

# THE SOCIAL BENEFITS AND COSTS OF HOMEOWNERSHIP

A CRITICAL ASSESSMENT OF THE RESEARCH



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WORKING PAPER No. 00-01

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*A Critical Assessment of the Research*

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Working Paper No. 00-01

May 2000

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ISSN – 1530-0102

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1919 Pennsylvania Ave., Suite 775, N.W. Washington, D.C. 20006

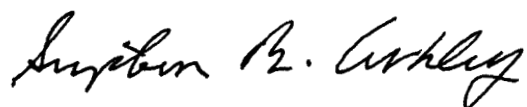
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## FOREWORD

The introduction of the Working Paper series creates a new vehicle for publishing research and analysis funded by the Research Institute for Housing America (RIHA). The Mortgage Bankers Association of America (MBAA) launched RIHA in 1998 to develop new knowledge and data that could be used to expand housing opportunity for all Americans, particularly underrepresented minorities, low-income families, and immigrants. The Institute's research aims at identifying ways to eradicate lending and housing discrimination; making recommendations for improvements to existing mortgage practice that will better reach underserved populations and communities; and provides analysis of the costs and benefits of homeownership and rental housing.

MBAA has a long tradition of supporting initiatives in both the public and private sectors that address affordable, safe and decent housing for all Americans. In 1994, MBAA put its members and the mortgage banking industry at the forefront of the national debate on the challenge created by disparities in loan approvals and homeownership rates. These policy and practice discussions, which involved the Congress, the Department of Justice and the Department of Housing and Urban Development, provided the catalyst for creating the Institute. MBAA recognized that knowledge created through objective research could be harnessed to open more doors for housing opportunity and access to the American dream. RIHA's mission is formed on this fundamental rationale.

As the inaugural report of the Working Paper series, these publications feature cutting-edge scholarly and business research, developed to advance knowledge on expanding housing opportunity and choice, particularly for underserved populations and communities. The series complements RIHA's Institute Reports, which translate research findings into practical knowledge and information on how to improve mortgage market practices. It is the hope of the Executive Committee of the Institute that the value of its work will be self-evident and that our enthusiasm will be shared.



**Stephen B. Ashley**  
*Chair, Executive Committee*  
*Research Institute for Housing America*

## **EXECUTIVE SUMMARY: THE INSTITUTE PERSPECTIVE**

A large part of the American dream is to own a home and a piece of land to call your own. Historically, homeowners needed to enter the middle class before they could afford a house. In recent years, the growth of low downpayment and flexible underwriting standards has begun extending the mortgage market and, as a result, homeownership into new segments of the population.

The outgoing Clinton administration has played an important role by publicizing and setting high goals for homeownership rates. These goals explicitly assume that homeowners do better in terms of financial and social outcomes than renters. In fact, homeownership is also thought of as a strategy to stabilize deteriorating or dangerous neighborhoods.

This paper demonstrates that homeownership does have positive social impacts. Researchers have found homeowners are more satisfied, are more likely to participate in voluntary and political activities, and are more committed to their neighborhoods. But the evidence for the social benefits of homeownership are not as conclusive as often presented in public dialogue and debate. Much of the evidence supporting these findings does not carefully separate the effects of owning a home from the impact of earning more or having more education. Not controlling for these two influences may overstate the social benefits of homeownership.

This paper also points out that insufficient attention has been paid to potential social costs associated with homeownership, particularly for lower-income households. Researchers have shown that households that own a home are less mobile than renters. Reduced mobility makes it more difficult for a household to move in search of better employment opportunities. Furthermore, if a household experiences a long-term job loss or unexpected medical costs, they may not be able to pay the bills. While breaking a lease on rental unit is problematic, the stress and trauma caused by defaulting on a mortgage is much more serious.

Under the right circumstances, homeownership appears to have very positive social effects. Future research must clarify, however, how and when these effects are independently produced by homeownership. Studies must disentangle the effects of homeownership from the impact of income and education. A better understanding is also needed on the social costs of default and the loss of mobility. Given the reality that the benefits of ownership do not accrue evenly to everyone, research must better define the circumstances under which homeownership produces real social benefits.

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# THE SOCIAL BENEFITS AND COSTS OF HOMEOWNERSHIP

*A Critical Assessment of the Research*

## I: INTRODUCTION

Homeownership is often thought to be essential to achieve the American Dream. Living in a single-family, owner-occupied dwelling unit is central to the conception that most Americans have of a secure and successful life. Study after study has found that a large proportion of Americans would rather own than rent a home. In a recent national survey, for example, 86 percent of all respondents felt that people are better off owning than renting a home, and 74 percent believe that people should purchase a home as soon as they can afford it, regardless of their marital status or whether they had children in the household. Of the renters surveyed, 67 percent said they rent because they are unable to afford to own, while 26 percent said it was a matter of choice. Moreover, a full 57 percent of renters said that buying a home is a very important priority in their lives (Fannie Mae 1994).

### **Recent Trends in Homeownership**

Interest in homeownership among Americans has been encouraged and supported by a variety of federal programs and policies. Historically, the federal tax code has provided generous tax benefits to homeowners through the mortgage interest deduction. In addition, a variety of Federal Housing Administration (FHA) programs have expanded access to and provided below-market interest rate mortgage loans for millions of Americans. Most recently, in 1997, the Clinton administration unveiled the National Homeownership Strategy with its stated goal of 67.5 percent homeownership by the year 2001. Several other major federal initiatives, like the Neighborhood Reinvestment Corporation's NeighborWorks® Campaign for Homeownership, Fannie Mae's Trillion Dollar Commitment and the Ford Foundation's \$50 million commitment to establishing secondary market for affordable mortgages, are illustrative of the depth and breadth of the commitment to increasing homeownership rates.

The federal commitment to and subsidy of homeownership has often been justified by claims that it has a variety of benefits both to individuals and to the society as a whole. These claims can be broken down in to two types of impacts, social and economic. In this paper, we will look exclusively at arguments for the social benefits. Economic impacts are addressed in a companion report titled, "The Economic Costs and Benefits of Homeownership."



The introduction to the National Homeownership Strategy includes the following passages:

Homeownership is a commitment to strengthening families and good citizenship. Homeownership enables people to have greater control and exercise more responsibility over their living environment.

Homeownership is a commitment to community. Homeownership helps stabilize neighborhoods and strengthen communities. It creates important local and individual incentives for maintaining and improving private property and public spaces.

What evidence is there for these claims? Are they based on “conventional wisdom” or sound empirical research? How about the costs of homeownership? Is there a downside to homeownership that is ignored in the rush to support homeownership?

## **Purposes of the Report**

In this report we seek to accomplish several objectives. First, we provide a comprehensive and critical review of the literature on the purported social impacts of homeownership, including its impacts on self-esteem, perceived control, life satisfaction, residential satisfaction, health, socially desirable behaviors, neighborhood stability, and participation in voluntary and political organizations and activities. In reviewing the research literature on these topics we assess the strength of the research methods employed in each study to help us develop and present our own assessment of the overall strength of the research evidence.

A second purpose is to present a balanced view of both the potential benefits and potential costs of homeownership. Much of the writing and research on homeownership has focused on the positive impacts of homeownership while ignoring the possible risks. Not all homeowners, for example, are able to keep up with their mortgage payments or can afford to adequately maintain their homes. Here we consider the downside as well as the upside of homeownership. In acknowledging and developing a better understanding of this downside, perhaps its consequences can be minimized. To the extent possible, we identify the conditions under which these potential benefits and costs are realized. Outcomes may differ depending on the type of housing purchased, the location of that housing, the characteristics the buyers or the characteristics of the financing.

The final purpose of this report is to develop an agenda for future research on the benefits and costs of homeownership. We develop both general recommendations for the design of future research, as well as identify more specific research topics that deserve additional attention.

## **Organization of the Report**

This report is one of two Institute for Housing America reports examining the various benefits and costs of homeownership. In this report, we examine the social impacts of homeownership, while in its companion report, we examine the economic impacts. Before examining each social impact individually, we consider the differences between homeowners and renters and then summarize the attributes of homeownership that are thought to result in the various social outcomes. Within each type of impact, we distinguish between impacts on individuals and impacts on society. Each of the subsequent section reviews the research literature on both the benefits and costs, first to individuals, and then to society as a whole.

Each section begins with a summary of the full set of relevant benefits and costs that have been associated with homeownership. Then each of these is discussed in turn. In these discussions, the theory or logic behind the potential benefit or cost is presented, followed by a critical review of the empirical research on each of the purported benefits and costs. In this review we pay special attention to the conditions under which particular benefits and costs have been found. Finally, we conclude our review with our assessment of the overall weight of the evidence for each of the benefits and costs discussed and the need for additional research on the topic. The final section of this report presents a summary of the research findings and recommendations for future research.

## **II: HOMEOWNERS AND RENTERS**

To understand the mechanisms by which homeownership confers benefits or costs on owners, we must first understand how homeowners and renters are different, as well as how the qualities of homeownership differ from those of rentership. In this section we examine the social characteristics of homeowners—who becomes a homeowner and under what circumstances. We then look at how owning one's home is different from renting, suggesting how these differences might affect the experiences of homeowners and their communities.

### **Determinants of Homeownership**

Understanding who becomes a homeowner theoretically permits us to isolate the impacts of homeownership, since the potential is great for a spurious relationship between homeownership and its purported impacts. In other words, many of the same characteristics that lead an individual to become a homeowner may also be responsible for the observed social outcomes.

Carliner (1973) identifies four factors underlying the decision of a household to own or rent:

- household income;
- relative price of rental and owner-occupied housing;
- stability of the household's demand for housing; and
- type of housing desired.

Each of these factors connotes various social characteristics of homeowners. Each is discussed in turn.

