



# Individual and Neighborhood Impacts

## of Neighborhood Reinvestment's Homeownership Pilot Program

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**NEIGHBORHOOD REINVESTMENT CORPORATION,  
THE NEIGHBORWORKS® NETWORK AND  
THE NEIGHBORWORKS® CAMPAIGN FOR HOME OWNERSHIP**

Neighborhood Reinvestment Corporation was established by an act of Congress in 1978 (Public Law 95-557). A primary objective of the Corporation is to increase the capacity of local community-based organizations to revitalize their communities, particularly by expanding and improving housing opportunities.

These local organizations, known as NeighborWorks® organizations, are independent, resident-led, nonprofit partnerships that include business leaders and government officials. All together they make up the NeighborWorks® network.

The NeighborWorks® Campaign for Home Ownership is the largest national initiative of its kind: a joint effort by private industry and government working with community-based NeighborWorks® organizations to bring more families into home ownership. NeighborWorks® organizations participating in the campaign use the NeighborWorks® Full-Cycle Lending® system. Under this system, prepurchase education, innovative loan products and early-intervention delinquency counseling are combined into a system that helps create successful homebuyers who take charge of their neighborhoods as well as their homes.

*Individual and Neighborhood Impacts of Neighborhood Reinvestment's Homeownership Pilot Program* was edited by Michael Collins, Neighborhood Reinvestment Corporation, with layout and further editing by Amy Christian, Ampersand Editing & Production Services.

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## Executive Summary

The benefits of owning versus renting a home have been extolled by policy makers for many years, and there is substantial recent research to support those views. Yet the research supporting these claims largely has been conducted on general samples of homeowners. Low- and moderate-income homeowners may have a different experience due to difficulties in keeping up with housing-related payments or a difference in the quality of the homes being purchased. A major objective of this report is to assess the impacts of home ownership on a sample of low- and moderate-income homebuyers.

We also know very little about the experience of lower-income homebuyers after they purchase their homes. To what extent do low-income homebuyers experience unexpected costs associated with maintenance or repairs? What proportion of low-income buyers take out home equity loans and what do they use the funds for? What proportion of low-income homebuyers default on their loans? What do buyers feel are the greatest advantages and challenges to owning a home? Answers to these questions may provide insight into how prospective lower-income homebuyers can be better prepared for home ownership.

The research described in this report involved a sample of persons who graduated from home-ownership classes taught by eight NeighborWorks<sup>®</sup> organizations that participated in the Neighborhood Reinvestment Homeownership Pilot program. Neighborhood Reinvestment has encouraged its affiliated NeighborWorks<sup>®</sup> organizations to offer services designed to increase access to home ownership among low- and moderate-income families. Building on Neighborhood Reinvestment's Campaign for Home Ownership, the Homeownership Pilot program was designed to assist low- and moderate-income households to obtain home ownership by providing them with counseling, down-payment assistance and affordable loans.

This report is the third of three reports on the implementation, outcomes and impacts of the Homeownership Pilot program. The first report, entitled *An Assessment of Neighborhood Reinvestment's Homeownership Pilot Program: A Preliminary Report* (2000), covered the early implementation of the Pilot. The second report, entitled *Supporting the American Dream of Home Ownership: An Assessment of Neighborhood Reinvestment's Homeownership Pilot Program* (2002), covers the outcomes of the Homeownership Pilot, including the number of persons counseled and new homebuyers assisted. This final report was designed to:

1. Assess the proportion of customers trained by NeighborWorks<sup>®</sup> organizations who go on to buy homes, as well as the factors that predict who among those graduating from the home-ownership training go on to buy homes and who do not.
2. Assess both the social and financial impacts of buying a home on the program participants.
3. Assess the postpurchase experience of low-income homebuyers.
4. Assess the loan repayment experience of a sample of the affordable loans held by Neighborhood Housing Services of America (NHSAs).
5. Assess changes in the Pilot program target areas before, during and after the Pilot program was in effect.

## Impacts of Home Ownership on Program Participants

To better understand the impacts of home ownership on low- and moderate-income persons and to identify the factors that predict who buys homes and who does not, we surveyed persons who completed home-ownership training classes in eight NeighborWorks® organizations at two points in time. Each survey included questions designed to assess the financial impacts of home ownership, including monthly housing costs, savings and debt, as well as questions designed to assess the social impacts of home ownership, including self-esteem, satisfaction and civic participation. Questions on the social characteristics of the participants were also included. A total of 477 program participants completed both surveys. (Details on the survey instrument are included in Appendix A.)

### *Who bought homes?*

Survey data indicate that a full 72 percent of the respondents went on to purchase homes, although this figure may be affected by a lower response rate among continuing renters. At the very least, however, a quarter of those who graduated from the home-ownership training courses in the eight programs studied bought homes and the actual percentage is likely to be considerably higher.

