	27.4	4.2
Number Making Transition to Home Ownership	155	1077	430	208	543	149
% Making Transition to Home Ownership	39.9	67.0	86.5	18.6	37.6	67.1
% Age between 18-29	82.9	90.1	73.7	80.6	83.5	67.5
% Age between 30 - 39	12.1	6.9	20.0	10.8	10.1	26.5
% Over 40	5.0	3.0	6.3	8.6	6.3	6.1
% Single with No Children	60.6	66.0	41.9	38.6	53.5	35.4
% Single With Children	16.6	5.7	20.3	48.0	18.8	1.2
% Couple with No Children	7.4	13.8	34.9	2.3	7.0	22.2
% Couple with Children	15.4	14.5	21.1	11.1	20.8	41.2
% Female Head	41.0	35.3	14.8	61.5	38.2	10.3
% No High School Degree	35.8	14.6	5.2	48.1	24.6	18.4
% High School Degree and/or Some College	58.5	62.2	52.6	50.1	61.2	75.0
% College Degree	5.2	23.0	41.9	0.5	13.9	5.9
% with Two Earners	11.7	19.1	44.5	4.5	18.0	51.7
Occupation (% Professional or Managerial)	5.9	25.5	43.1	2.4	14.3	15.8
% Living in Cities > 500,000	23.8	26.8	34.5	39.5	40.0	66.9
% Living in Cities 100,000> and < 500,000	35.1	39.4	38.6	40.9	37.7	17.6
% Living in Rural Areas	41.1	33.5	26.7	19.6	21.9	15.5
% Living in the Northeastern U.S.	23.9	24.6	34.8	19.7	11.1	32.8
% Living in the Central U.S.	27.8	29.6	26.9	23.5	19.7	15.4
% Living in the Western U.S.	20.4	19.3	13.9	13.9	21.0	13.1
% Living in the Southern U.S.	27.6	25.7	23.5	42.9	47.2	37.9

Figure 4: Selected Characteristics of Low-Income Homeowners

		ALL HOUSEHOLDS		
	Renters		Homeowners	
	Low-Income	Low-Income	Middle-Income	High-Income
Race (% White)	51.2	74.8	89.3	89.5
% Age between 18-29	43.0	32.6	15.2	13.1
% Age between 30 - 39	40.0	45.2	64.2	60.6
% Over 40	17.0	22.2	20.6	26.3
% Single with No Children	63.8	29.7	23.6	20.7
% Single With Children	24.2	31.6	7.8	1.7
% Couple with No Children	4.4	6.4	24.9	37.4
% Couple with Children	7.7	32.3	43.7	40.1
% Female Head	43.0	46.4	16.1	7.0
% No High School Degree	35.3	36.7	15.1	7.0
% High School Degree and/or Some College	60.9	59.4	57.6	53.5
% College Degree	3.4	3.9	27.2	39.2
% with Two Earners	6.1	19.7	50.8	61.1
Occupation (% Professional or Managerial)	5.5	11.7	35.2	44.9
% Living in Cities > 500,000	40.0	16.3	21.1	27.5
% Living in Cities 100,000> and < 500,000	32.8	38.2	38.2	38.7
% Living in Rural Areas	27.2	45.4	40.7	33.6
% Living in the Northeastern U.S.	22.2	17.9	18.6	29.8
% Living in the Central U.S.	23.0	30.7	27.5	28.0
% Living in the Western U.S.	24.2	19.2	21.5	13.2
% Living in the Southern U.S.	30.6	32.2	32.2	28.1
Median Income (2000$)	9,095	17,326	44,951	60,241
Median House Value (2000$)	NA	52,245	83,323	105,968