Higher income households are more likely to own, not because owner-occupied housing is necessarily more expensive, but because as incomes rise, the tax advantages of investment in owner-occupied housing over other forms of investment also rises. Additional obstacles to low-income families' attempts to buy may exist, such as difficulty saving for a down payment or qualifying for a mortgage; however, these problems are being addressed more and more successfully by both the public and private sectors. Households with higher incomes are more likely than not to be older, have higher levels of education, and be white. Further, married households are also more likely to have higher incomes, since marriage seems to confer a greater financial responsibility on the head of household.

The relative price of rental and owner-occupied housing are functions of the household's income and are subject to income tax rates and mortgage terms. In addition to the characteristics that contribute to household income, geographic location is related to the price of housing. Large urban populations are more likely to have higher land prices and a lower percentage of units available for ownership. Thus, families living in small communities are more likely to be homeowners.

The stability of a household's demand for housing determines whether it is likely to buy or rent. The more frequently a household expects to move, the less likely it is to buy (Carliner 1973; Boehm 1981). Mobility expectations are largely determined by age and marital status. Older, married people who have families and stable jobs are likely to want to own, while younger, single or childless households will likely rent in anticipation of changes in their status.

Finally, a household's preference for housing type will affect whether the household chooses to rent or own. The most critical factor when determining housing preference is household composition. Simply put, larger households prefer single-family units (houses) to multifamily units. Further, larger households almost always include children. Thus, childless households will more often prefer apartments, while households with children will prefer single-family homes, which are more likely than not to be owner-occupied. Again, age and marital status contribute to the likelihood that a household will have

children. However, it should be noted that households whose children are grown and have left the house infrequently give up ownership in favor of renting.

We have seen that age, marital status, income, and family composition are the most salient predictors of who will be a homeowner and who will not. However, these do not immediately account for differences between homeownership rates for minorities, which, according to recent censuses, are consistently lower than those for whites. Several researchers have examined why homeownership rates are lower for most minority groups than they are for whites. Carliner (1973) notes several reasons for the relatively low homeownership rates among the black population. First, black household heads are somewhat younger than white heads. Second, blacks have traditionally been more likely to live in urban areas, where homeownership rates are lower. Third, a relatively large percentage of black households are headed by unmarried women, who are less likely to own. Finally, a large portion of the variance is explained by the differences in average income between blacks and whites. Carliner analyzes 1970 Census data to show that, even when all these differences are accounted for, a disparity still exists. Most researchers attribute this remaining disparity to racial discrimination in the housing and credit markets (Carliner 1973; Downs 1973; Molotch 1972; Farley and Allen 1987; Galster and Keeney 1988).

In a study of disparities in homeownership among blacks, Hispanics, and Asians, Rosenbaum (1996) reports that each of these minority groups is less likely than whites to own their own home, after accounting for housing unit quality, family composition, and socioeconomic resources. In an analysis of local data for the New York City area from the American Housing Survey and the NYC Housing and Vacancy Survey, she attributes the differences in homeownership rates to sorting (i.e., discriminatory) processes that deter minority households from white, owner-occupied neighborhoods. While Rosenbaum acknowledges the possibility of immigrant effects, she does not explicitly test for them, as Coulson (1999) does.

Having observed the lower rates of homeownership among Hispanic- and Asian-American households, Coulson (1999) uses 1996 Current Population Survey data to investigate the impact of immigrant characteristics (language and family compositional differences). He determined that while being an immigrant significantly reduces the probability of being a homeowner, this effect dissipates over time. Further, he reports that the lower homeownership rates are significantly affected by the relatively younger age of immigrant households as well as their propensity to live in areas where it is cheaper to rent than to buy the same house.

All of these findings support the common knowledge that homeowners are more likely to be white, be older, be married, have children, and have higher income and its related higher educational and occupational attainment. These quite common characteristics may also have a plethora of other impacts on the social outcomes of the household. Consequently, when considering the independent effects of

homeownership it is critical to control for those characteristics that predispose a household to ownership. Further, controlling for housing conditions is also important, as we see in the next section.

### **Owner-Occupied Homes**

Because homeowners differ from renters, the qualities of the homes they purchase may differ from the units that are occupied by renters. Homeowners are thought to value housing and housing amenities more highly than renters; consequently, they purchase higher quality units. To keep their homes from filtering downward, owners incur higher maintenance costs and are often compelled to improve their dwellings more frequently than renters or their landlords. Because houses are both consumption and investment goods, owners reap the benefits of better housing services delivered on a regular basis as well as the return (or loss) on their housing investments.

Homeowners typically live in larger units, of higher quality, with more amenities than renters. According to the 1995 American Housing Survey, the median owner-occupied dwelling had 6.2 rooms with 1,814 square feet of living space compared with 4.2 rooms and 1,270 square feet for rental units. Two-thirds of owner-occupied units had more than one bathroom while three-quarters of rental units had one or fewer baths. Owner-occupied units are 50 percent more likely to have a porch, deck, or patio; twice as likely to have a separate living or dining room; three times as likely to have a working fireplace; twice as likely to have a washer and dryer; and twice as likely to have a garage or carport. Renters are twice as likely to suffer from rodents; holes in walls, ceilings, and floors; wiring deficiencies; and water leaks. Further, they are three times more likely to live in crowded conditions.

The relative superiority of owner-occupied housing to rental units suggests that housing quality may be an important factor contributing to outcomes associated with homeownership, particularly those related to satisfaction and health. It is easy to hypothesize that residential satisfaction, for example, is a direct result of moving into a bigger or nicer house, and not from homeownership per se. Thus housing conditions become important controls in research on the impacts of homeownership. In the next section we explore the mechanisms by which homeownership, rather than the social characteristics of the owners, or the physical characteristics of the house, might affect social outcomes.

### **Owning Versus Renting**

Owning one's home brings with it both freedom and responsibility not available from renting. Figure 1 identifies some of the attributes that distinguish ownership from rentership and suggests how these variables might influence the social impacts associated with homeownership.<sup>1</sup> By implying a connection between the positive

impacts on the left side of the figure to negative impacts on the right side, the figure further suggests that the same mechanisms that lead to benefits for some buyers may have negative impacts on other buyers. While each of the impacts will be discussed in much greater detail in the subsequent section, in the following paragraphs we describe how these mechanisms might operate.

**Figure 1. Potential Impacts of Homeownership**

The high transaction costs that are associated with ownership encourage owners to minimize residential mobility. While we know that people who buy homes already expect to stay put, the high transaction costs may have an additional and independent effect on mobility. On one hand, this decreased residential mobility contributes to neighborhood stability, which in turn may enhance neighborhood health and increase property values. However, it may also trap residents in distressed or deteriorating neighborhoods and diminish labor mobility.

Similarly, because homes have both an exchange and a use value, owners may be more likely to invest time and money in their homes. This in turn may lead to increased civic or political involvement with the intention of protecting their property interests. However, in some instances, such increased political activity may be aimed at preventing the entrance of households neighbors find threatening, like minority families. Further, interest in protecting the quality and value of neighborhood properties may cause parents and their neighbors to actively promote socially desirable

behaviors among both neighborhood youth and adults. These behaviors might include youth employment, levels of educational attainment and a reduction in teenage pregnancy, drug use, and crime. Again however, the stability and family composition of most homeowners may predispose them to facilitate such behaviors—homeownership may not have an independent effect.

Homeowners have greater control over their property. Owners do not depend on the decisions of landlords concerning rent increases or lease renewals. In addition, they are better able to control access to their homes as rental units are subject to inspection by landlords. Finally, homeowners are free to customize their homes to suit their needs and tastes. Such greater control may have a variety of outcomes—it may improve the owner's sense of self-efficacy or increase his or her satisfaction with home and life in general. While greater control seems unlikely to have any negative outcomes, the emotional or financial burden associated with home maintenance or repair, for example, might cause some psychological distress to homeowners, which may in turn have physical ramifications.

The financial stake most homeowners have in their houses is substantial. For middle- or upper-income households, investment in housing is likely to have considerable financial benefits in the form of equity and tax advantages. In good economic times and in stable or improving residential areas, investment in housing can provide a solid return. These economic benefits are likely to have positive effects on psychological and physical health, as well as satisfaction with both home and life. However, mortgage indebtedness may also be a source of stress, particularly for households on the edge of financial stability. An unexpected injury, change in marital status, or job loss might quickly result in mortgage default. Further, for such households, the tax and equity advantages of owning are somewhat less, and the probability of receiving a good return on the investment is lower, since the units that are available to such households are more likely to be of lower quality or located in declining neighborhoods. Such economic strain may cause considerable emotional strain.

Due to the tax benefits associated with homeownership, in many cases, households can pay less for a home by buying than they would by renting the same unit. Such lower costs for comparable quality may be a source of satisfaction to homeowners. However, this purported advantage may be overstated, particularly for lower-income buyers and buyers of older homes. Most lower-income buyers do not benefit from the mortgage interest deduction since their itemized deductions do not exceed the standard deduction. Moreover, older homes are likely to require a greater investment in upkeep and repair than might have been anticipated. Older homes also tend to be in declining neighborhoods and may not appreciate in value as their buyers expect.

Finally, homeownership is characterized by loan qualification and sales processes that can consume considerable amounts of time and energy. Many view these processes almost as rites of passage for homeowners. Thus they may be character-building, leading to increased levels of life satisfaction, satisfaction with one's purchase, and greater levels

of self-esteem and self-efficacy. On the other hand, they may be humiliating, especially for lower-income households that may have to go to greater lengths to qualify for a loan, for example, being required to undergo credit counseling or identify a coborrower. Further, the sales process may be one in which the buyer comes to realize that he or she will not be able to afford the "house of his or her dreams" or to locate in a desirable neighborhood. These realizations may cause frustration and stress to the buyer, leading to lower levels of self-esteem or dissatisfaction with the purchase.

