

A Silver Lining with Holes?

Losses and Gains in Homeownership for Families with Children during the Foreclosure Crisis

Leah Hendey and C. Eugene Steuerle

The foreclosure crisis and national recession have many researchers focusing on losses of homeownership and wealth. Much less attention is paid to the flip side: who can take advantage of falling prices and low interest rates and move into homeownership? Just as in the stock market, the biggest losers may be those who *both* buy high and fail to buy low. But who has the most trouble either sustaining or attaining ownership? In sum, we really want to examine both sides of the coin—movement into and out of ownership—not just one.

With recent longitudinal data from the Making Connections Cross-Site Survey,¹ we begin to explore tenure change for families with children in the midst of the crisis. Our expected finding is that lower-income groups are much more likely to move out of homeownership. Among newer findings, non-Hispanic blacks are much less likely and Hispanics much more likely to move into homeownership than whites. There are wide differences among cities, likely due partly to different housing and credit markets and recessionary impacts at the different times the surveys were conducted. Such influences apply independently or over and above those due to poverty and other factors.

The survey was conducted in 2005–06 and again in 2008–09 or 2010 in selected low-income neighborhoods in six cities. Homeownership rates for this particular panel of low-income, child-raising households—ranging from 26 to 57 percent depending on the city—are much lower than the national average of 68 percent for all families.² Moreover, the rate of homeownership rose since 2005–06 for this panel, even though the national trends were in the opposite direction. These homeownership rates mask the dynamics of tenure change: roughly equal propor-

tions, 17 percent, of both renters and owners switched tenure between the two surveys. To isolate factors that are associated with tenure change, we ran two logistic regression models, one to predict the probability of owners becoming renters and the other predicting the opposite.

Owners to Renters

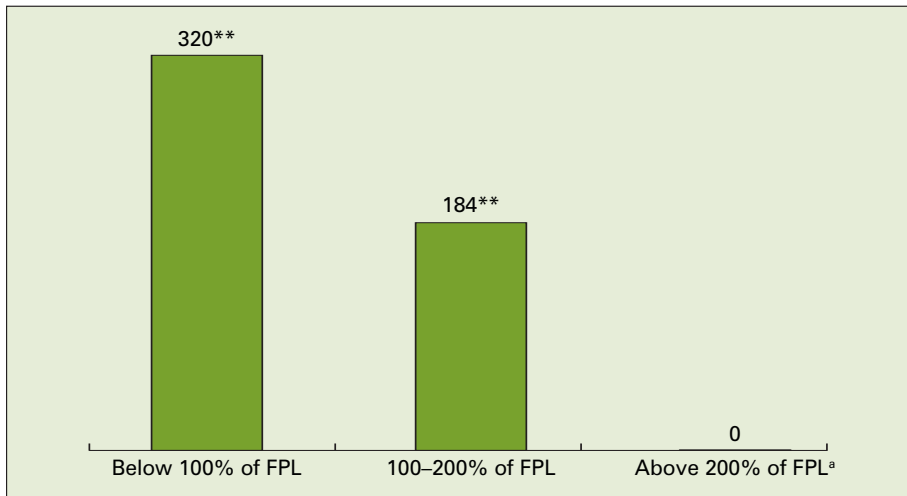
Poverty status is particularly associated with movements out of homeownership for families with children: homeowners in the initial survey living below 100 percent of the federal poverty level or between 100 and 200 percent of the poverty level were, respectively, 320 and 184 percent more likely to become renters than households living above 200 percent of the poverty level, after controlling for other demographic characteristics, city, and mortgage to home value ratio (figure 1). As one might expect, the amount of equity households had in their homes also matters: those with less than 10 percent equity in their homes were 3.7 times more likely to have become renters than those with 20 to 40 percent equity—again, over other factors such as age. In this sample, other demographic factors such as age, race, and education level were not independently associated with moves out of homeownership at a significant level.³

Renters to Owners

Race and ethnicity appear to be related to movements into homeownership for families with children, after controlling for city and other demographic characteristics that include poverty status, education, and number of adults. In particular, Hispanics, both U.S.-born and immigrants, have more than twice the probability of moving from

Among families with children who lived in selected low-income neighborhoods, non-Hispanic blacks are much less likely and Hispanics much more likely to move into homeownership than whites.