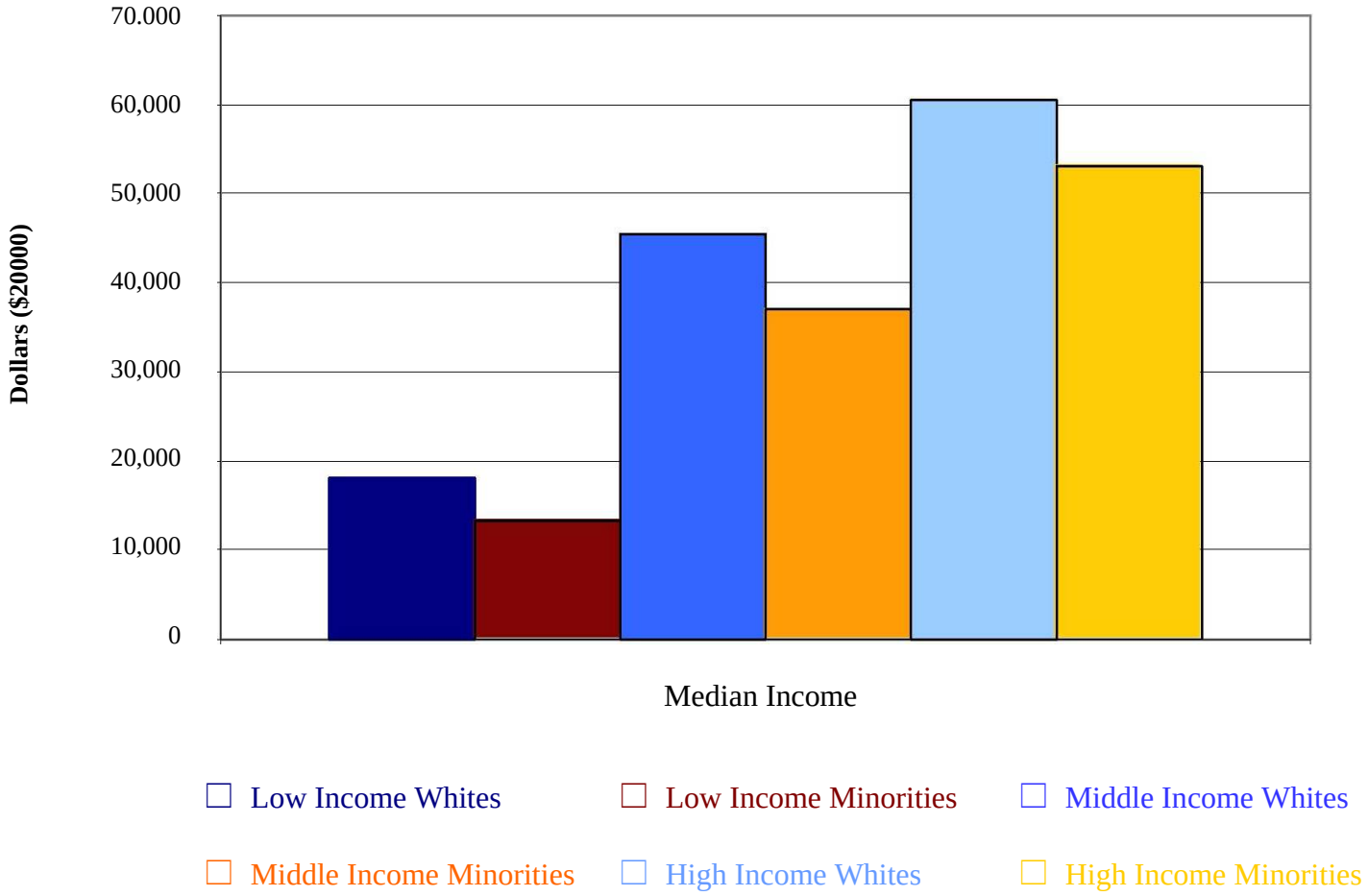

Figure 5: Median Household Income of PSID Homeowners, by Income and Race

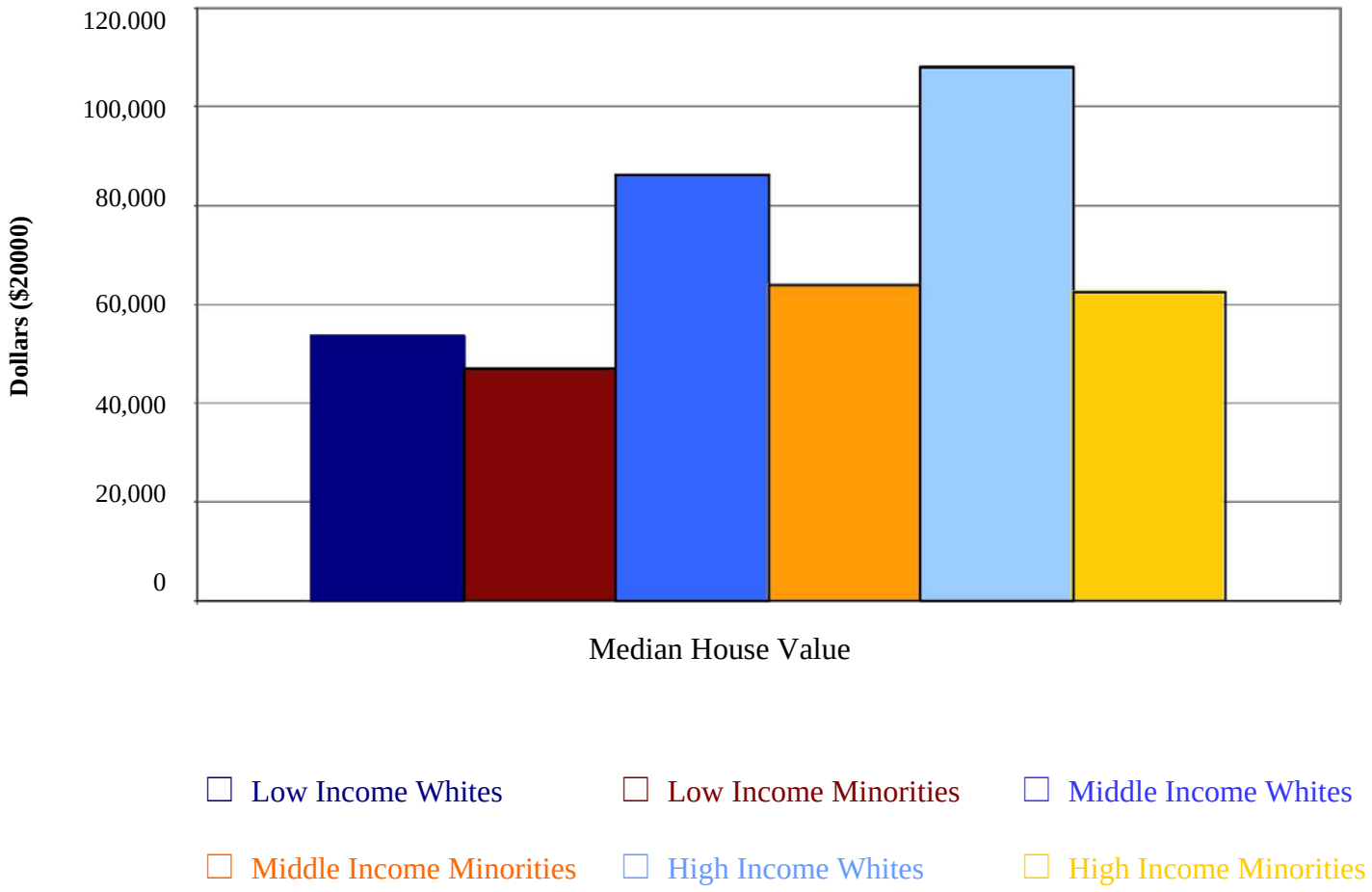

Figure 6: Median Household Value of PSID Homeowners, by Income and Race

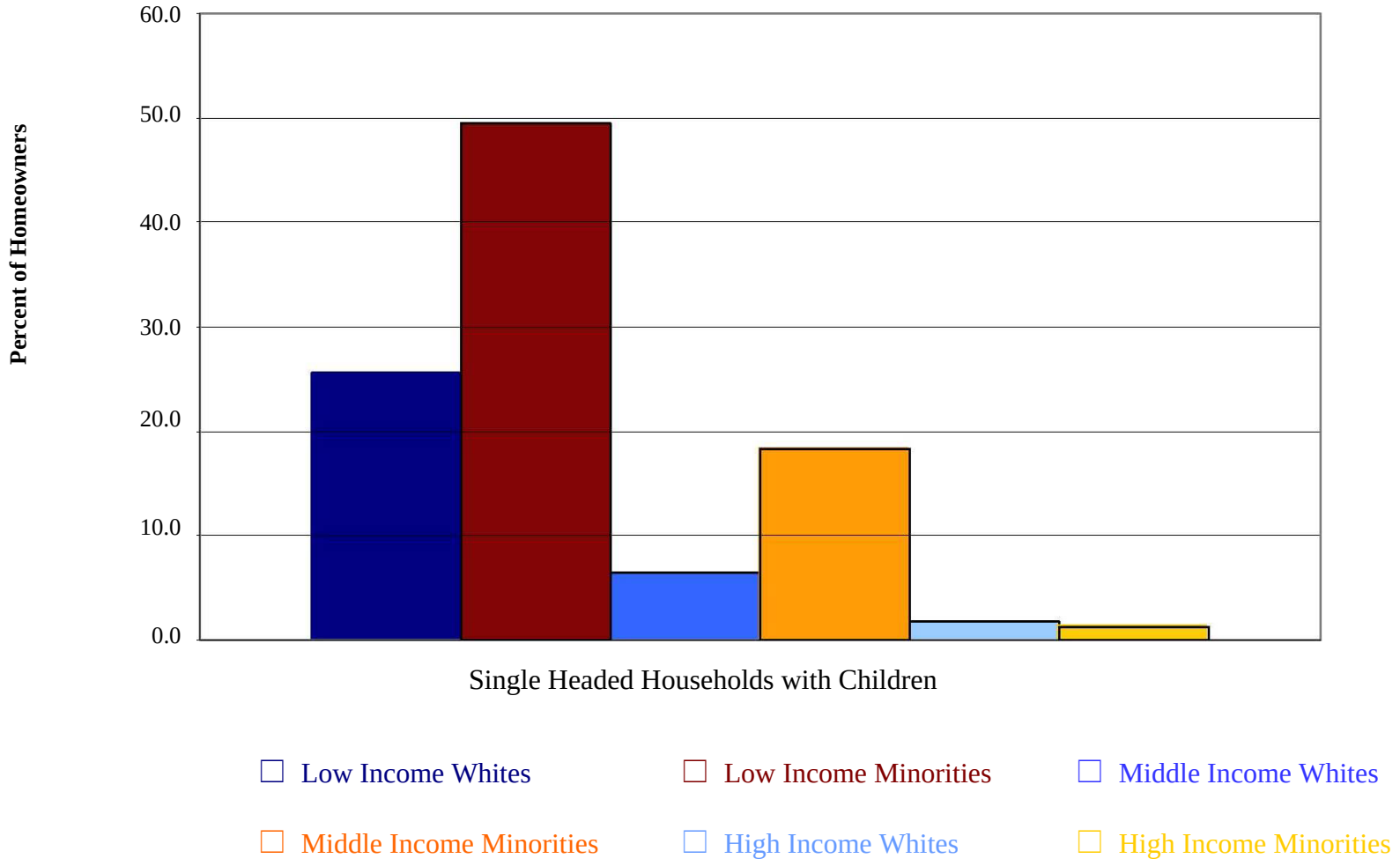

Figure 7: Percent of PSID Homeowners Who are Single Parents with Children, by Income and Race