The mechanisms by which homeownership may lead to social outcomes are complex and may involve a variety of direct and indirect effects. The following sections present a critical review of the empirical research on each of the purported benefits and costs, as well as the theory or justification behind it.

### **III: INDIVIDUAL SOCIAL IMPACTS**

In this section we examine assertions that homeownership engenders healthier and happier individuals. Personal investment in home and neighborhood are thought to lead to improved levels of social, psychological, emotional, and financial health. However, it is not clear that these outcomes can be causally related to homeownership. As we will see, the research literature on many of these topics is sparse and much leaves something to be desired methodologically. Moreover, there is research that suggests that, under certain circumstances, homeownership has negative impacts on psychological and physical health.

#### **Homeownership and Satisfaction**

##### ***The Theory***

Given the social and economic benefits often attributed to homeownership, it might be expected to have a positive impact on a person's overall satisfaction. In this section, we examine two different kinds of satisfaction: life satisfaction and residential satisfaction. The concept of life satisfaction is defined as a person's level of contentment with all aspects of his or her life (Campbell 1976; Fernandez and Kulik 1981). Residential satisfaction is more narrowly defined as being satisfied with both the housing unit and the surrounding neighborhood (Rohe and Stewart 1996).

Homeownership may contribute to life satisfaction in a number of ways. First, buying a home is an important goal for many Americans. Recent surveys commissioned by the Fannie Mae Foundation indicate that very large percentages of both homeowners and renters believe homeownership is a very important life goal (Fannie Mae 1998, 1999).



In American society, buying a home is a rite of passage symbolizing that a person has achieved a certain economic status. Thus, attaining this goal should increase an individual's satisfaction with his or her life.

Second, many homeowners find satisfaction in both maintaining and improving their homes (Saunders 1990). Although they may complain about it at times, many people find home maintenance and repair to be satisfying and rewarding activities. Renters are less inclined to engage in these activities since they will not reap the economic benefits of improvements upon leaving their units and since they are less attached to their units (Austin and Baba 1990; Galster 1987; Saunders 1990). As Saunders comments, "[o]wners experience greater freedom in expressing choice over where they live and they experience greater control over their living space. In many cases, they [homeowners] desire a high level of satisfaction from working on their homes, whereas many tenants feel unwilling or unable to perform such labor on a house which they constantly remember is not their own" (p. 302). The greater control that owners generally have over their dwelling units may directly improve residential satisfaction. Galster (1987) argues that "homeowners are presumed to maintain or alter their homes in such a way that their perceived well-being is maximized, balancing both immediate and future considerations."

Third, as mentioned above, compared to renters, homeowners have greater latitude in customizing units to suit their own tastes. Thus, their living environments are likely to better support their styles of life and this should increase their satisfaction with both the residence and life in general (Galster 1987). Finally, homeowners are more likely to have accumulated additional wealth through a combination of mortgage amortization and home price appreciation, and this may contribute to their satisfaction with life.

Again, these processes assume that the homeownership experience is a positive one. If the homeowner is faced with major unexpected problems with the home or the surrounding neighborhood, or the value of the home depreciates, homeownership might be expected to decrease satisfaction.

### ***The Evidence***

***Homeownership and Life Satisfaction***—The limited research evidence on the relationship between homeownership and life satisfaction tends to support a positive association. Rossi and Weber (1996) report a positive relationship between homeownership and both self-satisfaction and happiness in an analysis using a National Survey of Families and Households. They found no significant relationship between homeownership and happiness, however, in an analysis of data from the General Social Survey. Control variables used in this study were confined to age and socioeconomic status so, as the authors acknowledge, other unobserved variables could account for this association.

In a longitudinal study, Rohe and his colleagues surveyed both a group of home buyers and a comparison group of continuing renters in Baltimore. After one and one-half

years the home buyers were found to have experienced a statistically significant increase in their ratings of life satisfaction (Rohe and Stegman 1994a). Moreover, based on a second follow-up survey, homeowners still reported higher ratings of life satisfaction three years after purchasing their homes (Rohe and Basolo 1997). These results were found in spite of the purchased units being in relatively less desirable neighborhoods.

***Homeownership and Residential Satisfaction***—The research done on the determinants of residential satisfaction consistently finds that homeowners are more satisfied with their dwelling units, even after controlling for the influences of household, dwelling unit, and neighborhood characteristics (Danes and Morris 1986; Kinsey and Lane 1983; Lam 1985; Morris, Crull, and Winter 1976; and Varady 1983). In one of the stronger studies on this topic, Lam (1985) analyzed survey data from a large national sample of adults. He constructed a housing satisfaction measure based on four survey items that, based on factor analysis, seemed to be measuring the same underlying construct. After controlling for a host of demographic, housing unit, and neighborhood characteristics using OLS regression procedures, he found homeowners to be substantially more satisfied with their homes than renters.

In a study of homeowners in Wooster, Ohio, and Minneapolis, Minnesota, however, Galster (1987) finds that the level of residential satisfaction is determined by characteristics of the individuals, the housing unit, and the surrounding neighborhood. Galster suggests that a number of homeowners “appear to translate similar residential contexts into quite different degrees of residential satisfaction.” Homeowners in later stages of the life-cycle, for example, tended to be more satisfied with their living situation regardless of the characteristics of the unit or neighborhood. The adequacy of interior space and plumbing facilities (measured by rooms per person and bathrooms per person) were also highly related to the level of residential satisfaction. Satisfaction levels were also found to be higher among those owning newer units. Finally, measures of the physical and socioeconomic status of the neighborhood proved to be strong predictors of neighborhood satisfaction. Other studies on this topic tend to find similar results (Danes and Morris 1986; Kinsey and Lane 1983; and Lane and Kinsey 1980).

### ***Overall Assessment***

Although there is not a great need for additional research on this topic, future studies might delve deeper into the specific explanations for why homeowners are more satisfied. At this point, the basic relationship is well established, but we are still inferring the reasons for this relationship. A comparison of different types of ownership, such as condominium, cooperative, community land trust, and fee simple, may provide additional insights on this issue. Each of those types of ownership confers a different set of benefits, and those differences may result in differing levels of satisfaction.

## **Homeownership and Psychological Health**

This section assesses the claims that homeownership has a variety of positive impacts on psychological health. Not unlike the mechanisms that are thought to lead to residential and life satisfaction, some have argued that the social status and personal freedom associated with homeownership leads to higher levels of self-esteem and perceived control over life. Others have argued that homeownership contributes to both psychological and physical health as homeowners have additional assets that they can use to pay for improved health care and additional security of tenure that results in a less stressful life.

### ***The Theory***

Several scholars have argued that homeownership leads to enhanced self-esteem and an overall sense of psychological well-being. Rakoff (1977), for example, argues that the house "is seen as an indicator of personal status and success, both one's own and others" (p. 93). Similarly, Cooper (1974) argues that "the house as a symbol of self is deeply ingrained in the American ethos." Houses, she argues, are a reflection of how people see themselves. Homeownership has come to be associated with personal competence and success.

Coopersmith (1967) defines self-esteem as an individual's personal judgment of his or her own worthiness. Based on Rosenberg's principles of self-esteem, Rohe and Stegman (1994a) suggest three distinct mechanisms by which homeownership can contribute to a person's self-esteem. First, self-esteem may be influenced by how he or she is viewed by others. If others hold a person in high regard, that person's self-esteem is likely to be higher. Given that homeowners are afforded higher social status in American society (Doling and Stafford 1989, Dreier 1982, Marcuse 1975, Perin 1977), they are likely to internalize this status in the form of higher self-esteem.

Second, self-esteem may be influenced by how individuals see themselves as compared with others. If they see themselves doing better than those around them, they are likely to have higher levels of self-esteem. Homeowners may take their housing tenure as an indication that they are doing better than many, particularly renters. This self-perception may be particularly true for lower-income persons whose acquaintances are more likely to be renters.

Third, self-esteem may be influenced by self-assessments of their own actions and their outcomes. People who are successful in accomplishing their goals see this as evidence of their own competence. Since homeownership is a goal for an overwhelming majority of Americans (Fannie Mae 1998, 1999, Tremblay et al. 1980), having achieved it may contribute to greater self-esteem. Clark (1997), for example, suggests that the major accomplishment of purchasing one's own home should lead to higher self-efficacy. He writes, "[i]f a person has gone through the often difficult act of purchasing a home and survived the typical scrutiny that accompanies this process, the self-efficacy should increase with the completion of the purchase of a home . . ." (p. 35).

Self-efficacy, sometimes referred to as perceived control, refers to an individual's belief that he or she is largely in command of important life events rather than being subject to fate or to the will of others. In addition to improving self-efficacy simply by accomplishing the purchase of a home, homeowners, it is argued, have more actual control over important aspects of everyday life when compared to renters. Owners are not, for example, dependent on the decisions of landlords concerning rent increases or lease renewals. In addition, homeowners are better able to control entry to their units. They are not subject to inspections by landlords. Finally, homeowners are free to make modifications to the units to suit their needs and tastes. This enhanced control over their homes, the argument goes, may positively impact the more general sense of perceived control over life events, thus leading to greater psychological and physical health. Saunders (1978), for example, suggests that "property does function in important ways as a means of maintaining control over one's personal world . . ." (p. 220).

There is also a counter argument, however, that suggests that homeowners, particularly lower income homeowners, do not have as much actual control as some have claimed. In reality, the incomes of lower-income homeowners tend to be variable, making it difficult for them to meet monthly mortgage payments, and their savings are often meager. The lack of financial stability characteristic of lower-income households puts them at risk of losing their homes due to mortgage foreclosure. The impact of homeownership could be negative if a person is unable to pay the mortgage and is forced from his or her home. It may also be negative if the house they buy is found to have major problems or if they do not have sufficient incomes to maintain their homes at an acceptable level. Under those circumstances, the experience of homeownership may have a decidedly negative impact on a person's psychological health.