The analysis of the characteristics of buyers versus continuing renters indicates that even after controlling for household income, education, savings and other variables, married persons were more likely to buy homes, while black persons were less likely. Compared to continuing renters, married persons may have been more interested in putting down roots in their communities, and thus had a stronger desire to buy a home. Married people may also have had the more flexibility in their schedules to be able to increase their incomes by increasing their work effort through overtime or by going from a half-time to a full-time job. The finding that blacks are less likely to buy after controlling for income, savings, monthly debt payments and credit problems is consistent with similar findings reported in the literature, and suggests continued discrimination in housing markets. Those who reported a lack of funds for a down payment were also less likely to have bought a home.

### *Social impacts of home ownership*

The analysis of the social impacts of homebuying indicates that after controlling for income, education, age and other differences between homebuyers and continuing renters, homebuyers were more satisfied with their lives and were also more likely to have larger social-support networks, which have been associated with improved physical and mental health.

No statistically significant relationships were found, however, between homebuying and participation in voluntary organizations, neighborhood satisfaction, self-esteem or perceptions of opportunity. There are several possible explanations for these nonsignificant findings. First, homebuying may not have an independent impact on these social variables. Second, the impact of homebuying on lower-income buyers may be different from the impacts on higher-income buyers. A third explanation is that our measures of these social constructs may not be sensitive or reliable enough to capture the impacts of home ownership. Finally, many of the impacts associated with home ownership may require some time to take effect. Survey respondents have only been homeowners for, at the most, two years. It is certainly possible that, given more time, homebuyers may experience many of these impacts.

### *Economic impacts of home ownership*

The analysis finds three measures of economic well-being to be strongly associated with home purchase even after controlling for other factors. Homebuyers, compared to renters, are more likely to

see gains in the size of their dwellings. Homebuyers are also more likely to be employed and to have some form of health insurance than continuing renters (even after controlling for employment status). The findings are thus consistent with the contentions in the literature that homeowners are more likely to live in bigger homes and that home ownership promotes a stronger workforce attachment.

Although we find significant relationships between homebuying and other measures of economic well-being, these relationships disappear after controlling for other variables, such as income, education and age. After controls were introduced, there were no significant differences between the changes in housing quality, housing payments, assets and income, and in the amount and type of nonhousing debt of homebuyers and continuing renters. Again, it may be that these potential economic impacts of homebuying may take longer than two years to be realized.

### ***Low-income homebuying experience***

To assess the experience of new homebuyers, we looked at the prevalence of unexpected housing maintenance; repairs and costs; access to and use of credit; and self-reported assessment of the homeownership experience.

The data indicate that 48 percent of low-income homebuyers in our sample have experienced major unexpected costs associated with the home. This finding underlines the importance of quality pre-purchase inspections and home repairs, and of making sure that homebuyers have saved enough to adequately maintain their homes.

The data also show that most homebuyers have not acquired new debt, refinanced or taken out a home-equity loan. However, a small group of homeowners seem to be having difficulties managing their finances. Fifteen percent of homebuyers have refinanced their mortgages, 22 percent of whom refinanced to take cash out or catch up on mortgage payments. While we cannot say based on these data whether refinancing or other activities like debt consolidation or taking out a home equity loan will ultimately be bad for these homeowners, it raises some concerns about the difficulties these homeowners find themselves in so soon after purchase. These homeowners may benefit from ongoing postpurchase counseling or training.

In their overall assessment of the home-ownership experience, homeowners reported that the greatest advantage of home ownership was building equity, while the greatest challenge reported was increased monthly expenses, followed closely by finding time for home maintenance. These findings suggest that prepurchase education should focus on providing prospective buyers with a realistic picture of the responsibilities associated with owning a home.

## **Loan Performance**

To examine the performance of loans made to low-income homebuyers, we analyzed a database of loans purchased by Neighborhood Housing Services of America (NHTSA). Overall, loan performance in the sample is very good. The percentage of troubled loans in the analysis file is less than one percent. While the small number of troubled loans makes further analysis difficult, this finding is very positive when compared with industry standards, especially during an economic downturn. It should be noted that the low incidence of troubled loans may reflect the fact that loans originated in 2001 and 2002 may not be seasoned enough to experience difficulties. A longer-term examination of the loans would be required to assess the risk of these cohorts.

## Neighborhood Impacts

A portion of the Homeownership Pilot program funding was made to organizations in order to coordinate their home-ownership promotion activities with other neighborhood revitalization strategies. These “Category B” grants were used to “assist those NeighborWorks® organizations that were already high producers to broaden their revitalization impact.” To assess the changes that took place in the target areas of the four Category B organizations before, during and after the Homeownership Pilot program, we used two types of data. Home Mortgage Disclosure Act (HMDA) data were acquired for both the target areas and their larger metropolitan areas for the years 1996 through 2001. These data allow us to determine if loan activity in the target areas increased relative to their metropolitan areas during the Pilot period. Census data from 1990 and 2000 was also used to assess any changes in housing conditions in the target areas over the decade. We present data on the changes in the median housing values, the percentage of owner-occupied units, and the percentage of vacant housing units for both the target areas and their metropolitan areas.