Figure 8: Neighborhood Characteristics Before and After Buying a Home, White Households

	LOW-INCOME		MIDDLE-INCOME		HIGH-INCOME	
	Before	After	Before	After	Before	After
Neighborhood Demographics						
Percent Non-Latino Whites	90.3	90.5	85.3	89.9**	88.1	88.4
Percent Black	5.3	4.5	6.5	5.8**	6.1	5.9
Percent Families with children w/female head	16.0	15.6	19.9	19.6	15.6	15.1
Percent Rural	26.5	29.1	20.2	23.6**	17.4	19.1
Neighborhood Wealth						
Percent People in Poverty	11.2	11.3	11.2	11.6	9.8	9.5
Percent Households with Welfare Income	6.3	6.5	6.4	5.9**	6.1	6.1
Median Household Income (2000$)	41,792	41,486	42,814	41,17**3	43,623	44,839**
County Median Income (2000$)	41,927	42,155	43,057	43,294	41,686	42,563**
Neighborhood Stability						
Percent Units Rental	31.5	29.4	35.5	29.5**	34.7	31.3**
Percent Housing Units Vacant	7.4	6.8	7.2	7.3	6.1	6.0
Percent 5 and Over in Same House	54.6	54.8	50.9	52.2**	53.6	53.9
Neighborhood Services						
Percent Young Adult Dropouts	12.4	12.2	11.8	13.0	11.5	11.7
Percent Commute Public Transit	4.4	4.1	5.0	5.6**	8.0	7.5**
Percent Households with Car	9.9	10.1	73.3	8.6	12.3	11.7**
Neighborhood Unemployment						
Adult Unemployment Rate (%)	6.3	6.4	6.0	7.3	5.8	5.9
% in Professional or Managerial Jobs	25.1	24.5	29.0	31.8	29.6	28.8
% Employed in County of Residence	70.9	72.7	73.3	73.9	74.2	72.7
Neighborhood Housing Costs						
Median Monthly Owner Costs w/Mortgage (2000$)	872	872	970	980	900	911
Median Monthly Rental Costs (2000$)	559	560	609	626**	617	619
Median House Value (2000$)	111,787	109,192	133,709	131,034	131,237	130,279

**Indicates significant difference between the neighborhoods before and after buying a house, at alpha=.01.

Figure 9: Neighborhood Characteristics Before and After Buying a Home, Minority Households

	LOW-INCOME		MIDDLE-INCOME		HIGH-INCOME	
	Before	After	Before	After	Before	After
Neighborhood Demographics						
Percent Non-Latino Whites	40.4	45.1**	47.0	45.5	47.1	47.2
Percent Black	52.2	46.7**	43.1	43.6	45.9	46.2
Percent Families with children w/female head	33.2	31.1**	31.0	29.5**	31.0	29.1**
Percent Rural	13.4	16.1**	18.4	20.5	12.6	15.5
Neighborhood Wealth						
Percent People in Poverty	23.6	21.9**	20.5	19.5**	17.2	17.0
Percent Households with Welfare Income	15.8	14.1**	13.8	13.3	12.9	13.9
Median Household Income (2000$)	32,607	33,351	35,093	36,030	36,619	38,380
County Median Income (2000$)	40,939	40,466	39,125	39,005	40,146	41,305**
Neighborhood Stability						
Percent Units Rental	37.7	34.5**	40.7	35.4**	45.5	39.6**
Percent Housing Units Vacant	9.3	9.6	9.3	8.9**	8.7	8.6
Percent 5 and Over in Same House	58.9	60.3	54.3	55.7	51.6	54.5**
Neighborhood Services						
Percent Young Adult Dropouts	16.2	17.9	15.4	14.8**	14.4	13.5
Percent Commute Public Transit	10.0	9.5**	9.0	8.6	14.5	15.7
Percent Households with Car	21.5	20.1**	19.7	17.9**	21.6	22.0
Neighborhood Unemployment						
Adult Unemployment Rate (%)	10.8	9.3**	10.0	9.9	9.8	10.3
% in Professional or Managerial Jobs	20.4	20.6	23.2	22.1	25.4	25.1
% Employed in County of Residence	73.0	76.0**	72.5	72.8	66.9	67.8
Neighborhood Housing Costs						
Median Monthly Owner Costs w/Mortgage (2000$)	770	779	837	834	915	885
Median Monthly Rental Costs (2000$)	537	526	521	561**	570	583
Median House Value (2000$)	81,896	80,543	99,928	95,708**	121,495	116,557