Being forced out of one's home is a particularly traumatic experience that may take a toll on one's psychological health. Given that owners may stand to lose their equity in a foreclosure and that foreclosure can be a traumatic experience, low-income homeowners may actually feel less in control of their living situations than do low-income renters (Doling and Stafford 1989; Hoffmann and Heistler 1988). Others have argued that homeownership may tie low-income people to declining areas where the number of good jobs is dwindling, and therefore this may also erode their perceived control over life events (Lauria 1976).

### ***The Evidence***

Although far from conclusive, the weight of the relatively scant empirical evidence supports the idea that homeownership may contribute to a person's self-esteem. Out of the five studies reviewed, four provided a limited amount of evidence for a positive association between homeownership and self-esteem. While several studies have found that home buyers report higher levels of self-esteem, one of the strongest studies on this topic found that buying a home had

no significant impact on self-esteem, suggesting that such a positive relationship may need to be qualified.

Studies reporting a positive relationship between homeownership and self-esteem include both qualitative and quantitative studies. Based on focus groups conducted by Balfour and Smith (1996) as part of a case study of a lease purchase program sponsored by the Cleveland Housing Network, the authors conclude that "[t]he opportunity to secure low cost housing and to work toward homeownership elevate [the individual's] status in society and contributes to personal security and self-esteem." In a second qualitative study based on in-depth interviews with a nonrandom sample, Rakoff (1977) suggests, "people spoke of the self-judging they went through, seeing evidence of their own success or failure in life in the quality or spaciousness of their houses, in their ability or inability to 'move up' to better houses periodically, or even in the mere fact of owning some property of a house" (p. 93).

In analyzing survey data from the National Survey of Families and Households, Rossi and Weber (1996) report that homeowners were more likely to agree to the statement, "I do things as well as anyone," a question that is meant to assess a person's self-esteem. We know, however, that homeowners are likely to be different from renters in a variety of ways. Homeowners are likely to have higher incomes, education levels, and occupational statuses. They are also more likely to be older and married with children. These variations may account for the differences found. Rossi and Webber did control for age and socioeconomic status, but not for many other variables that they acknowledge could account for the results, like household composition, housing conditions, or marital status. Further, most studies on this topic measure self-esteem with an index composed of multiple questions. Rossi and Webber's single item may not be a reliable measure of a psychological construct like self-esteem.

Another empirical study conducted by Clark (1997) relied on a survey of 1,618 black respondents from the National Survey of Black Americans. A structural equations model was developed from these data that shows a significant, but relatively weak, positive relationship between homeownership and self-esteem. The control variables included in this study were limited to age, sex, education, and income. The potentially confounding influences of housing type, size, and condition were not considered nor were other potentially important social characteristics, such as the presence of children and marital status.

From a methodological point of view, one of the strongest studies on this topic was conducted by Rohe and his colleagues (Rohe and Stegman 1994a; Rohe and Basolo 1997). They surveyed a total of 143 persons who had signed contracts to purchase newly constructed row houses on four sites in central city Baltimore. Approximately eighteen months later, 125 of those persons were interviewed a second time, and after another eighteen months they were interviewed a third time. This study also surveyed members of a comparison group of Section 8 renters with

comparable wage incomes at the same time intervals. The home buyer surveys included a single direct question asking respondents if they thought buying a home had a positive, negative or no impact on their self-esteem. In addition, both the home buyer and control group surveys contained a five-question self-esteem index developed by Hoyle (1987).

The analysis involved a simple frequency count of the homeowners who felt that homeownership had had a positive impact on their self-esteem and the use of multiple regression models to assess the relative change in self-esteem index between the homeowners and continuing renters while controlling for potentially confounding variables. The results indicate that at the time of the second interview, 85 percent of the home buyers said being a homeowner had made them feel better about themselves. Some psychological theories posit that once people make a choice, they begin to persuade themselves of the correctness of that choice, thus it should not be surprising that home buyers felt good about their decision. The analysis of the self-esteem index, however, found no statistically significant differences between the self-esteem of the home buyers and continuing renters. The analysis of the third set of interviews found similar results.

Rohe and his colleagues offered three explanations for the lack of statistically significant relationships between homeownership and the self-esteem index. First, the impact of homeownership on self-esteem may have been too small to detect given the relatively small sample sizes and the relatively crude measure used. Second, buying a home may simply not be enough to alter what some believe to be a very stable self-perception. A person's sense of self-esteem may be set early on in life and be fairly inflexible (Rosenberg 1979). Finally, the type of housing units purchased as well as the condition of the neighborhoods surrounding these units may have dampened any impacts that homeownership may have on self-esteem. The units purchased by the sample of home buyers were all attached row houses with small front and/or back yards. These units do not fit the more traditional image of an owner-occupied home—a detached dwelling with an ample yard. In addition, the surrounding neighborhoods had abandoned properties as well as a relatively high level of crime and other social problems. These factors could have inhibited the impacts that owning a home had on the buyers' self-esteem.

### ***Overall Assessment***

Clearly there is need for additional research on the impacts of homeownership on self-esteem and perceived control. The research conducted to date suffers from a variety of methodological problems including small sample sizes, a lack of adequate controls for possible confounding influences, inadequately developed measures and social expectancy bias. Assuming there really is a positive association between homeownership and psychological health, we also need to know much more about the process involved and the specific circumstances under which this relationship will hold.

In addition, we have been unable to find any studies of the impacts of foreclosure on a person's self-esteem or any other psychological constructs. Not everyone is a successful homeowner, and given the current push to increase the homeownership rate, the number of foreclosures is likely to increase. We should have a better understanding of the impacts of these foreclosures on the persons involved. Such an understanding may increase efforts to minimize foreclosures through more careful prepurchase screening and counseling as well as better postpurchase counseling.

### **Homeownership and Physical Health**

How might homeownership affect psychological and physical health? One of the most obvious links is that since owner-occupied units, at least in the United States, are typically kept in better condition, homeowners are less likely to be subject to conditions that have been associated with poor health, such as respiratory problems related to inadequate heating and cooling systems and infestations of bugs and rodents. But the critical variable here is housing condition, rather than homeownership per se. One might ask whether homeownership has an independent effect, once housing condition is taken into account.

#### ***The Theory***

One such argument is that homeownership provides individuals with additional assets that can be drawn upon in times of need. Page-Adams and Vosler (1997), for example, argue that the recent economic restructuring has left many people feeling economically, socially, and psychologically vulnerable. Homeowners, they argue, are in a better position to handle this vulnerability because they have an asset in the form of home equity. Although they do not make it explicit, presumably they see homeowners as being able to draw on this equity to get them through hard times. Rasmussen and his colleagues (1997) also argue that home equity can be used by the elderly to cover the increasing "out of pocket" costs of health care, suggesting that they are able to afford a higher level of care and hence remain healthy longer.

Others argue that homeownership leads to "ontological security," which might be expected to have a positive impact on physical health by promoting a general sense of well-being. According to Saunders (1990), "[o]wners associate home more strongly with values such as personal autonomy and they are more likely to see the home as a place where they can relax and 'be themselves.'" A counter argument, however, has been put forth by Nettleton and Burrows (1998). They suggest that mortgage indebtedness can lead to insecurity, anxiety, and fear, particularly for those who are at risk of losing their homes. They argue that recent trends such as variable interest rates and less secure employment mean that a large proportion of homeowners worry about losing their homes.

**The Evidence**

Homeownership is a variable included in many studies of physical health, but it is seldom the main emphasis of these studies. Rather, it is often included as a control variable with little attention being paid to its independent impact on health. These studies tend to show that homeowners are healthier, physically as well as psychologically (Baker 1997; Greene and Ondrich 1990; Kind et al. 1998; Lewis et al. 1998).

However, these studies do not control for the potentially confounding influences of both other characteristics of the housing units and the surrounding neighborhoods. Given that owner-occupied homes tend to be larger, newer, single-family units in better repair, it is not surprising to find positive associations between homeownership and health. This research does not isolate the influence of owning a home from the potentially confounding influences of the quality of the home and neighborhood.

Several studies have been explicitly designed to assess the impacts of homeownership on health. Macintyre et al. (1998) studied approximately 1,500 persons in Scotland. After controlling for age, sex, income, and self-esteem, the authors report that homeowners scored higher on general health questionnaires as well as a number of more specific health indicators. In a study based on two surveys of Americans, Rossi and Weber (1996) analyzed data from the National Study of Family Health and found more positive self assessments of physical health among homeowners, although the control variables were limited to age and socioeconomic status. In their analysis of data from the General Social Survey, however, those authors found no significant relationship between homeownership and self-reported measures of health.

Page-Adams and Vosler (1997) studied 193 factory workers who were being laid off from their jobs. The results of a multivariate analysis indicates that, after controlling for income and education, home-owning workers reported significantly less economic strain, depression, and problematic alcohol use than did renters. These findings suggest that the economic and/or psychological stability engendered by homeownership may dampen stress related to job loss, although one wonders about stress associated with worrying about making mortgage payments. This issue was not addressed in the research.

Robert and House (1996) analyzed data from the American's Changing Lives data set, which contains interview data on 3,617 respondents 25 years or older. After controlling for education and income, they report that homeownership was associated with "functional health" (a measure of physical limitations) but not to the number of chronic conditions or to self-rated health.

The one study that focused on the health impacts of difficulty making mortgage payments was conducted in Britain by Nettleton and Burrows (1998). They analyzed data from the British Household Panel Survey at two time intervals: 1991 to 1992 and 1994 to 1995. Each sample contained more than 3,500 persons. The results indicate that having difficulty making mortgage payments was associated with lower scores on a general well-being scale among both men and women and it increased the likelihood that men visited



their general practitioners. Control variables included in this study were income changes, physical health problems (a dichotomous measure), employment changes, number of household members employed, age, residential mobility, and mortgage problems. Thus, some evidence suggests that the impact of homeownership on health is contingent on whether the homeowner is able to keep up with his or her payments.