The analysis of changes in the neighborhoods targeted by the four Category B Pilot programs indicates that there were positive changes in all four communities. In Sacramento the HMDA data show that the target areas, compared to the city as a whole, experienced larger increases in both the number of loans originated and the average value of those loans. The census data for Sacramento shows that the median value of homes in the target area increased faster than the citywide values, and there was also a relatively larger reduction in the number of vacant units. However, the growth rate for owner-occupancy in the target area lagged behind that of the city as a whole.

In New Orleans the target area has done better than the city as a whole on all measures. Both the number and average value of loans in the target area increased faster than that of the city. The median value of owner-occupied units, the percentage of owner-occupied units, and the reduction in the percentage of vacant units all exceeded the citywide figures.

In New Britain there was a relatively large percentage increase in the number of loans, but a relatively small percentage increase in the average value of those loans. The census data show that the changes in the value and percentage of owner-occupied units were similar to the city as a whole, and so was the percentage reduction in the number of vacant units.

Finally, in Chattanooga the number of loans originated in the target neighborhoods increased for the two years of the Pilot program, and then fell off the year after the Pilot. The census data show that the median value of homes in the target area increased much more than the median values for the city as a whole, yet the increase in the home-ownership rate was below that of the city as a whole. There was also a very small increase in the vacancy rate in the target area, while the city showed a very small decrease.

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# Chapter 1

## Introduction

The benefits of owning versus renting a home have been extolled by policymakers for many years, and there is substantial recent research to support those views. Research has found that home ownership has positive economic impacts, such as wealth accumulation and tax advantages (McCarthy, Van Zandt and Rohe 2000). Research has also found that home ownership has social benefits, including increased satisfaction with home and neighborhood, increased participation in local voluntary organizations, and increased neighborhood stability (Rohe and Stewart 1996; Rohe, Van Zandt and McCarthy 2000).

Yet the research supporting these claims has largely been conducted on general samples of homeowners. Low- and moderate-income homeowners may have a different experience due to difficulties in keeping up with housing-related payments or differences in the quality of the homes being purchased. A major objective of this report is to assess the impacts of home ownership on a sample of low- and moderate-income homebuyers.

We also know very little about the experience of homebuyers after home purchase. This includes both the impacts of buying a home relative to continuing renting, as well as the overall experience of homebuyers with regard to the challenges of owning a home, including housing maintenance, repairs and costs, and access to and use of credit. Similarly, we know little about the ability of low-income homebuyers to meet mortgage payments.

Historically, relatively high down-payment requirements and strict underwriting standards have excluded many low- and moderate-income households from buying homes, and thus accruing the benefits associated with home ownership. More recently, however, the introduction of affordable mortgage products and home-ownership counseling has allowed many low- and moderate-income families to buy homes. Neighborhood Reinvestment has encouraged its affiliated NeighborWorks® organizations to offer services designed to increase access to home ownership among low- and moderate-income families. Building on Neighborhood Reinvestment's Campaign for Home Ownership, the Homeownership Pilot program was designed to assist low- and moderate-income households to obtain home ownership by providing them with counseling, down-payment assistance and affordable loans. The research described in this report involves a sample of these new homeowners.

This report is the third of three reports on the implementation, outcomes and impacts of the Homeownership Pilot program. The first report, entitled *An Assessment of Neighborhood Reinvestment's Homeownership Pilot Program: A Preliminary Report* (2000), covered the early implementation of the Pilot. The second report, entitled *Supporting the American Dream of Home Ownership: An Assessment of Neighborhood Reinvestment's Homeownership Pilot program* (2002), covers the outcomes of the Homeownership Pilot, including the number of persons counseled and new homebuyers assisted. It also presents qualitative data on the Pilot's impacts on the sponsoring organizations, the target neighborhoods and the clients served.

## Research Objectives

This research project was designed to achieve several objectives. First, we sought to assess the proportion of customers trained by NeighborWorks® organizations who go on to buy homes, as well as the factors that predict who among those go on to buy homes and who do not. It will be interesting to see how many of those who received training actually purchase homes within a two-year period. In addition, determining the factors associated with buying or not buying a home may aid local program staff in addressing some of the obstacles that keep clients from realizing their goals.

Second, we sought to assess both the social and financial impacts of buying a home on the program participants. As mentioned earlier, the impacts of home ownership on lower-income buyers may differ from higher-income buyers, because lower-income buyers have more variable incomes and are more likely to buy older homes in less desirable neighborhoods. Thus, this research looks at the impact of buying a home on social variables, such as self-esteem, satisfaction with life and living environment, and participation in voluntary organizations, and economic variables, such as housing costs, household income and nonhousing debt.