** Indicates significant difference between the neighborhoods before and after buying a house, at alpha=.01.

Figure 10: Racial Compostion of Homeowner Neighborhoods

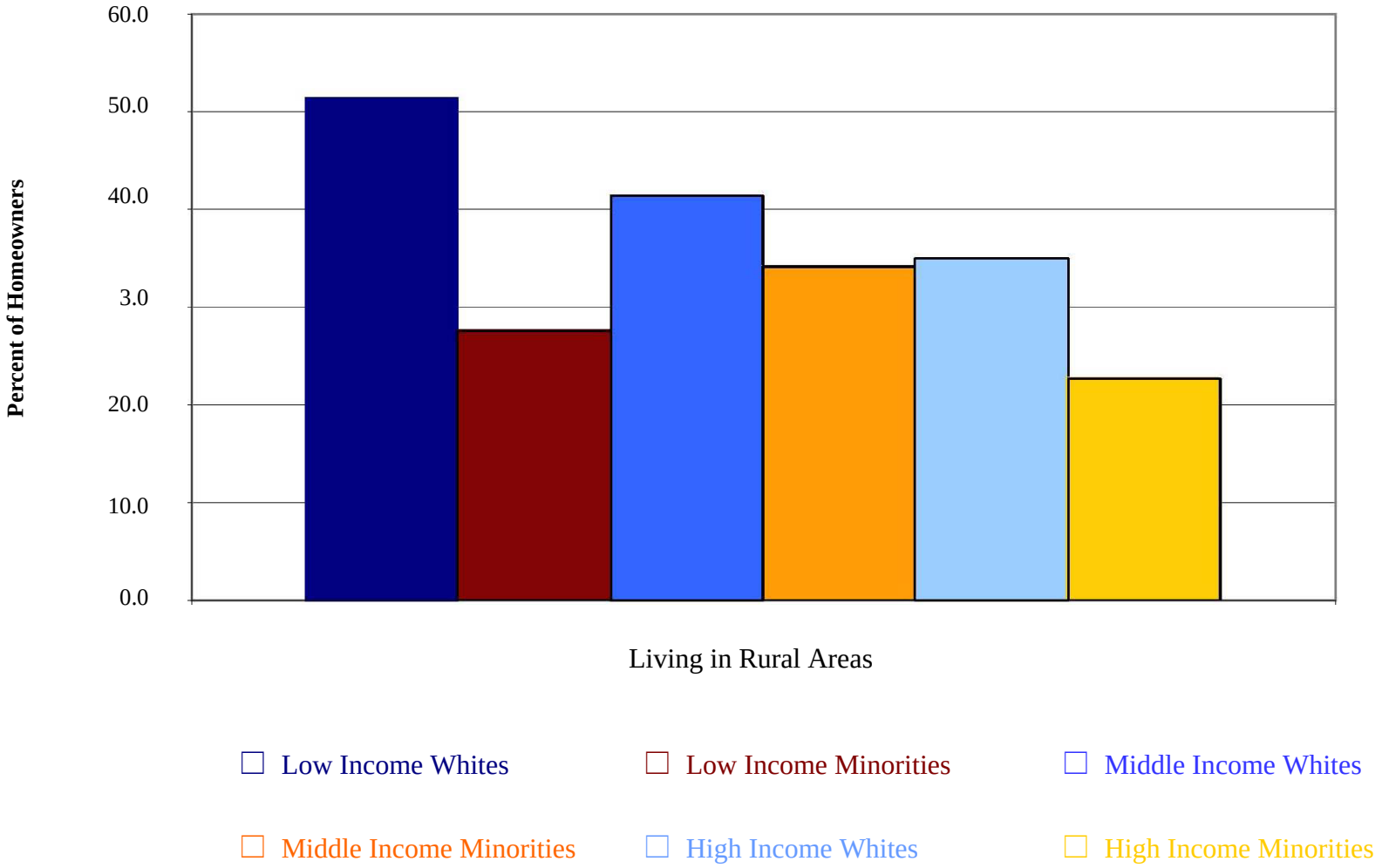

Figure 11: Percent of PSID Homeowners Living in Rural Areas, by Income and Race

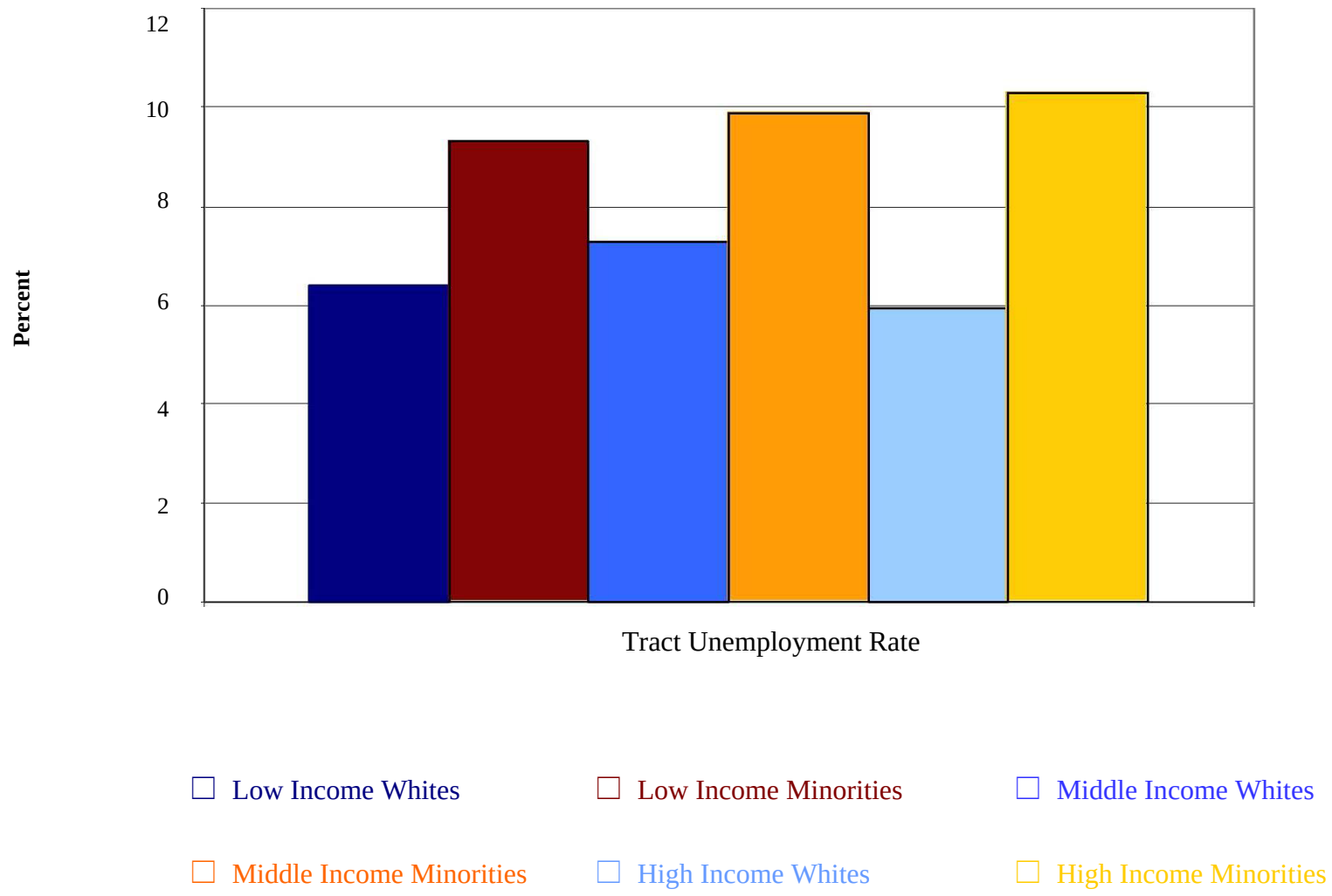

Figure 12: Unemployment Rate in Homeowner Neighborhoods