### ***Overall Assessment***

The weight of the limited evidence on the relationship between homeownership and health suggests a positive association between homeownership and health, as long as the household is current on its mortgage payments. The existing studies, however, do not adequately control for potentially confounding variables including socioeconomic status, and housing and neighborhood conditions. Thus, it seems premature to conclude that there is a causal relationship between homeownership and health.

The existing research has also not adequately identified the mechanism or mechanisms through which ownership affects health. Is it simply that homeowners tend to live in higher quality units, thus they are not exposed to health-threatening physical conditions? If so, more aggressive code enforcement or other means of improving the condition of rental properties would address this problem. Or, does homeownership affect health by providing owners with greater psychological security? If that is true, the Nettleton and Burrows study suggests that the impacts of homeownership are contingent on whether a homeowner is having difficulty meeting mortgage payments. More research is needed to better isolate the independent impacts of owning and to better identify the mechanisms through which ownership affects health.

## **IV: SOCIETAL SOCIAL IMPACTS**

In this section we assess the claims that homeownership contributes to the overall health of society by fostering social stability, social involvement, and socially desirable behaviors among youth and adults. Homeownership is thought to lead to social stability in that homeowners move less frequently than renters. This longer tenure, along with greater economic investment in their homes, is thought to cause homeowners to take better care of their properties. This, in turn, may contribute to both the overall health of the area and local property values (Rohe and Stewart 1996).

Homeownership is also thought to lead to higher levels of participation in local voluntary organizations and political activities as homeowners seek to protect the investments they have in their homes and the emotional attachments they develop to

their communities. Perhaps due to greater social attachment and stability, homeownership is thought to influence behaviors such as the school performance and teen parenthood among children and substance abuse among adults. As we will see, the research findings tend to confirm an association between homeownership and both neighborhood stability and socially or civically desirable behaviors. It is not clear, however, whether homeownership actually causes greater stability and participation, or whether those who are more likely to stay put are prone to buy homes. Further, as the transaction costs associated with home buying continue to decline, we may see a decline in the stability currently associated with homeownership, along with all its putative benefits.

## **Homeownership and Neighborhood Stability**

### ***The Theory***

Neighborhood stability refers to the average length of tenure among neighborhood residents. The less turnover, the greater the neighborhood stability. Neighborhood stability does not necessarily equal neighborhood health however, nor does it necessarily imply stability in property values, although these benefits may be associated with stability.

The relationship between homeownership and neighborhood stability can be seen from two perspectives—the housing tenure literature and the housing mobility literature. As the antithesis of neighborhood stability, the literature on residential mobility is directly relevant. Thomas Boehm (1981) notes, “[W]e have two distinct literatures; the mobility [literature] says that owners are unlikely to move, while the tenure [literature] maintains that movers are unlikely to own” (p. 375). Empirical evidence from both literatures bears out these relationships (Goodman 1974; Roistacher 1974; Rossi 1955; Speare 1970; Varady 1983).

Basic to the tenure decision is the determination of the costs associated with renting versus buying a home, which to a large extent is a function of the length of time a household expects to stay in a given location, or the expected mobility of the household (Shelton 1968). Thus, when the decision is made to purchase a home, the household is committing to staying in the location for a period of time, discouraging future mobility. Alternatively, when the decision is made to stay in a given area, for example when the head of household takes a new job, the decision to buy a home is more likely. Roistacher (1974) suggests that “homeownership may be viewed as the result of other forces which discourage mobility.” So, tenure choice and expected mobility are simultaneously determined—the same forces that encourage homeownership discourage mobility (Boehm 1981). These forces are frequently identified as life cycle changes; as household heads become older, they become more likely to be able to afford a home and desire the stability associated with homeownership (Ahlbrandt and Cunningham 1979; Goodman 1974; Roistacher 1974; Rossi 1955).

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Classic theories of residential mobility predict that crowding and change in income are most likely to prompt a move by causing dissatisfaction with the current living environment (Speare 1974; Newman and Duncan 1979). Accordingly, residential mobility is positively associated with household income, change in income, household size, change in household size, and minority status (Rossi 1955; Quigley and Weinberg 1977; Hamnett 1991; Newman and Duncan 1979; Roistacher 1974; Goodman 1974; Varady 1986). Further, dwelling unit crowding, dissatisfaction with the neighborhood, lack of confidence in the future of the neighborhood, and neighborhood racial change all foster mobility and thus discourage neighborhood stability (Ahlbrandt and Cunningham 1979; Galster 1987; Rossi 1955; Varady 1986; Goodman 1974; Newman and Duncan 1979; Roistacher 1974). Models of spatial distribution support residential mobility theories by hypothesizing that households attain desirable locations as they accumulate the human capital to support it (Massey and Mullen 1984; Logan and Alba 1993).

Rohe and Stewart (1996) interpret this evidence to suggest that homeownership affects stability through two mechanisms. The first mechanism involves the human capital accumulated through age, education, and income. Homeowners tend to be higher-income, family households with older, more educated household heads. These households anticipate staying in a location for a longer time. The second process is related to the additional interests that homeowners have in the use and exchange values of their homes. As Rohe and Stewart note, "This combination of interests seems to provide powerful incentives for owner-occupants to maintain their properties at a higher standard and to join organizations that protect the collective interests of homeowners in the area" (p. 71).

Collectively, 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 and Stewart 1996). Economically, the individual may benefit from neighborhood stability through stable or increasing property values. Further, individuals are thought to benefit socially by becoming more invested in their communities. Rohe and Stewart (1996) suggest that, beyond homeownership, "living in a relatively stable neighborhood will further encourage participation in community organizations, local social interaction and attachment, property maintenance, neighborhood satisfaction, and positive expectations about the future of the neighborhood" (pp.54-55).

Housing policymakers interpret these theoretical speculations to suggest that increasing homeownership rates will result in both economic and social benefits to residents. However, actions taken to promote neighborhood stability through increasing homeownership may be at the cost of individual mobility. The decreased mobility associated with homeownership among individuals and households living in distressed neighborhoods may perpetuate the kinds of social problems associated with these environments (see Wilson 1987; Jargowsky 1997; Ellen and Turner 1997). In recent years, indices of both dissimilarity and isolation have increased, meaning that more poor households are living in areas of concentrated

poverty, with less access to people different than themselves (Abramson et al. 1995). Segregation and isolation stunt the ability of neighborhood residents to improve neighborhood social characteristics, like levels of employment and number of families on public assistance, as well as physical characteristics like the number of dilapidated houses or the median value of homes (Massey and Fong 1990).

### ***The Evidence***

Homeowners are indeed far less likely to move than renters. While renters maintain their residences for an average of 2.5 years, homeowners stay in one residence for about 13 years. More than 70 percent of renters have lived in their current residence for fewer than four years (Anily, Hornik, and Israeli 1999). This decreased residential mobility among homeowners confers benefits to both the neighborhood of residence and the individual household. It may also have unexpected costs.

The most comprehensive and explicit examination of the relationship between homeownership and neighborhood stability was conducted by Rohe and Stewart (1996). While most empirical studies use tenure as a control variable for examining the number and frequency of household moves, they do not examine the impact on the neighborhood. Rohe and Stewart's examination included an empirical analysis of Census data for 1980 and 1990. They used these data to test the impact of homeownership rates on two measures of neighborhood stability—length of tenure and property values. Beyond the expected finding that homeowners tend to stay longer in one home than do renters, they found that an increase in neighborhood homeownership levels over time leads to an increase in the property values of single-family, owner-occupied units. Rohe and Stewart (1996) predict that “each percentage point increase in the homeownership rate of a tract would yield about a \$1,600 increase in the property value of the average single-family home over a ten-year period” (p. 66).

While high homeownership levels have been linked to neighborhood stability, low levels of homeownership within a neighborhood have been empirically correlated with high levels of social problems. Galster and Quercia (2000), in a study of neighborhood threshold effects, found that various social indicators—female headship rate, male labor force nonparticipation, overall nonemployment rate, and poverty rate—are sensitive to homeownership rates in the neighborhood. Their analysis of Census and other statistical data from the nation's 100 largest metropolitan areas indicates that when renter occupancy reaches a level of 85.5 percent, the Census tract experiences a rapid and progressive increase in the aforementioned social indicators. These findings indirectly support the policy view that at least in some neighborhoods, expanding levels of homeownership may counteract neighborhood decline.

A growing body of empirical literature, however, suggests that, in some instances, rather than improving the environment for residents of distressed neighborhoods, homeownership acts to trap households in these neighborhoods. In these cases, length of tenure may reflect the greater obstacles to mobility among homeowners rather than a desire to stay put. The literature identifies four groups that may be particularly

susceptible to isolation within neighborhoods of poor quality: low-income households, black households, female-headed households, and older homeowners.

South and Deane (1993) use American Housing Survey data in a study of the relationship between race and residential mobility. Their analysis, which allows them to control for all the relevant variables, shows that both low-income and black households are more likely to find themselves living in distressed or declining neighborhoods. Further, these households are less likely to translate dissatisfaction into a move. As with the general population, homeownership consistently appears as a deterrent to mobility.

In a series of recent studies, South and Crowder (1997, 1998a, 1998b) use national longitudinal data from the Panel Study of Income Dynamics (PSID) to examine factors affecting the mobility of nontraditional and minority households. While controlling for a number of demographic, geographic, socioeconomic, and life-cycle characteristics, these studies do not take into account housing conditions or residential satisfaction, both important factors when evaluating residential mobility. In general, low-income households, and minority households in particular, that start out in poor neighborhoods are unlikely to enter a neighborhood of better quality. Rather, they move into neighborhoods of similar or worse quality, if they move at all (South and Crowder 1997; 1998a).