Third, we sought to better understand the experience of low-income homebuyers. What are the main challenges faced by lower-income homebuyers? To what extent did they encounter unexpected costs or unaffordable repairs? How many buyers refinanced and for what reasons? How many took out home-equity loans, and what did they use those loans for? We hope that answers to these and related questions will help housing counselors better prepare lower-income buyers for the experience of home ownership.

Fourth, we sought to assess the default rate of a sample of the affordable loans held by Neighborhood Housing Services of America. Assessing the default rate is important since the goal of the NeighborWorks® organizations is not simply to assist lower-income households purchase homes, but to be successful homeowners. Due to the need for a large sample of loans to have statistically valid results, the loans analyzed are not just those made by the Pilot programs during the Pilot time period. Rather they are all loans purchased from NeighborWorks® organizations by NHSA between 1998 and 2002.

Finally, we sought to assess changes in the Pilot program target areas before, during and after the Pilot program was in effect. Selected Pilot programs received funds for neighborhood improvement activities to complement their home-ownership promotion efforts in target areas. Although there is no way to attribute any changes in target areas to the Pilot program, we expect to find that the targeted neighborhoods improved over the time the Pilot was in effect. We look at changes in the number and amount of mortgage loans made in the target areas, as well as changes in home-ownership rates and housing conditions.

### ***The Homeownership Pilot program***

In 1998, Congress authorized \$25 million for a NeighborWorks® Homeownership Pilot program. The program was designed with these objectives: (1) to leverage additional local public and private dollars for first-time homebuyers; (2) to expand the capacities of NeighborWorks® organizations to assist new homebuyers; and (3) to test new strategies for expanding access to home ownership for low-income persons. The Pilot ran for two years, 1999 through 2000.

Campaign staff developed guidelines for three funding categories: A, B, and C. The three-level funding structure was designed to accommodate the different organizational development cycles and

capacities of members of the NeighborWorks® network. Grants made under Category A of the Pilot had the primary purpose of assisting NeighborWorks® organizations to “boost their home-ownership production, and a secondary purpose of assisting them with their revitalization efforts.” To be eligible for Category A grants, NeighborWorks® organizations had to be assisting 30 or more new homeowners per year and agree to a net increase of at least 100 homeowners over the two-year grant period. Category A grants were between \$300,000 and \$500,000 for a two-year period.

Grants made under Category B were designed to “assist those NeighborWorks® organizations that were already high producers to broaden their revitalization impact. Its secondary purpose was to stimulate new home-ownership production.” To be eligible for Category B grants, NeighborWorks® organizations had to be assisting at least 70 new homeowners per year. Applicants were encouraged to coordinate their home-ownership promotion activities with other neighborhood revitalization strategies. The maximum Category B grant amount was \$500,000 for a two-year period.

Grants made under Category C were designed to assist organizations in building their capacities to provide home-ownership promotion services, particularly in the areas of market analysis, market outreach and systems improvements. There were no minimum home-ownership production requirements for Category C grants. The maximum Category C grant was \$50,000 for a two-year period.

A total of 113 organizations applied to participate in the Pilot program. Overall, 73 sites were selected to participate: 35 Category A sites, nine Category B sites, and 29 Category C sites.

Much of the data presented in this report — including the surveys of program participants and secondary data on changes in neighborhood conditions — is from a sample of eight Pilot organizations that were selected to achieve variation in geography, city size and programmatic characteristics (see Table 1.1). The major programmatic characteristic of interest was whether the organization was funded under Pilot program Category A or Category B. Thus, four of each type of organization were selected.

Each of the organizations offers home-ownership education, lending and other programs throughout its city or county. Staff members involved in home-ownership activities conduct home-ownership education courses and also provide one-on-one counseling to those interested in buying homes. They also assist clients in securing affordable mortgages and are responsible for any delinquency or foreclosure counseling offered by their organizations.

**TABLE 1.1. SITE CHARACTERISTICS**

Site	Funding category	Region	City size	Year founded	Staff size
Salisbury NHS (MD)	A	South	21,000	1994	4.5
NHS of Richmond (VA)	A	South	200,000	1981	12
NHS of Santa Fe (NM)	A	West	56,000	1992	12
NHS of Milwaukee (WI)	A	Midwest	630,000	1993	20
Chattanooga Neighborhood Enterprise (TN)	B	South	150,000	1986	44
NHS of New Britain (CT)	B	Northeast	75,000	1980	7
NHS of New Orleans (LA)	B	South	500,000	1977	12
NHS Sacramento (CA)	B	West	375,000	1987	17

This report is organized into five chapters. Chapter 2 contains data comparing the characteristics of those who bought homes and those who did not. It also contains an analysis of both the economic and social impacts of home ownership. Chapter 3 presents an analysis of the experience of lower-income homebuyers during the first two years of ownership. Chapter 4 presents an analysis of the loan-default experience of lower-income homebuyers; Chapter 5 presents data on changes in the neighborhoods targeted by Category B Pilot programs.