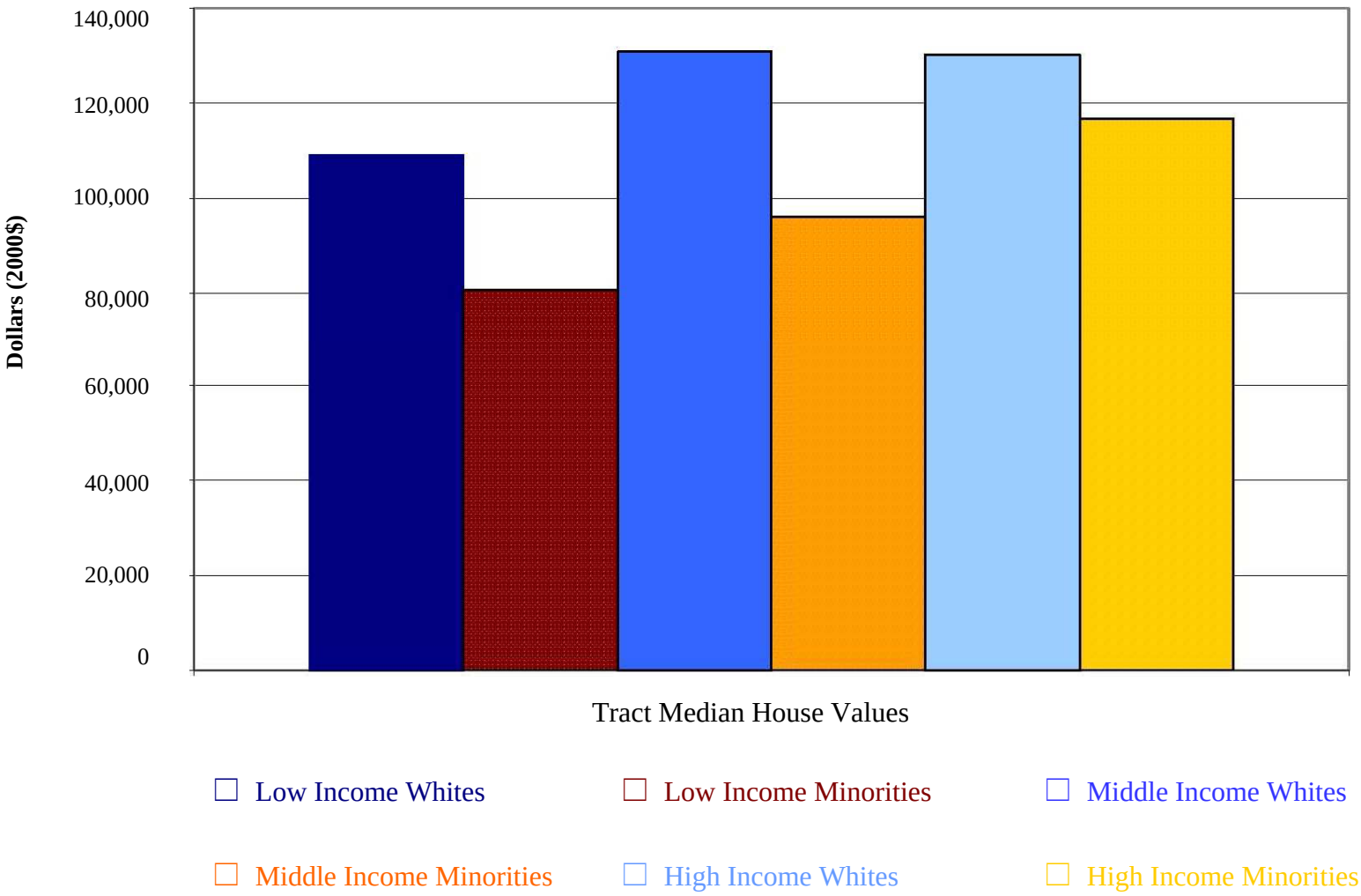

Figure 13: Median House Values in Homeowner Neighborhoods

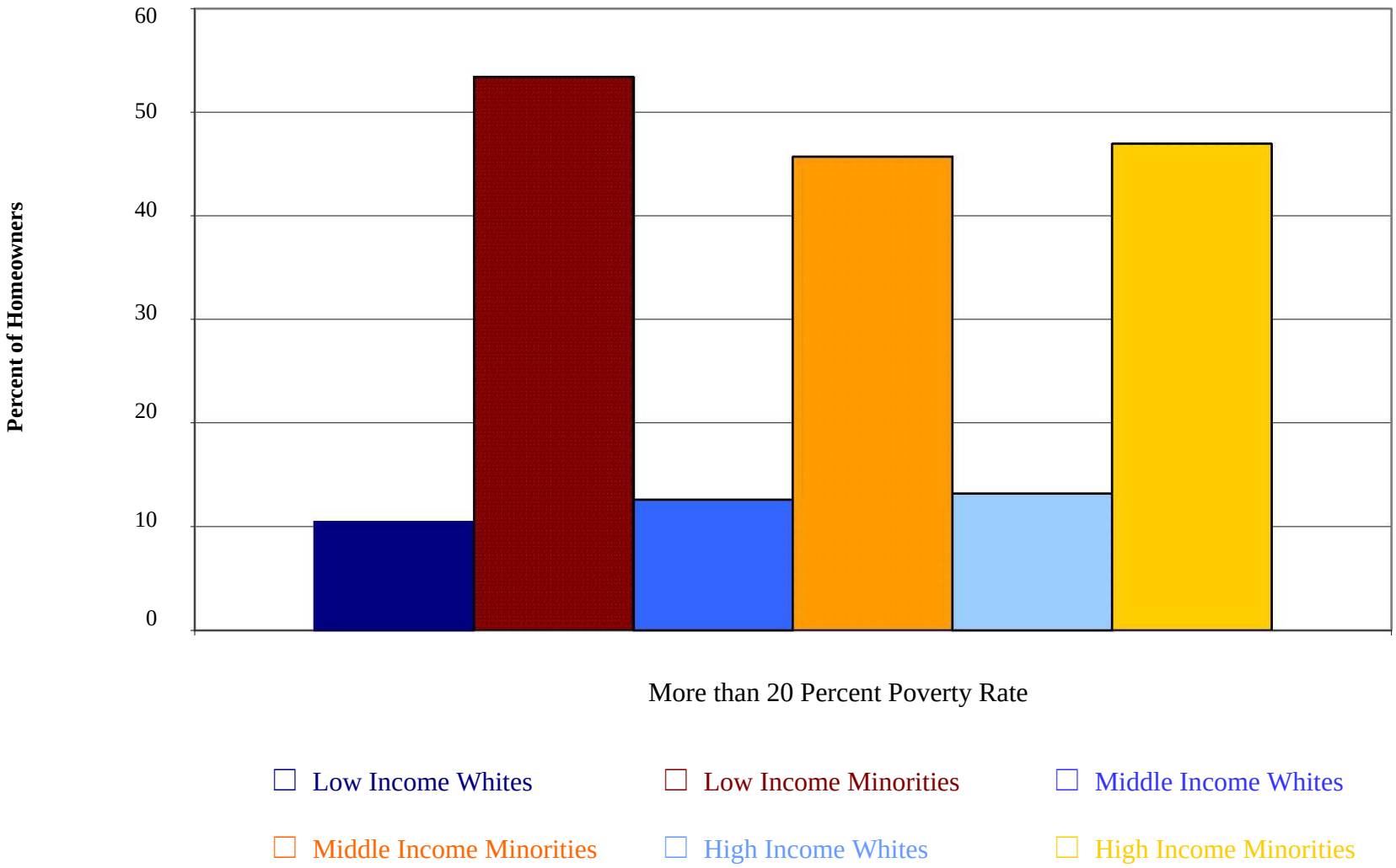

Figure 14: Percent of Homeowners Living in High Poverty Neighborhoods

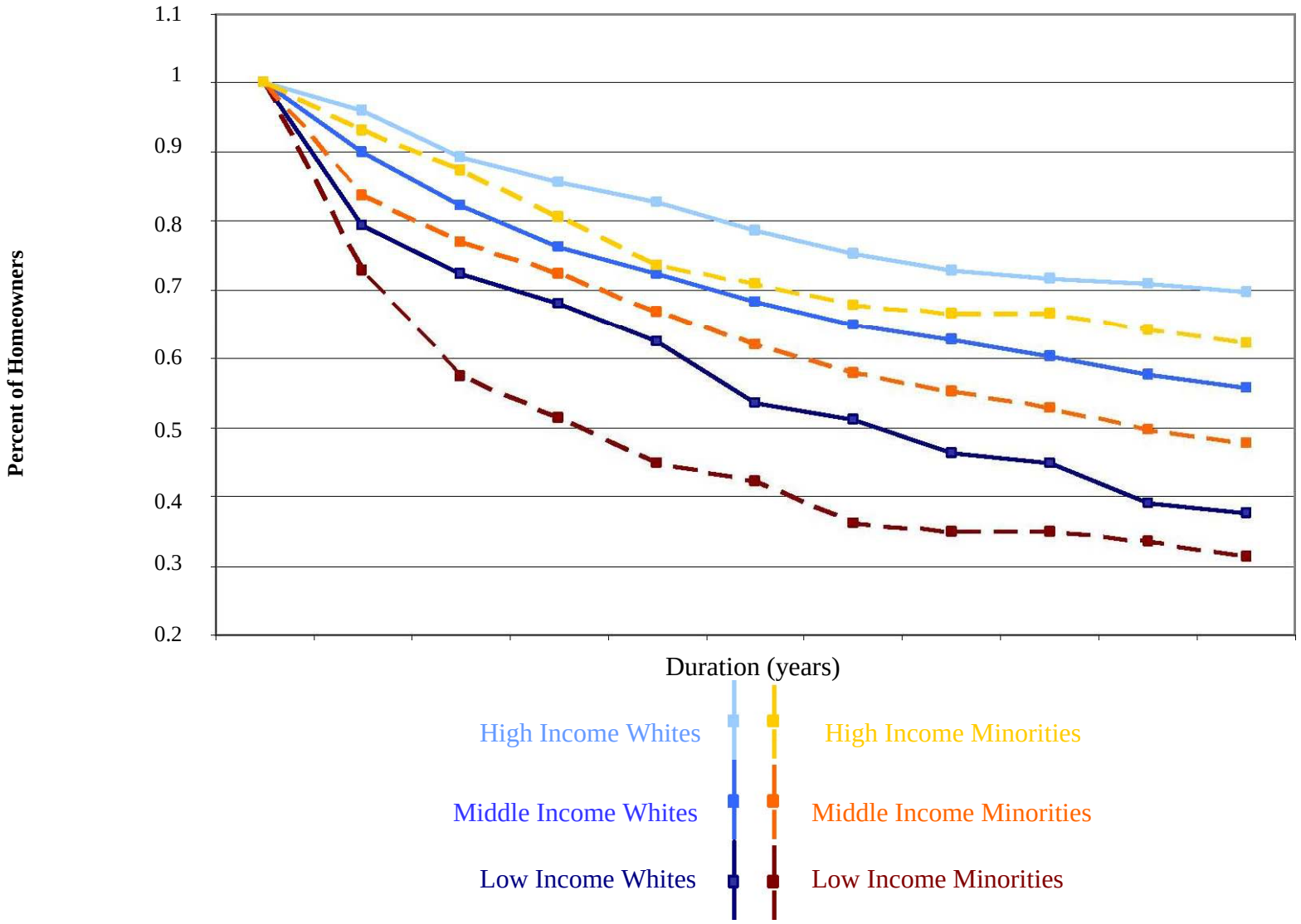

Figure 15: Survival Curves for Remaining a Homeowner by Race and Income Category

Figure 16 – Results of Discrete Time Logit Model, Return to Renting, All Households