FIGURE 1. Percent Increase in Likelihood of Moving Out of Homeownership, Families with Children



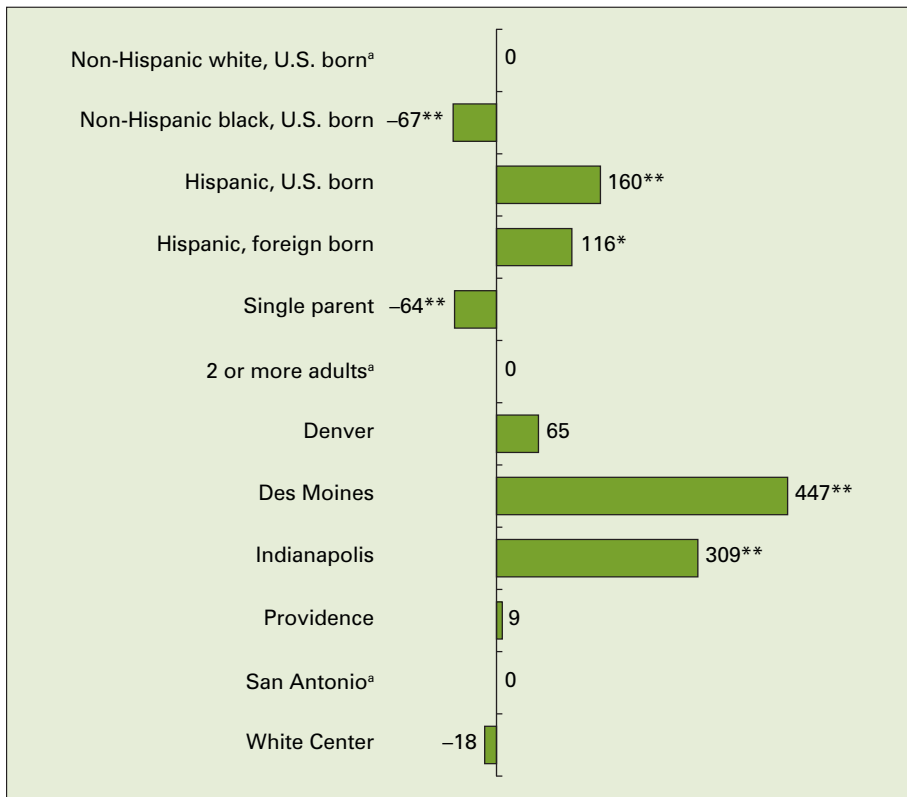
Source: Making Connections Cross-Site Survey, 2005/06 and 2008/09 Panels, Annie E. Casey Foundation.
FPL = federal poverty level

Note: The figure represents the increased probability of moving to homeownership compared to the reference group. It depicts the odds ratios resulting from the logistic regression.

a. Reference group.

** $p < 0.10$

FIGURE 2. Percent Increase or Decrease in Likelihood of Moving into Homeownership, Families with Children



Source: Making Connections Cross-Site Survey, 2005/06 and 2008/09 Panels, Annie E. Casey Foundation.

Note: The figure represents the increased probability of moving to homeownership compared to the reference group. It depicts the odds ratios resulting from the logistic regression.

a. Reference group.

* $p < 0.15$ ** $p < 0.10$

renting to owning as non-Hispanic whites (figure 2). In contrast, non-Hispanic blacks are 67 percent less likely to become owners than whites living in these neighborhoods.

Race is not the only characteristic associated with movement into homeownership. Single parents are 64 percent less likely to become owners than households with at least two adults. Even after controlling for poverty status and race, families of a respondent with only a high school diploma were less than half as likely to become owners as families with respondents who had at least some college. Poor families have a 60 percent lower probability of moving to homeownership than families living above 200 percent of the poverty level.