Female-headed households may also be at a disadvantage. South and Crowder (1998b) found that, among female heads of household, marrying and finding employment facilitated a move from a poor neighborhood to a nonpoor one, while age and homeownership deterred such a move. Black single mothers are less likely than nonblacks to escape distressed neighborhoods, and neither cohabitation nor public aid alleviate this result.

Noting the consistent and strong impact of age as an impediment to mobility, Burkhauser and his colleagues (1995) examined whether older homeowners are trapped in distressed neighborhoods. Using the Panel Study of Income Dynamics data set as well as Census data, they found that older homeowners are the most likely among all groups to be living in distressed neighborhoods. Further, of those living in distressed neighborhoods, older homeowners are the least likely to move out of them, even among those with some socioeconomic means. These findings suggest that rather than being trapped, elderly homeowners simply choose to remain in spite of the deteriorating conditions. The authors suggest that elderly homeowners stay due to the extensive attachment they have to their neighborhoods, coupled with the relatively high costs of moving, both economic and psychological.

### **Overall Assessment**

Although the relationship between homeownership and mobility is straightforward and well documented, the impacts of decreased mobility, caused by homeownership or other structural impediments, are not so well established. The tension between individual mobility and group stability remains unresolved within housing policy. While homeownership has been shown to improve neighborhood stability, thus conferring certain

benefits to the individual, at the same time it restricts individual mobility, which in certain instances may stunt the individual or household's ability to escape a neighborhood of poor quality and move to better one. Although facilitating homeownership among disadvantaged groups may enable them to escape distressed neighborhoods, it may also lead to the entrapment of such households in declining neighborhoods, thus perpetuating rather than improving the problems associated with such neighborhoods.

While the aforementioned studies clearly indicate that disadvantaged groups are less likely to move out of distressed neighborhoods, and that homeownership is an obstacle to such movement, it is not clear whether recent efforts to make homeownership more widely available to underserved populations are counteracting or exacerbating the effect. Further research is needed to establish the conditions under which these outcomes occur, as well as to propose methods to facilitate the more desirable result.

### **Homeownership and Social Involvement**

American society values participation in both voluntary associations and political organizations. In our capitalist-oriented democracy, participation in voluntary associations is needed to address some of the social issues and problems that are either beyond the influence of government or beyond our willingness to support government programs to adequately address those problems. Citizens participate in crime prevention groups, for example, to supplement the activities of the police, while others volunteer their time to help feed the homeless or to clean up vacant lots. Some would go as far as to say that, in large measure, the health of our society and our communities is dependent on this voluntary activity.

At the same time, our democratic form of government is based on the assumption that citizens will actively participate in the governance process. At the very least, citizens are expected to vote in local and national elections, if not become more involved by participating in political campaigns or serving on local advisory committees. Thus, if homeownership encourages participation in either voluntary or political organizations, it is having a positive impact on American society.

#### ***The Theory***

Why should homeowners participate more than renters in both voluntary organizations and political activities? Several arguments have been put forward. First, homeowners may be more likely to participate in local voluntary and political activities because they have an economic investment in their homes and they see participation in voluntary and political organizations as a means of protecting that investment (Baum and Kingston 1984; Rohe and Stewart 1996). Rohe and Stewart (1996), for example, comment that, "[p]articipation in local organizations should bolster [the capacity of homeowners] to ward off outside threats by both public and private entities, and inside threats such as poor property maintenance on the part of

individual property owners” (p. 45). The equity homeowners have in their homes is affected by conditions in the surrounding neighborhood; thus, homeowners work to influence these conditions through participating in both volunteer organizations and becoming active in local political affairs. Renters, on the other hand, lack this strong economic incentive to get involved.

A second economic argument for why homeowners may be more civically active is that, compared with renters, the transaction costs associated with moving are higher (Cox 1982). Owners often incur significant expenses in both selling their existing homes and buying a new one. If a deterioration in neighborhood conditions forces homeowners to move, it can result in thousands of dollars in costs. Thus, there is greater economic incentive for owners to join neighborhood or community associations that work to maintain physical and social conditions in their neighborhoods and to protect the area from perceived threats by becoming politically active.

A third explanation for why homeowners may be more actively involved in voluntary and political activities is that they tend to stay in their homes longer and may come to identify with their homes more strongly. This, in turn, may lead them to develop deeper emotional attachments to their communities. Baum and Kingston (1984), for example, suggest that “such feelings as pride of ownership may induce certain social psychological orientations not related to economic concerns that foster or reinforce particular social attachments” (p. 163). Thus, a greater attachment to place may motivate homeowners to participate at a higher rate.

A heightened concern about property values, transaction costs, and attachments among homeowners may also have social costs, however, in the form of inappropriate discrimination against various social groups, including racial and ethnic minorities and renters. Neighborhood and other voluntary groups often engage in efforts to exclude those groups from their neighborhoods, thinking that their inclusion would threaten both economic and social-psychological investments there. Their participation at the municipal government level may also result in policies, such as exclusionary zoning, that greatly restrict the ability of lower-income families to move into communities.

### ***The Evidence***

The empirical evidence on the relationship between homeownership and participation in both voluntary organizations and local political activity is both extensive and consistent. After controlling for income, education, and other socioeconomic characteristics, homeowners are indeed more likely than renters to participate in voluntary organizations and engage in local political activity (Ahlbrandt and Cunningham 1979; Baum and Kingston 1984; Cox 1982; Lyons and Lowery 1989; Guest and Oropesa 1986; Rohe and Stegman 1994b; Rossi and Weber 1996). Yet, limitations in the design of most of the extant research does not fully account for the possibility of a spurious relationship between participation and homeownership. In other words, certain persons may have an underlying propensity for social involvement

that leads them to both participation in voluntary and political activities, and to be interested in buying a home.

Examples of research on homeownership and participation in local voluntary organizations include Cox (1982), DiPasquale and Glaeser (1999), Kinston and Fries (1994), and Rohe and Stegman (1994b). DiPasquale and Glaeser (1999) analyzed data from the General Social Survey. After controlling for age, race, gender, marital status, children, income education, and city size, they found that homeownership had a strong correlation with the number of non-professional organizations belonged to, knowledge of local political leaders, voting, and involvement in activities designed to solve local problems. Their results indicate that compared with renters, homeowners are “approximately ten percent more likely to work to solve local problems or know their U.S. representatives by name. They are 13 percent more likely to know the identity of their school board head. Homeowners are 16 percent more likely to vote in local elections. On average, they are members of 0.22 more non-professional organizations than non-owners” (p. 3).

DiPasquale and Glaeser go on to decompose the effects of homeownership into the effects that come through the incentive of ownership and the effects that come through a lower propensity to move. Although there are serious shortcomings in the control variables included in the analysis, the researchers conclude that “the evidence we do have suggests that the impact of homeownership on citizenship variables is working substantially through community tenure” (p. 4).

Cox (1982), in a study of 400 adults in the Columbus, Ohio, metropolitan area, found that, compared with renters, homeowners were more likely to attend meetings, send letters, and engage in other political activities. Furthermore, to test whether economic incentives motivated homeowners to participate more, he tested to see whether homeowners who said making a profit was an important reason for purchasing a home were more likely to participate than those who said it was not. His results show no significant differences in the participation of those with strong and weak profit orientations.

Rohe and Stegman (1994b), in a longitudinal study of a group of low-income home buyers and a comparison group of continuing renters in Baltimore, report that the home buyers were more likely to participate in neighborhood and block associations but not other types of community organizations. They also report that home buyers who perceived more neighborhood problems or who emphasized economic reasons for buying were no more likely to participate in social and political affairs.

Finally, Kingston and Fries (1994) analyzed data from the General Social Survey to, among other things, see if there are differences in the social and political participation of male and female homeowners. They report that, compared with renters, both male



and female homeowners were more inclined to vote in local elections, but that only female homeowners were more likely to be working to solve community problems. This is one of the few studies, however, that did not find a positive relationship between homeownership and participation in voluntary organizations.

### ***Overall Assessment***

The existing research on homeownership and participation in voluntary organizations and political activity tends to support the idea that homeowners are more actively involved in those activities. The reason or reasons behind this higher participation rate, however, are still not clear. None of the studies on this topic have totally ruled out the possibility that the association between homeownership and social and political participation is spurious. Although unlikely, there may be a more fundamental orientation toward social involvement that predisposes people both to participate in voluntary and political activity and to purchase homes.

Moreover, the most compelling theory for why homeowners should participate more is that they seek to protect the economic investment in their homes. Yet studies that tested to see whether investment orientation influenced participation rates found no support for this proposition (Cox 1982; DiPasquale and Glaeser 1999; Rohe and Stegman 1994a). DiPasquale and Glaeser (1999) suggest that the lower mobility rates among homeowners may explain the higher rates of involvement among homeowners, but their evidence is far from convincing. Thus, additional research is needed to understand the mechanisms and motivations behind the higher participation rate among homeowners. A better understanding of these mechanisms and motivations may help in efforts designed to encourage participation in voluntary and political activities.

## **Homeownership and Socially Desirable Behaviors**

Neighborhood stability and social involvement reflect both an emotional and financial commitment to producing and maintaining a quality environment. Recently, several writers have suggested that such a commitment can lead to better school performance among youth, lower school dropout rates, and lower rates of teen parenthood. Homeownership is thought to be directly or indirectly responsible for these socially desirable behavior and outcomes among youth.

### ***The Theory***

Green and White (1997) offer several possible explanations for how homeownership may affect socially desirable behaviors. First, homeowners may acquire “do-it-yourself skills” from doing their own home maintenance and financial skills from having to meet the costs of home repairs. These skills may then be transferred to

the children in home-owning households. Second, homeowners, Green and White suggest, have a greater financial stake in their neighborhoods and thus will be more concerned with any antisocial behaviors of local children including their own, since they may have a negative impact on property values. Thus, homeowners may monitor their children's behavior more closely. Third, homeowners tend to stay longer in a neighborhood, making them more effective monitors of children in the neighborhood. Finally, they also acknowledge that homeowners may be different from renters on some unmeasured trait that might make them better parents.