	Low Income			Middle Income			High Income		
	Estimates	**Chi-Square**	**Odds Ratios**	**Estimates**	**Chi-Square**	**Odds Ratios**	**Estimates**	**Chi-Square**	**Odds Ratios**
Intercept	-1.1194**	14.22		-1.5919***	52.78		-2.8583***	43.17	
Household Characteristics									
Race	-0.3782^	3.52	0.7	-0.3839**	10.51	0.7	-0.4310^	4.34	0.7
Couple	-0.3287^	2.57	0.7	-0.9245***	44.84	0.4	-1.3028***	32.73	0.3
Under 30 Years of Age	0.3815^	3.32	1.5	0.4139**	10.64	1.5	0.7188**	32.73	0.3
High School Degree (or above)	-0.2761^	2.08	0.8	-0.4333**	10.17	0.6	0.3630	1.30	1.4
Life Events									
Unemployment	0.8040*	8.00	2.2	1.0264***	23.95	2.8	2.0404***	38.84	7.7
Divorce	2.2873***	42.23	9.8	2.3645***	140.76	10.6	1.4492***	22.39	4.3
Long Distance Move	1.6084***	31.24	8.0	2.4150***	344.40	11.2	2.2073***	122.45	9.1
Child Leaving Home	0.0181	0.00	1.0	0.7916***	17.38	2.2	1.3333***	20.88	3.8
Duration									
Duration	-0.3289*	10.03	0.7	-0.1779*	9.09	0.8	-0.0693	0.61	0.9
Duration Squared	0.0148	3.00	1.0	0.0064	1.88	1.0	0.0009	0.02	1.0
- 2 Log Likeihood									
Intercept Only	974.277			3592.522			1429.775		
Intercept and Covariates	789.891			2628.976			1064.083		
Degrees of freedom	10			10			10		
P-value	<.0001			<.0001			<.0001		

***Significant at .0001; **Significant at .01; ^Significant at .10

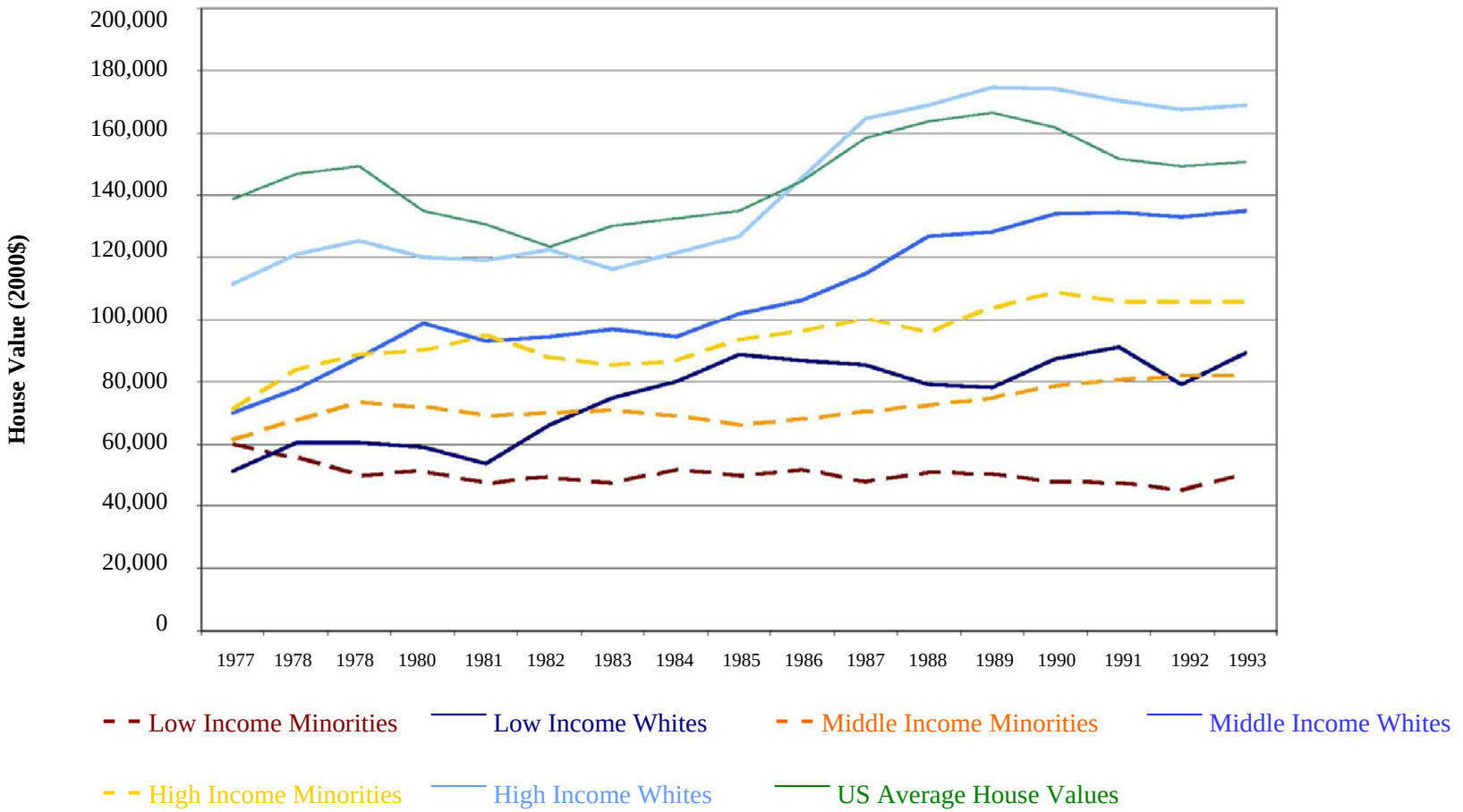

Figure 17: Increase in Homeowner House Values by Race and Income Category Year of Homeownership