## Chapter 2

### The Social and Economic Impacts of Home Ownership

Home ownership is thought to have a variety of positive impacts on homebuyers. Economically, homeowners may benefit from tax benefits and from appreciation in the value of their homes. Socially, homeowners may be more satisfied with both their lives and their homes, and be more engaged in community activities. The research supporting these claims, however, has largely been conducted on general samples of homeowners. Lower-income homeowners may have a different experience due to difficulties in keeping up with housing-related payments or possible differences in the quality of the homes being purchased. In this chapter we use the longitudinal survey of Pilot program participants to identify the social and economic impacts of buying a home.

To better understand the impacts of home ownership on low- and moderate-income persons, and to identify the factors that predict who buys homes and who does not, we surveyed at two points in time persons who completed home-ownership training classes in eight NeighborWorks® organizations. These eight organizations were chosen to achieve variation in the size and geography of the cities served, as well as in the programmatic aspects of the Pilot program. The first survey was administered by the trainers at the end of the home-ownership training courses offered between November 1999 and December 2000. The second survey was mailed to those who completed the first survey and whose address we could find. One to two years elapsed between the time study participants completed the home-ownership training course and the receipt of the second survey.

Each survey included questions designed to assess the financial impacts of home ownership, including monthly housing costs, savings and debt, as well as questions designed to assess the social impacts of home ownership, including self-esteem, satisfaction and civic participation. Questions on the demographic characteristics of the participants — such as income, marital status and age — were also included.

A total of 1,433 surveys were completed from November 1999 to December 2000. In August 2002 a second mail survey was sent to 1,213 persons from the original set, which was the total for whom we had addresses.<sup>1</sup> After repeated attempts to get study participants to return the surveys, we ended up with 477 completed surveys, which represents a 33 percent response rate.<sup>2</sup>

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<sup>1</sup> Names and addresses were identified using several sources, most notably the U.S. Postal Service's National Change of Address Database, which provides current address on individuals and households who have filed "change of address" cards with the USPS. Other methods of locating respondents included contacting the organization that originally provided home-ownership education to them — some organizations keep much better records than do others — and conducting Internet and paper searches of phone directories.

<sup>2</sup> Respondents received four contacts: a first mailing including the survey and a \$2 incentive payment; a follow-up thank-you postcard; a second complete mailing of the survey to addresses for which no response had been received; and a last-chance postcard. To account for differences between those who responded to the baseline survey and those who responded to the follow-up survey, a weight was constructed using characteristics on which the two samples differed significantly: race, education, marital status, citizenship and whether the respondent had been more than 30 days late making a debt payment.

The characteristics of persons in the sample at the time of the first survey are shown in Table 2.1. Almost two-thirds of the sample were women. The data on the racial and ethnic composition shows that 40 percent were black, 34 percent were white, 17 percent were Hispanic and the remainder were of other ethnicities. Looking at marital status, 40 percent were married, 27 percent had been previously married and 33 percent had never been married. The data on education shows that 8 percent did not have a high-school degree, 25 percent had only a high-school degree, 33 percent had some college, 19 percent had college degrees and 14 percent had graduate degrees. As might be expected, a full 84 percent of the sample had a full-time job. The average household income of persons in the sample was \$28,499 and the average age was 38.

## Who Bought Homes?

Of the 477 persons in our sample, 343 persons (72 percent) became homeowners by the time of the second survey, while 134 (28 percent) had not. These numbers are undoubtedly affected by a higher response rate for those who bought homes compared to those who did not. It is very unlikely that such a high percentage of persons go on to buy homes within a year or two of graduating from homeownership classes. If we assume, however, that all of the nonrespondents were nonbuyers, the rate of home purchase would be 24 percent. Thus, the actual percentage is almost certainly somewhat higher than that.

**TABLE 2.1. DEMOGRAPHIC CHARACTERISTICS OF HOMEBUYERS AND CONTINUING RENTERS**

	Baseline (2000)		
	Buyer	Nonbuyer	Total
<b>Gender</b>			
Male	133 (39.7%)	37 (26.6%)	170 (35.9%)
Female	202 (60.3%)	102 (73.4%)	304 (64.1%)
<b>Race</b>			
Black	113 (33.6%)	77 (55.4%)	190 (40.0%)
White	134 (39.9%)	26 (18.7%)	160 (33.7%)
Hispanic	55 (16.4%)	30 (21.5%)	85 (17.9%)
Other	34 (10.2%)	6 (4.4%)	40 (8.4%)
<b>Marital Status</b>			
Married	151 (45.1%)	39 (28.1%)	190 (40.1%)
Formerly married	78 (23.6%)	49 (35.3%)	127 (27.0%)
Never married	105 (31.3%)	51 (36.7%)	156 (32.9%)
<b>Education</b>			
Some high school	26 (7.7%)	14 (10.1%)	40 (8.4%)
High-school graduate	77 (22.9%)	43 (30.9%)	120 (25.3%)
Some college	103 (30.7%)	53 (38.1%)	156 (32.8%)
College graduate	75 (22.3%)	18 (12.9%)	93 (19.6%)
Graduate school	55 (16.4%)	11 (7.9%)	66 (13.9%)
<b>Employed</b>			
Full-time	281 (85.2%)	109 (80.1%)	390 (83.7%)
Part-time or seasonally	14 (4.2%)	11 (8.1%)	25 (5.4%)
Unemployed	9 (1.7%)	5 (3.6%)	14 (3.0%)
Other	26 (7.8%)	11 (8.1%)	37 (7.9%)
<b>Age</b>	37.6	37.7	37.6
<b>Average income</b>	\$30,300	\$24,256	\$28,528