The first of Green and White's hypotheses seems plausible, but unlikely. Short of the "idle hands are the Devil's workshop" truism, it is hard to imagine that home maintenance skills translate into lower levels of adolescent crime, pregnancy, and drug use and higher levels of educational attainment and employment. Yet, Boehm and Schlottman (1999) theorize that children of homeowners are more likely to become homeowners themselves, suggesting that the homeownership ethic may be passed down generationally.

The second hypothesis is refined by Haurin and his colleagues (2000). They suggest that greater investment in owned property leads to an improved home environment, one that is supportive of cognitive and emotional development in a child. The increased social capital that results from a stable home environment helps children develop stable and strong relationships with their parents and others, diminishing involvement in undesirable behavior.

The third hypothesis suggests a role for the neighborhood in turning out well-behaved youngsters through, for example, collective socialization or peer influences (see Jencks and Mayer 1990; Ellen and Turner 1997). While most researchers acknowledge the greater influence of family and personal characteristics on youth behavior, neighborhood conditions may offer an alternative, or at least additive explanation. Because of the high correlation between homeownership and neighborhood quality, these impacts may be difficult to disentangle. Few of the studies reviewed below, however, attempt to do so.

### ***The Evidence***

We identified five studies that addressed the relationship between homeownership and socially desirable behaviors. Rossi and Weber (1996) looked at the relationship between homeownership and substance abuse using data from the National Survey of Families and Households. After controlling for age and socioeconomic status, they failed to find a statistically significant relationship between these variables. Essen and his colleagues (1978) used the National Child Development Study to assess the impacts of homeownership on the school performance of 16-year-olds in Britain. After controlling for housing conditions, region, family size, gender, social class, parental education, and parental school visits, they found that children of homeowners performed better on both reading and math tests.

Green and White (1997) studied the relationships between homeownership and both staying in school and teenage parenthood. They performed separate analyses on data from the Panel Study of Income Dynamics, the Public Use Microsample from the 1980 Census and the High School and Beyond data set. In each of these analyses, they controlled for a variety of sociodemographic variables including race, family income, parent education, family composition, size, and work status. They report that in all three analyses, the children of homeowners were less likely than the children of renters to drop out of high school or to have children while they were teenagers. Moreover, both effects are largest for children of low-income households. Moreover, they used a bivariate probit technique to take account of possible selection bias due to differences between parents who choose to own versus rent and found no support for a selection bias.

Boehm and Schlottman (1999) examine the impact of homeownership on children's productivity through educational attainment and their housing choices as young adults, using data from the Panel Study of Income Dynamics. After controlling for variables that are thought to influence educational attainment, including personal characteristics, parents' educational background, parents' income, and family size, they find that homeownership is a highly significant predictor of educational attainment, even with an additional control for average house value. Based on these results, Boehm and Schlottman conclude that increased educational attainment is the primary channel by which children raised in owned housing might benefit. They go on to show that children raised in owned homes translate their greater educational attainment into increased earnings and homeownership for themselves.

Finally Haurin, Parcel, and Haurin (2000), in undoubtedly the strongest of the studies, analyze the impact of owning on both cognitive and behavioral child outcomes. They use data from the National Longitudinal Survey of Youth, a panel data set collected every two years from 1988 to 1994. Haurin and his colleagues employ a two-stage probit model that first estimates the parents' choice of whether to rent or own and then estimates child outcomes for owners and renters separately as a correction for the selection bias found during the first stage. This method helps overcome many of the threats to causal attribution. The model used explicitly credits improvements in child outcomes to an improvement in the quality of the home environment as measured by the Home Observation for Measurement of the Environment (HOME) scale (Bradley and Caldwell 1984). This scale includes cognitive variables measuring how much the child is cognitively stimulated, social variables like responsiveness and warmth, and physical variables including the amount of sensory input and organization of the physical environment. Even when controlling for a predisposition for homeowners to provide better environments (selection bias), the researchers found that homeowners offer a more stimulating and supportive home environment.

Haurin and colleagues then looked at how this improved environment affected child outcomes. Outcomes analyzed included cognitive skills—reading recognition and math achievement—and behavioral problems, such as having a bad temper, being argumentative and feeling worthless, as reported by the child's mother. While these behaviors are not necessarily "socially undesirable," they might be expected to predict delinquent behavior as the child grows into an adolescent. For each of the child outcomes, the researchers found that home owning significantly and substantively raised cognitive outcomes and reduced behavioral problems. While Haurin and his colleagues found home owning improved the home environment by 16 to 22 percent, the improvement in child outcomes ranged from 4 to 7 percent.

### ***Overall Assessment***

Research on the relationship between homeownership and socially desirable behaviors of both children and adults is sparse. Although Green and White's (1997) findings of positive associations between homeownership and both staying in school and avoiding teenage parenthood are intriguing, other unobserved variables, such as family assets or neighborhood conditions like peer influences, may be responsible for those results. Haurin, Parcel, and Haurin's (2000) findings are indeed compelling, but cannot tell us much about how these children will behave as adolescents (yet). Although we look forward to further findings from the National Longitudinal Study of Youth, there is simply not enough research on this topic to draw any firm conclusions at this time.

Future research needs to address a full set of possible youth behaviors. A more mature body of literature looks at the impact of neighborhood conditions on youth behaviors, considering youth employment, educational attainment, sexual behavior, drug use, and crime. Homeownership researchers would do well to consider each of these. In particular, adolescent crime offers a potentially fruitful avenue of research. While some studies have examined the differences in crime rates among urban and suburban teenagers, few if any have looked for an independent impact for homeownership. Sampson, Raudenbush, and Earls (1997) for example, used owner-occupation as a measure of residential stability and found that it did indeed ameliorate the rate of violent crime at the neighborhood level.

Further, research on this topic should go beyond looking for associations between homeownership and socially desirable behaviors to identify and isolate any causal mechanisms at work. Research could assess, for example, Green and White's (1997) suggestion that homeowners more closely monitor their children. If they do, it would provide more convincing evidence that homeownership itself is responsible for these positive social behaviors rather than simply being a proxy for other causal factors.

## V: CONCLUSION

### Summary of Major Findings

Evidence exists for a variety of positive social impacts to both individuals and to society stemming from homeownership. This evidence, however, is stronger for certain social impacts and weaker for others. Considerable evidence suggests, for example, that homeowners are more likely to be satisfied with their homes and neighborhoods, more likely to participate in voluntary and political activities and more likely to stay in their homes longer periods of time. There is still some doubt, however, whether these relationships are causal, since most of the studies do not adequately account for the self-selection of households to owner and renter occupancy. It may be, for example, that people who plan on staying in an area longer buy homes rather than that homeownership causes people to stay longer. More will be said about this below.

Evidence on the impact of homeownership on other social variables is more sparse and, in some instances, less consistent. Some evidence suggests that homeownership leads to increased self-esteem except for those buying in neighborhoods with dilapidated housing, social problems, and poor reputations. The limited amount of evidence on the relationship between homeownership and life satisfaction tends to support a positive relationship. Similarly, the limited amount of research on homeownership and health points to a positive association as long as the homeowners are current on their mortgage payments. The mechanism through which homeownership affects health, however, has not been clearly identified. Finally, the research on the impact of homeownership on both perceived control and socially desirable behaviors is simply too sparse to draw even tentative conclusions at this time.

The research on potential negative social impacts of homeownership is sparse. There is one British study that suggests that those who are behind on their mortgage payments suffer negative health consequences (Nettleton and Burrows 1998). There is also some evidence that homeowners are less likely to move from high-poverty areas, although the consequences of this are not clear. We were unable to find any research on such potentially important topics as the impacts of mortgage payment delinquency or default on self-esteem, sense of control, life satisfaction, and other social variables.

## **Policy Implications**

Public policy that encourages homeownership has often been justified by claims that it has a variety of benefits both to individuals and to society. Our review of the research literature suggests that there is considerable, although not irrefutable, evidence for several of those claims. The weight of the research evidence is that homeownership is associated with neighborhood stability and participation in voluntary and political activities. Given these benefits, there is justification for public policies that encourage and support homeownership. Whether the costs of these policies are reasonable given the anticipated benefits is a separate question that is beyond the scope of this report.

The research on the impact of homeownership also suggests that these benefits may not accrue to all homeowners. Those who buy homes in less desirable neighborhoods or in housing markets that experience depreciation may not realize the economic or the social benefits of homeownership. Moreover, some homeowners may desire to move, but find themselves stuck in homes that they cannot sell. In still other instances, homeowners may have difficulty keeping up with their mortgage payments, and this may lead to economic and possibly health problems due to difficulty meeting mortgage payments or, in the worst cases, mortgage default.

The possibility of these negative impacts suggests that those involved in promoting homeownership should be careful not to oversell homeownership, particularly among those who are less likely to be successful homeowners. Recent public policy has been focused on making homeownership available to lower-income families. Although this is clearly an important and worthy goal, not everyone is capable of becoming a successful homeowner. As Rohe and Stewart (1999) note: “Encouraging families with highly variable or even flat income trajectories to purchase dwelling units is counter-productive: They are unlikely to be able to afford them over the long run. Encouraging low-income families to purchase units that they will not be able to maintain at a reasonable standard is also harmful [to the larger community]” (p. 73). Homeownership counseling may help lower-income home buyers be successful homeowners, but at this point there is very little research evidence on this topic. Thus, caution needs to be exercised in encouraging homeownership among those with a relatively low probability of success. We do a great disservice if we encourage persons to buy homes that they will end up losing.