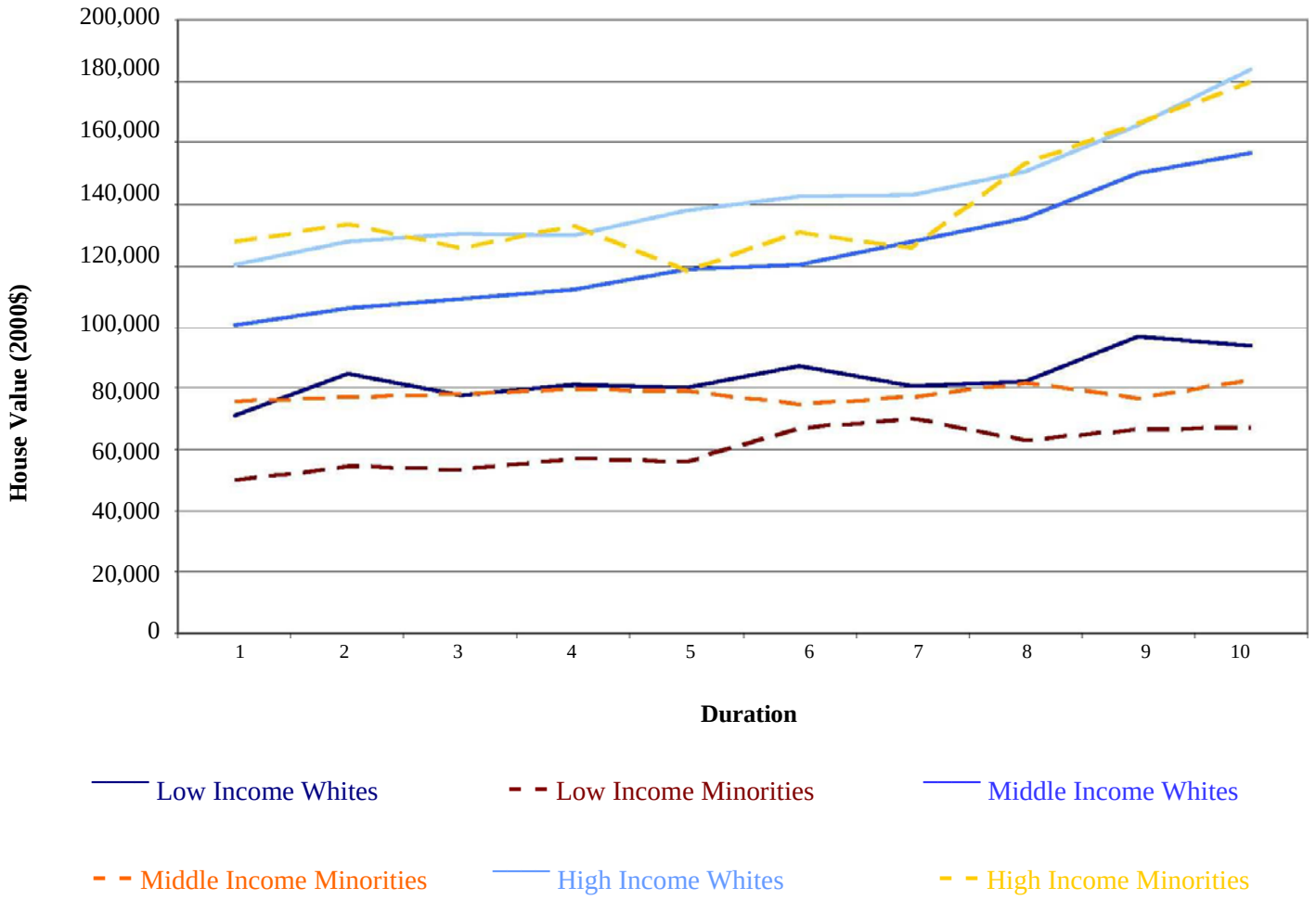

Figure 18: Increase in Homeowner House Values by Race and Income Category Duration of Homeownership

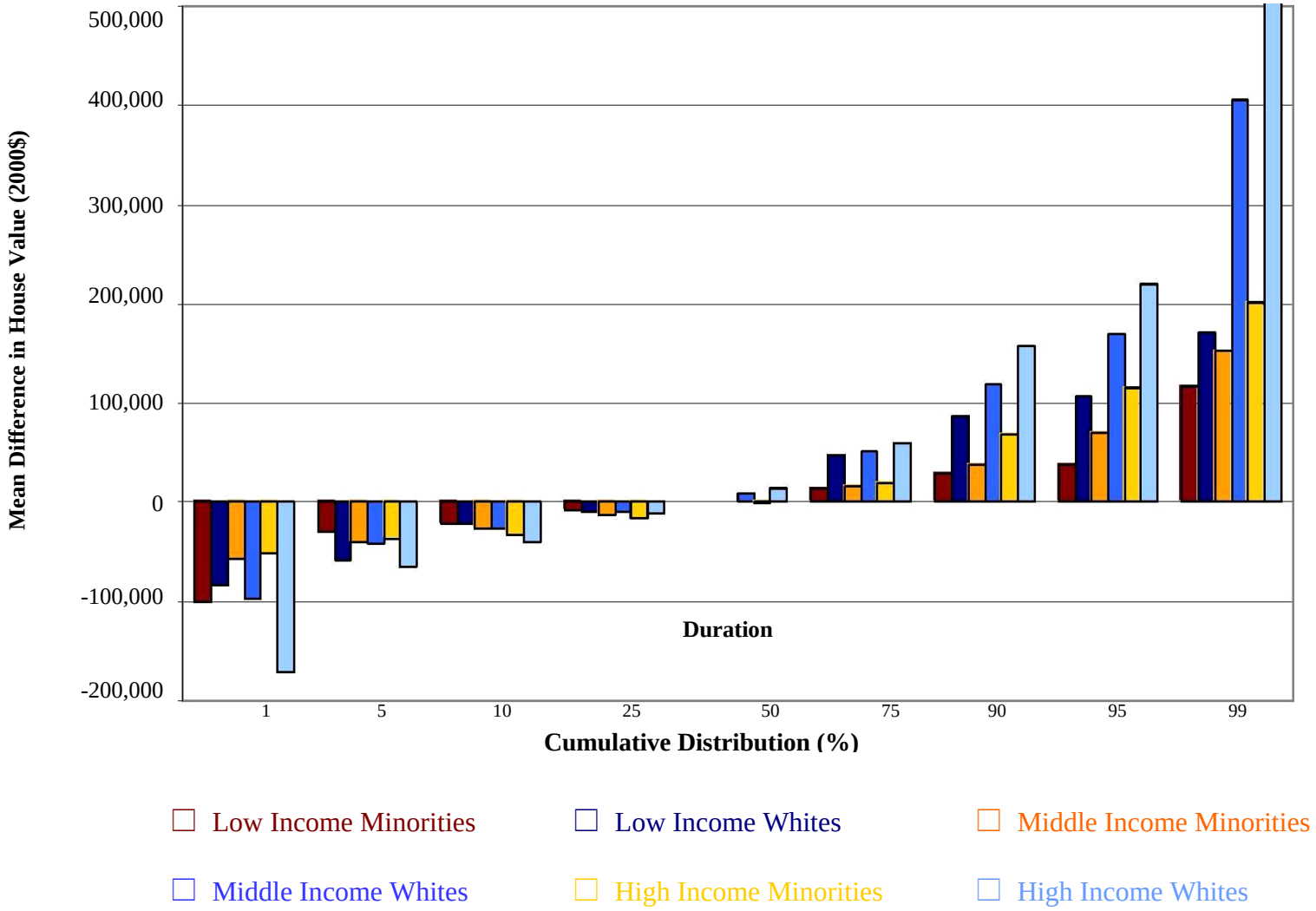

Figure 19: Mean Difference in Homeowner House Values Between First and Last Year in Sample, by Race and Income