	Baseline (2000)		
	Buyer	Nonbuyer	Total
Average savings	\$2,158	\$3,402	\$3,037
Average monthly debt payment	\$431	\$398	\$408
Parents owned home	239 (71.3%)	91 (65.5%)	330 (69.6%)

One of the goals of this research was to identify the factors that predict who buys a home and who does not. To address this question we first presented simple descriptive statistics on the characteristics of the buyers and nonbuyers. Then we entered those characteristics into a multiple regression model to see which characteristics are the most powerful predictors of homebuying.

Compared to those who did not buy homes, those that did were more likely to be male, white or an “other” race, married, more highly educated and employed (see Table 2.1). Homebuyers also had higher incomes (\$30,262 vs. \$24, 256), but as a group they were no older than the nonbuyers.

As mentioned above, we also ran a multiple regression model to identify the strongest predictors of homebuying. In addition to the variables discussed above, in a preliminary model we also included measures of whether the person grew up in a home that was owned by his or her parents, and both the amount of savings and debt he or she reported. The results of the analysis indicate that marital status, race, income and savings are the best predictors of homebuying (see Table 2.2). Married persons and those with more income and savings were significantly more likely to buy homes, while black persons were significantly less likely to purchase homes. The R-square of the preliminary model is a relatively low .147, however, indicating that only 15 percent of the variation in buying is explained by the model. This suggests that there are many other unmeasured variables that influence homebuying.

We ran a second multiple regression model that, in addition to the variables in the first model, included individual self-assessments of the obstacles participants faced in buying a home. These obstacles included lack of money for a down payment, lack of money for monthly mortgage payments, lack of income or savings to maintain a home, debts that make it difficult to qualify for a mortgage, fear of losing one’s job, bad credit or bankruptcy, and discrimination or social barriers. The results indicate that blacks and those who identified lack of money for a down payment as an obstacle to home ownership were significantly less likely to buy a home (see Table 2.2, Model 2). Married persons were significantly more likely to buy homes. The R-square of this model is a somewhat higher .232, indicating that 23 percent of the variance in home purchase is explained by the variables in this model.

**TABLE 2.2. LOGISTIC REGRESSION OF PREDICTORS OF HOMEBUYING**

Predictor	Model 1			Model 2		
	B	Sig.	Exp(B)	B	Sig.	Exp(B)
Constant	-.165	.803	.848	-1.136	.136	.321
High-school education	-.324	.170	.724	-.438	.077	.645
Married	.589	.022	1.802	.551	.043	1.735
Black	-.551	.022	.577	-.606	.019	.546
Working	.393	.172	1.481	.394	.205	1.483
Parents owned home	-.064	.791	.938	.103	.688	1.109
Male	.305	.220	1.356	.184	.488	1.202
Number of children	-.133	.167	.875	-.115	.256	.892

Predictor	Model 1			Model 2		
	B	Sig.	Exp(B)	B	Sig.	Exp(B)
Age	.010	.348	1.010	.010	.371	1.010
Monthly debt payment	.000	.408	1.000	.000	.718	1.000
<b>Savings</b>	<b>.000</b>	<b>.052</b>	<b>1.000</b>	.000	.632	1.000
<b>Annual income</b>	<b>.000</b>	<b>.059</b>	<b>1.000</b>	.000	.107	1.000
<b>Obstacles to buying a home</b>						
<b>Lack of money for down payment</b>				<b>-.485</b>	<b>.056</b>	<b>.615</b>
Lack of money for mortgage payments				-.399	.480	.671
Lack of income or savings to maintain a home				.463	.318	1.589
Debt				-.247	.543	.781
Fear of losing job				-.162	.786	.850
Bad credit or past bankruptcy				-.394	.328	.675
Discrimination				-.372	.536	.689
R-squared		.147			.232	

## The Social Impacts of Home Ownership

One of the main objectives of this research was to assess the impacts of home ownership on several social variables, including (1) participation in voluntary organizations, (2) satisfaction with life and neighborhood, (3) self-esteem, (4) perceived opportunity and (5) social-support networks.

To a greater or lesser extent, the impact of home ownership on these variables has been addressed in previous research. Most of that research, however, has relied on cross-sectional research designs that are not well suited to establishing the causal direction of the relationships reported. It is not clear, for example, whether those who participate more in social and political groups are more likely to buy homes, whether those who buy homes are more likely to join groups, or whether it works both ways.

