



The Survey of Consumer Finances and Homeownership

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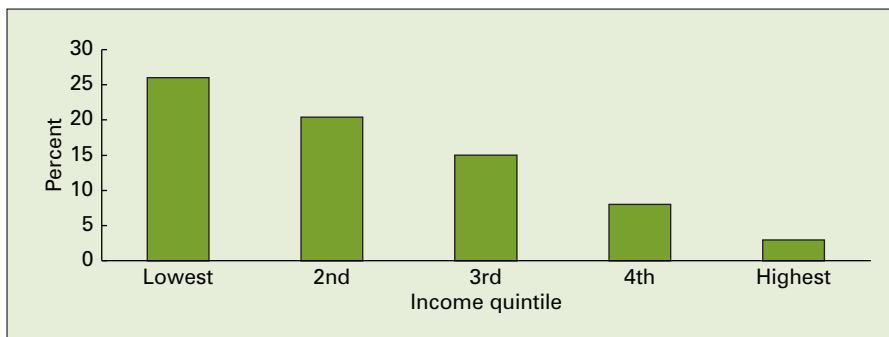
The Survey of Consumer Finances (SCF) is a data series on household wealth compiled by the Federal Reserve. Every three years the Fed surveys about 4,500 American households, asking about their income, saving, wealth, types of wealth, debt, debt payments, and so forth. The SCF has data for 1995, 1998, 2001, and 2004, for 17,565 families in all.

This brief focuses on homeownership. Basic homeownership rates from the SCF conform to national statistics, with an overall ownership rate of 67 percent. This rate has moved up a few points in recent years, due largely to the growth of the subprime mortgage market. The ownership rate is 73 percent for whites and 48 percent for nonwhites and Hispanics, a gap that is also reflected in national statistics. But within common income categories (first quintile of the income distribution,

second quintile, etc.) the gaps are smaller, averaging 20 points for the lowest three quintiles and 9 points for the highest two quintiles, indicating that one reason for the large overall gap is that nonwhites and Hispanics have lower incomes than whites.

The SCF can also be used to examine the extent to which households may be overextending themselves financially to buy a house. A common measure of overextension is when a household pays more than 40 percent of its income in interest payments. Across the whole sample, 12 percent of homeowners are in this status but as the figure shows, in the lowest income quintile, 26 percent of homeowning households face these debt burden problems, with the share dropping as income increases. Unlike the ownership rates, these overextension ratios do not differ much by race.

Homeowning Households with High Debt Burdens



Source: Surveys of Consumer Finances (1995, 1998, 2001, 2004).