Access to homeownership varied widely across communities. Research on the impact of the recession on housing has often focused on who has lost and by how much. But asset-price declines, and, as it turns out, lower interest rates, can also provide new opportunities for households that can qualify even with the tightening credit market. At the macro level, when homeowners increasingly become renters but renters increasingly become homeowners, more than conversion of housing is likely taking place. When families move in with each other, for instance, the local economy may become further depressed, construction rates fall, and stagnancy spread. Households in low-income neighborhoods in Des Moines and Indianapolis were more than four times as likely to become homeowners relative to households in San Antonio, while households in Providence (which had the largest recession impact between the different times the two survey waves were conducted), San Antonio, White Center, and Denver were all less than half as likely to become owners relative to those in cities like Des Moines.⁴

In sum, this examination of housing trends early into the housing crisis not only shows us which groups have moved out of homeownership disproportionately, but raises the interesting question of whether the opportunities provided by lower housing prices—the silver lining in the foreclosure crisis—will spread equally or be tapped differentially by various educational, racial,

and other socioeconomic groups, even after controlling for factors such as income. Our exploration of the Making Connections data on families with children suggests that two-parent and Hispanic families—as well as those in the “right” geographical locations—may be relatively more likely, and blacks and single-parent families relatively less likely, to take advantage of new opportunities for homeownership when and if they come along.

Notes

1. This longitudinal survey, funded by the Annie E. Casey Foundation, included about

1,200 households with children that had the same respondent in two periods, from 15 neighborhoods in 6 cities: Denver, Des Moines, Indianapolis, Providence, San Antonio, and White Center (in King County, Washington). Future research could expand on this work by using survey data gathered for different cities and at different points in the foreclosure crisis. The regression analysis behind these results is available at <http://www.urban.org/url.cfm?ID=412346>.

2. U.S. Census Bureau, American Housing Survey National Tables, 2009.
3. The coefficients for some items like race are insignificant; this may be due to sample size, especially in the owner to renter analysis ($n=299$). For instance, as discussed, Hispanics are significantly more likely to move to homeownership, and their large (though insignificant) coefficient for moving

out of owner-occupied housing implies a more mobile population in general. Similarly, blacks are significantly less likely to move into housing, which is consistent with their smaller (though not significant) tendency to move out of homeownership.

4. For the extent of the rise in unemployment and housing market collapse in these areas, see appendix table 1, at <http://www.urban.org/url.cfm?ID=412346>.

About the Authors

Leah Hendey is a research associate with the Urban Institute’s Metropolitan Housing and Communities Center. **C. Eugene Steuerle** is an institute fellow and the Richard B. Fisher chair.

 **URBAN
INSTITUTE**
2100 M Street, NW
Washington, DC 20037

Nonprofit Org.
U.S. Postage
PAID
Easton, MD
Permit No. 8098

Return Service Requested

To download this document,
visit our web site,
[http://www.urban.org/
projects/opportunity](http://www.urban.org/projects/opportunity).

For media inquiries, please
contact paffairs@urban.org

Given the chance, many low-income families can acquire assets and become more financially secure. Conservatives and liberals increasingly agree that government's role in this transition requires going beyond traditional antipoverty programs to encourage savings, homeownership, private pensions, and microenterprise. The Urban Institute's *Opportunity and Ownership Project* policy brief series presents some of our findings, analyses, and recommendations. The authors are grateful to the Annie E. Casey Foundation and the Ford Foundation for funding the policy briefs.

URBAN INSTITUTE
2100 M Street, NW
Washington, DC 20037-1231
Copyright © 2011
Phone: 202-833-7200
Fax: 202-467-5775
E-mail: pubs@urban.org

The views expressed are those of the authors and do not necessarily reflect those of the Urban Institute, its board, its sponsors, or other authors in the series.