The research employed in the present study utilizes a longitudinal research design, which is much better suited to establishing the causal sequence of any relationships found. At the time of the first survey, everyone in our sample was a renter. Some of those went on to become homeowners, and others continued renting. To evaluate differences between buyers and continuing renters, we first looked at bivariate differences using a simple t-test (indicated in each table as “no controls”). We then used regression analysis to evaluate the impact of home ownership on each outcome, controlling for social characteristics including age, gender, marital status, education, race, employment, number of children, income, whether the respondent moved into a new neighborhood, the number of months of residence, and the value of the outcome variable at the time of the baseline survey (indicated in each table as “with controls”).

Most of the research on social impacts has relied on general samples of homeowners. The results of those studies may or may not apply to low-income homeowners, whose homes and neighborhoods may not be as desirable as those of higher-income homeowners. The sample of homebuyers in this study is predominantly lower-income buyers, which allows us to assess the impacts of home ownership on this specific segment of all homebuyers.

### ***Home ownership and participation in voluntary organizations***

Voluntary organizations play an important role in American society. They supplement the activities of more formal governmental organizations and often address issues or problems that are beyond the influence of governmental agencies. Voluntary organizations make important contributions to the health of our communities. To be effective, however, voluntary organizations need citizens who are willing to donate their labor. Previous research on the factors associated with participation in voluntary organizations has found that homeowners are considerably more likely to participate in a variety of voluntary organizations, including neighborhood associations, civic leagues and school associations.

Why might homeowners be more likely to participate? Three explanations have been offered. First, homeowners have an economic investment in their homes, and they seek to protect those investments by contributing to voluntary organizations that are working to keep communities healthy and attractive. Second, since owners tend to stay in their homes longer, they have a greater social attachment to their communities, and this motivates them to participate in community-based voluntary associations. Third, certain persons may feel a civic duty to participate in voluntary associations and those persons are also more likely to purchase homes. This last explanation suggests that the relationship between home ownership and participation is spurious: There is nothing about home ownership itself that leads to greater participation.

Previous research on home ownership and participation in voluntary organizations generally supports a positive relationship. After controlling for income, education and many other factors that are associated with home ownership, most studies still find a significant, positive association between home ownership and participation in voluntary organizations (Cox 1982, DiPasquale and Glaeser 1999, Kinston and Fries 1994, and Rohe and Stegman 1994b). But as mentioned above, most of this research relied on cross-sectional research designs and looked at all homeowners, not just lower-income homeowners. So there is still some question as to whether home ownership increases participation in voluntary organizations, particularly among lower-income homebuyers.

In the current study, we asked participants in both surveys if they participated in school organizations, church or church-related organizations, social or civic organizations, neighborhood organizations or professional organizations. The data indicate that compared to continuing renters, homebuyers were more likely to participate in school and neighborhood associations and in any type of voluntary organization. The data also show a relatively large increase in participation in social or civic groups among continuing renters, which is difficult to explain. None of those associations, however, was statistically significant once control variables were introduced.

**TABLE 2.3. PARTICIPATION IN VARIOUS TYPES OF VOLUNTARY ORGANIZATIONS**

	Number of Buyer Participants			Number of Renter Participants			Significance	
	T1	T2	Change	T1	T2	Change	No controls	With controls
School	69 (21%)	70 (21%)	1%	46 (33%)	28 (20%)	-13%	**	
Church	146 (43%)	157 (47%)	4%	63 (45%)	60 (43%)	-2%		
Social or civic	63 (19%)	67 (20%)	1%	11 (8%)	26 (19%)	11%	**	
Neighborhood	25 (7%)	45 (13%)	5%	19 (14%)	11 (8%)	-6%	***	
Professional	87 (26%)	91 (27%)	1%	20 (14%)	23 (17%)	3%		

	Number of Buyer Participants			Number of Renter Participants			Significance	
	T1	T2	Change	T1	T2	Change	No controls	With controls
Other	30 (9%)	39 (12%)	5%	10 (7%)	15 (11%)	4%		
Any organization	251 (75%)	269 (80%)	7%	107 (77%)	107 (77%)	0%	*	

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

### ***Home ownership and satisfaction with life and neighborhood***

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). It is a person's overall assessment of his or her life. Neighborhood satisfaction, of the other hand, is defined as the degree to which a person is content or happy with the specific physical and social condition in the area around his or her home. We asked study participants to assess both their life satisfaction and satisfaction with their neighborhoods in both the first and second surveys.

*Life satisfaction.* There is reason to believe that homeowners should express higher levels of life satisfaction. Studies have shown that buying a home is an important life goal for many Americans. A large majority of renters express a desire to own a home at some point in their lives (Fannie Mae 1998, 1999). Thus, one would expect that achieving that goal would result in greater life satisfaction. Owning a home also allows individuals greater opportunities to customize their homes in ways that suit their tastes. This greater control might be expected to increase life satisfaction. Finally, home ownership is a sign of social status in American society, and so achieving it might be expected to increase levels of life satisfaction.