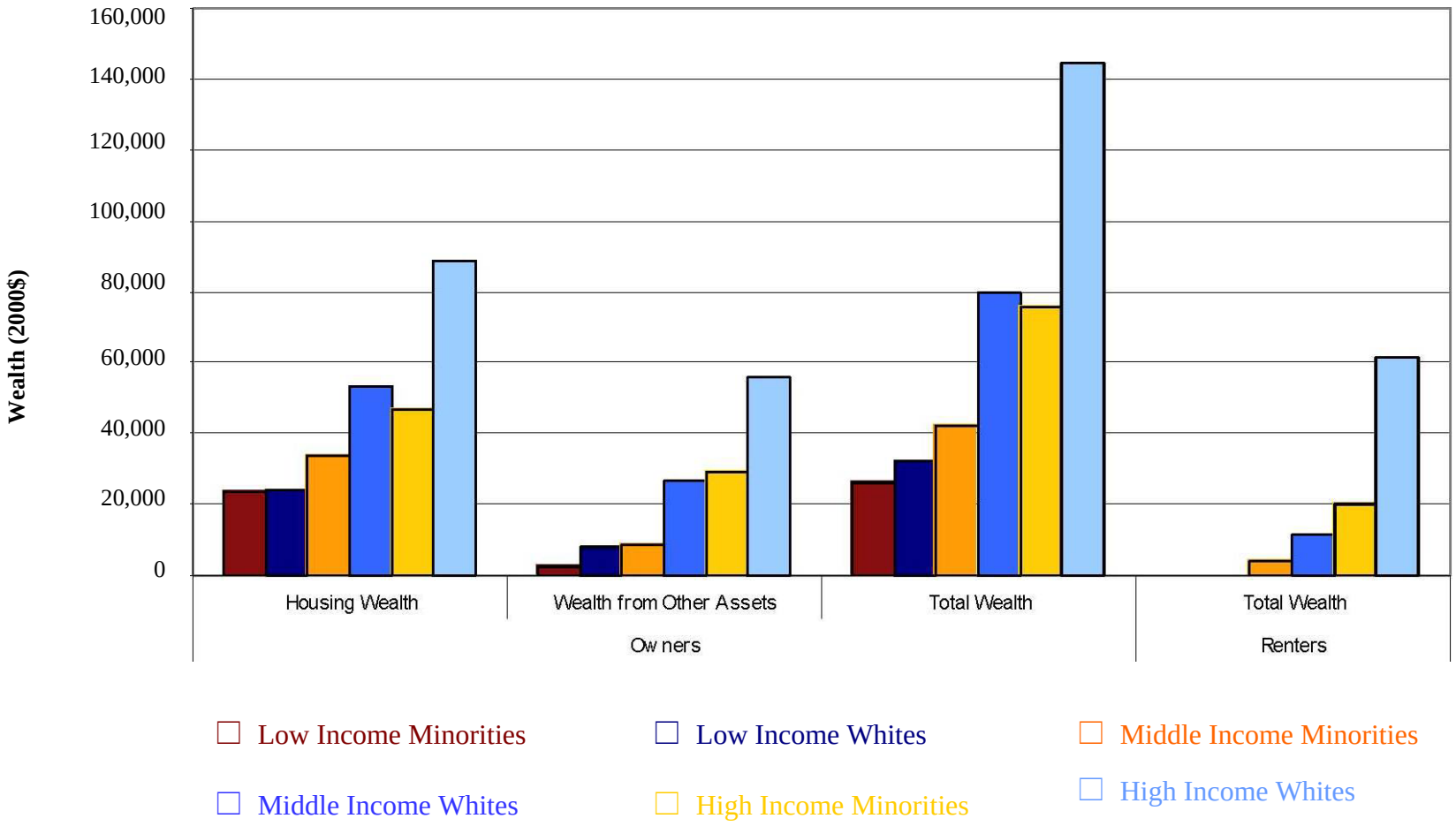

Figure 20: Differences in Household Wealth, Renters versus Owners, 1994

Figure 21 – Changes in Neighborhood Characteristics over the Period of Homeownership, White Households

	LOW-INCOME		MIDDLE-INCOME		HIGH-INCOME	
	Before	After	Before	After	Before	After
Neighborhood Demographics						
Percent Non-Latino Whites	86.4	82.6**	87.0	87.3	87.3	87.3
Percent Black	8.0	9.0	6.6	5.8	6.6	5.5
Percent Families with children w/female head	15.7	17.6	18.5	16.4	14.8	14.4
Percent Rural	32.7	31.9	25.0	27.1	20.7	22.9
Neighborhood Wealth						
Percent People in Poverty	11.3	12.3	11.7	9.8	9.8	8.8**
Percent Households with Welfare Income	7.1	7.5	6.3	5.7	6.3	5.3**
Median Household Income (2000$)	40,583	41,713	42,844	48,758**	43,529	53,697**
County Median Income (2000$)	41,143	43,122	42,016	43,811**	41,898	44,732**
Neighborhood Stability						
Percent Units Rental	27.2	29.1	29.4	27.3**	30.3	26.5**
Percent Housing Units Vacant	7.3	8.0**	7.4	7.8**	5.9	6.3
Percent 5 and Over in Same House	55.9	55.8	52.2	53.2	53.4	55.0
Neighborhood Services						
Percent Young Adult Dropouts	12.8	12.0	13.6	10.2	12.8	8.8**
Percent Commute Public Transit	4.1	3.2	5.1	2.9	6.4	3.8**
Percent Households with Car	10.3	9.8	9.0	7.6**	10.7	7.7**
Neighborhood Unemployment						
Adult Unemployment Rate (%)	6.8	7.2	7.3	5.3	6.0	5.1**
% in Professional or Managerial Jobs	23.1	24.0	29.4	30.7	27.1	32.3**
% Employed in County of Residence	71.7	71.5	73.4	73.5	71.7	73.2
Neighborhood Housing Costs						
Median Monthly Owner Costs w/Mortgage (2000$)	834	931	910	1,072**	877	1,162**
Median Monthly Rental Costs (2000$)	540	564	596	646**	604	702**
Median House Value (2000$)	106,867	114,513	121,548	134,867**	124,570	157,954**

** Indicates significant difference between the neighborhood before an dafter buying a house, at alpha=.01.

Figure 22 – Changes in Neighborhood Characteristics over the Period of Homeownership, Minority Households

	LOW-INCOME		MIDDLE-INCOME		HIGH-INCOME	
	Before	After	Before	After	Before	After
Neighborhood Demographics						
Percent Non-Latino Whites	39.1	37.9	42.8	43.0**	46.1	42.6
Percent Black	55.0	56.1	50.5	49.8	48.4	53.5
Percent Families with children w/female head	33.7	35.0	30.3	30.3	26.4	25.9
Percent Rural	17.0	19.6	16.9	17.5	17.1	17.6
Neighborhood Wealth						
Percent People in Poverty	23.0	22.9	19.6	19.0	16.9	15.5
Percent Households with Welfare Income	15.4	14.9	13.6	12.6	11.9	10.4
Median Household Income (2000$)	32,857	33,264	35,172	37,880	38,812	46,804
County Median Income (2000$)	39,694	40,206	38,563	39,057**	39,719	42,008**
Neighborhood Stability						
Percent Units Rental	38.9	36.3	35.7	35.6	36.7	30.1
Percent Housing Units Vacant	9.9	11.2	8.2	8.8	7.5	7.1
Percent 5 and Over in Same House	58.1	57.7	55.4	57.0**	54.9	58.1
Neighborhood Services						
Percent Young Adult Dropouts	17.0	15.0	15.7	14.0**	14.2	11.3**
Percent Commute Public Transit	12.5	11.1	10.5	8.9**	12.3	9.4
Percent Households with Car	22.8	20.8	18.8	17.2	17.9	14.7
Neighborhood Unemployment						
Adult Unemployment Rate (%)	9.8	10.0	9.3	8.8	8.1	7.8
% in Professional or Managerial Jobs	20.1	21.8	21.8	24.2	23.5	27.6**
% Employed in County of Residence	72.5	72.7	70.5	70.2	64.3	65.1**
Neighborhood Housing Costs						
Median Monthly Owner Costs w/Mortgage (2000$)	759	804	771	879**	846	1,013**
Median Monthly Rental Costs (2000$)	492	487	540	567	552	621**
Median House Value (2000$)	84,204	86,105	89,039	95,206	108,834	116,486

** Indicates significant difference between the neighborhoods before and after buying a house, at alpha=.01.