Similarly, caution should be exercised in encouraging households to purchase homes in areas that do not have a reasonable probability of stable or increasing property values and healthy social conditions. Many neighborhood revitalization programs adopt homeownership as the central element of their revitalization strategy. They focus their efforts on increasing the homeownership rate in the target area. This is fine as long as other investments in infrastructure and services result in a neighborhood that is a desirable place to live. Otherwise, the home buyers may not realize either the economic

or social benefits of homeownership. If people buy in areas characterized by depreciating property values and serious social problems, the American Dream could turn into the American Nightmare.

## **Future Research**

Our review of the literature suggests both general and specific recommendations on future homeownership research. The general recommendations mainly address methodological issues in how this research is conducted while the specific recommendations concern particular topics that need additional research.

### **General Research Recommendations**

- ***Future research needs to do a better job of addressing the self-selection bias inherent in almost all the research on the impacts of homeownership.***

The self-selection of people into homeownership and rental occupancy represents a significant threat to the validity of most of the research done on the impacts of homeownership. Without taking self-selection into account, it is impossible to determine the causal direction of any relationships found. We cannot determine, for example, whether the association between homeownership and residential stability is simply a result of people deciding to stay in an area purchasing homes or whether the homeownership has an independent influence on the decision to stay in an area. Similarly, we do not know if the association between homeownership and participation in voluntary and political organizations is a result of greater interest in homeownership among community-minded people or whether owning a home fosters higher participation rates.

Although we cannot randomly assign people to homeownership or rental occupancy, there are statistical techniques that can help account for the self-selection problem. In particular, a two-stage modeling technique developed by Heckman (1979) can be used to control for the propensity of persons with certain known characteristics to buy homes. In this technique an auxiliary model is specified to predict who becomes a homeowner based on known social and economic characteristics. This model is then used to predict who should be a homeowner, and the prediction is used to develop an independent variable used to capture the effect of selection bias in the primary regression model.

Another approach to addressing the self-selection problem is through longitudinal research designs. Most of the current research relies on cross sectional designs that are poorly suited to establishing causal directions. Longitudinal designs are better suited to this task, particularly if they include comparison groups. Longitudinal designs allow for the measurement of key variables before and after the subjects become homeowners. This allows for the establishment of temporal sequences that are important in establishing causality.

Several high-quality longitudinal data bases are now widely available for housing study. For example, the Panel Study of Income Dynamics has completed the thirtieth year of

its panel. It includes extensive information regarding household demographics and employment; it also has special surveys on assets and debt. It includes data on housing tenure and limited data on housing characteristics. The National Longitudinal Surveys include three data panels. For the purposes of current studies, the Survey of Youth has tracked a large (around 12,000) sample of youth ages 14 to 22 beginning in 1979.

Quasi-longitudinal data sets can be constructed from the American Housing Surveys (AHS). One limitation of the AHS is its choice of dwelling rather than household as the unit of observation. For housing studies, however, it has the most complete data on housing characteristics and occupants.

■ ***Future research needs to do a better job controlling for potentially confounding variables.***

Much of the existing research on the impacts of homeownership fails to adequately control for alternative explanations for the relationships found. We know that homeownership is strongly correlated with income, education, age, stage in the life-cycle, marital status, race, the presence of children, and employment tenure and security. However, many studies fail to control for one or more of these variables. We also know that owner-occupied units tend to be larger, better maintained, single-family, detached dwelling units located in more desirable neighborhoods. To truly isolate the impacts of owning, these variables must be controlled for as well. The existing research does not adequately address the question of whether there is any difference in effect between owners and renters who live in comparable dwelling units, located in comparable neighborhoods.

■ ***Future research needs to do a better job identifying the processes or mechanisms through which homeownership influences the various social variables of interest.***

Much of the existing research on the impact of homeownership finds associations between homeownership and the social and economic variables under study. The authors then go on to infer the process or mechanism through which homeownership is thought to produce those impacts. For example, in their study on homeownership, Green and White (1997) suggest that the positive associations found for both staying in school and avoiding teenage pregnancy, may be the result of homeowners monitoring their children more closely in order to ensure that anti-social behaviors do not negatively affect their property values. Similarly, DiPasquale and Glaeser (1999) suggest that the positive association between homeownership and involvement in voluntary and political activities may be the result of lower mobility rates among homeowners.

Future research needs to go beyond inferring these processes to actually testing them. The intermediate variables through which homeownership is thought to act on the social and economic variables of concern needs to be identified, measured, and included in structural equation models. These models will help determine whether there is evidence for a proposed process and, where there is, provide more convincing evidence for causal relationships.



- ***Future research needs to do a better job of identifying the circumstances under which ownership leads to both positive and negative outcomes.***

Most of the existing research on the effect of homeownership does not recognize that the homeownership experience may not be the same for all types of home buyers or for those who buy in different neighborhoods or housing markets. Rather, it looks at the average experience of homeowners. As suggested by Rohe and his colleagues, however, the impact of homeownership may depend on the characteristics of the neighborhood in which a home is bought. Those who buy in areas with relatively high levels of crime, dilapidated properties, or poor reputations may not experience the same social benefits as those who buy in better areas. Moreover, Nettleton and Burrows (1998) suggest that the effect of homeownership may be contingent on whether a homeowner is having difficulty meeting mortgage payments. For those having such difficulty, homeownership may have a negative impact on their health. Finally, some of the social benefits of homeownership may be contingent on housing appreciation, which varies considerably among housing markets and within housing markets over time. Not all homeowners make a profit on their homes. In a soft market the residential mobility of homeowners may be restricted as they may have difficulty selling their homes.

Our review of the homeownership literature suggests that there is a bias, particularly among American researchers, toward testing to see if there is evidence for the purported positive impacts of homeownership. There is very little research on the potential downside of homeownership. We know very little, for example, about the social, psychological, or economic impacts of mortgage payment stress or mortgage default. We know very little about the role of homeownership in potentially trapping persons in neighborhoods that they would rather leave. We also know very little about the relationship between homeownership and efforts to exclude minorities, renters, and others from neighborhoods. To develop a more balanced view of the impact of homeownership and to better understand how to avoid the downside of homeownership, these questions should be addressed in future research.

***Specific Research Topics***—Our review of the homeownership literature suggests several topics that are in particular need of additional research. These include the following.

- ***Topic: The social and economic impacts of mortgage delinquency and default.***

Although mortgage delinquency and default are relatively rare events, they may have serious social effects such as health and self-esteem problems, as well as economic impacts such as loss of savings and problems in obtaining credit for other purchases. At the present time, we know very little about the nature and severity of these impacts. Future research needs to identify samples of home buyers who are delinquent or who have defaulted on their mortgage loans and see what impacts these conditions have on their social and economic well-being.

Understanding the potential negative effects of homeownership would help both home buyers and homeownership counselors better understand the full set of impacts

associated with the decision to purchase a home. Home buyers should be better informed in making their decision to buy. Some homeownership counseling programs tend to focus on the many benefits of homeownership while ignoring or downplaying the impacts of mortgage payment stress, delinquency, and default. Home buyers should understand the full set of potential benefits and costs when making their decision to purchase a home.

■ ***Topic: Differences in the benefits and costs of homeownership between low- and moderate-income homeowners and middle- and upper-income homeowners.***

Most of the research on the benefits of homeownership does not test to see whether any of the benefits found apply to the relatively small group of low- and moderate-income homeowners. Low- and moderate-income homeowners are more likely to own older houses in less desirable neighborhoods. Thus, their homeownership experience may be substantially different from their higher-income counterparts. We know, for example, that many low- and moderate-income home buyers do not receive the same tax advantages as higher-income buyers because the standard deduction is greater than the amount that they can deduct for mortgage interest payments. In a similar way, many of the other benefits of homeownership may not apply to lower-income homeowners.

Differentiating the impact of homeownership on different income groups is a particularly important research topic since recent attempts to increase the homeownership rate have targeted low- and moderate-income households. If we find that many of the benefits of homeownership do not apply to this group, this would be important information. Again it would allow low- and moderate-income buyers to make a more informed decision whether or not to buy a home.

■ ***Topic: The impact of homeownership on perceived control.***

Much of the theory on the social impacts of homeownership focuses on homeownership's role in increasing the degree of control people have in their lives. Homeowners, it has been suggested, have more secure tenure. They can't be forced to leave by actions of their landlords, such as lease terminations or large rent hikes. They don't have to endure inspections by landlords. They have much greater freedom to customize the unit to suit their own tastes. All this is said to lead to a greater sense of ontological security, self-efficacy, and perceived control over life events (Clark 1997, Rohe and Stegman 1994a, Saunders 1990). Moreover, it is this control that is said to account for other benefits associated with homeownership, including higher levels of life and residential satisfaction and improved health.

Although this theory is logical, if not compelling, only a handful of studies explicitly address the relationship between homeownership and perceived control. Moreover, the results of the research that has been conducted on this topic are inconsistent. Rohe and Stegman (1994a) found no such relationship, while Clark (1997) found a positive yet relatively weak relationship between homeownership and perceived control. Given the central role that perceived control plays in explanations of how homeownership leads to positive social impacts, further research on its role is warranted.

■ ***Topic: The impact of homeownership on health.***

Although there is some research on the effects of homeownership on health, much of it does not adequately control for alternative explanations of the associations reported. In particular, many studies do not account for differences in the size, quality, and location of rental and owner-occupied housing units. We do not know whether the positive associations found in some of the research studies on this topic are the result of housing and neighborhood conditions or of tenure status. In other instances, the potential confounding influence of differences in the socioeconomic statuses of owners and renters are not adequately controlled. Another problem is that existing studies do not clearly identify the mechanisms through which homeownership affects health. Identifying such mechanisms is needed to help establish a causal relationship between homeownership and health. Given the importance of good health to a person's general well-being, establishing a causal relationship between homeownership and health would be an important finding.

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## **ACKNOWLEDGEMENTS**

The authors thank an anonymous reviewer for suggesting and outlining what this figure would look like.

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