Prior research has shown that life satisfaction is related to many factors. Older persons generally express higher levels of satisfaction with their lives, as do married persons, healthier persons and those who are more socially active. That research has also found a positive relationship between home ownership and life satisfaction. Rossi and Webber (1996), for example, report a positive association between home ownership and both self-satisfaction and happiness in an analysis of data from the National Survey of Families and Households, yet they failed to find a significant relationship between home ownership and happiness in an analysis of data from the General Social Survey. In a longitudinal study of the impacts of low-income homeowners, Rohe and his colleagues found that those who bought homes expressed higher levels of life satisfaction than those who did not (Rohe and Stegman 1994, Rohe and Basolo 1997).

In the present study, life satisfaction was measured by the question, "How satisfied are you with your life as a whole these days?" The data show that life satisfaction among the buyers in our sample fell slightly from the first to the second survey (see Table 2.4). Life satisfaction among the continuing renters, however, fell to a much greater extent. Moreover, the decline in life satisfaction was significantly greater among the nonbuyers even after statistical controls were added.

**TABLE 2.4. SATISFACTION WITH LIFE AND NEIGHBORHOOD**

	Buyers			Renters			Significance	
	T1	T2	Change	T1	T2	Change	No controls	With controls
Life satisfaction	3.4	3.3	-3%	3.3	2.9	-12%	*	
Neighborhood satisfaction	24.7	26	5%	23.5	23.7	1%	***	**

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Although life satisfaction among homeowners compares favorably to that of continuing renters, it is interesting that buying a home did not increase life satisfaction. The most likely explanation for this result is that life satisfaction among the general population has been declining. Thus, it seems that an increase in satisfaction due to having bought a home offset a more general decrease in satisfaction across the population.

*Neighborhood satisfaction.* Home ownership might also be expected to influence satisfaction with the neighborhood. There are two ways in which this influence might be exerted. First, because it is much more difficult and costly to move, homebuyers are often more concerned about the characteristics of the surrounding neighborhood. Thus, they are more likely to choose an area with which they will be satisfied. Secondly, as discussed above, homeowners are more likely to get involved with neighborhood organizations which might have positive impacts on neighborhood characteristics and hence on satisfaction with their neighborhood.

In the present study, we measured neighborhood satisfaction with an eight-part question. The eight subquestions asked about the neighborhood's general appearance, reputation, shopping convenience, and the safety and quality of its schools. They also asked about the helpfulness of residents, trustworthiness of residents and the quality of the neighborhood as a place to raise children. The answers to these questions were then combined into an overall measure of neighborhood satisfaction.

The results show that homebuyers, compared to continuing renters, had a larger increase in neighborhood satisfaction (see Table 2.4). This increase was statistically significant at the 0.1 level before the control variables were introduced, but it was not statistically significant after the control variables were introduced.

### ***Home ownership and self-esteem***

Some authors have suggested that home ownership can enhance a person's self-esteem, which, in turn, can have positive impacts on other aspects of a person's life. Self-esteem is defined as an individual's personal judgment of his or her own worthiness (Coopersmith 1967). Home ownership might influence self-esteem through three mechanisms (Rohe and Stegman 1994a). First, given that homeowners are afforded higher status in American society, they are likely to internalize this status in the form of higher self-esteem. Second, homeowners may take their housing tenure as an indication that they are doing better than many others in society. Third, having achieved an important life goal may make them feel good about themselves.

The research on the association of home ownership and self-esteem shows mixed results. Although several studies report higher levels of self-esteem among homeowners, it is not clear whether the

influence of other variables was adequately controlled (Balfour and Smith 1996, Rossi and Weber 1996, Clark 1997). The only longitudinal study on this topic found no difference between the self-esteems of lower-income homebuyers and a similar sample of continuing renters (Rohe and Stegman 1994a).

In the current study, self-esteem was measured by having participants rate on a four-point scale how strongly they agree or disagree with five separate statements (see Appendix A). Their responses were then combined into an additive index of self-esteem (with a Cronbach’s alpha of 0.70). The results of our analysis indicate a slight drop in self-esteem among the homebuyers and a slight increase in self-esteem among the continuing renters (see Table 2.5). This difference was statistically significant before the introduction of control variables, but was not significant once we introduced the control variables into the analysis.

**TABLE 2.5. SELF-ESTEEM**

	Buyers			Renters			Significance	
	T1	T2	Change	T1	T2	Change	No controls	With controls
Self-esteem index	17.5	17.1	-2%	16.8	17	1%	**	

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

These results are consistent with those found by Rohe and Stegman (1994a) and Rohe and Basolo (1997) who studied a group of low-income homebuyers and a similar group of continuing renters. These studies found no statistically significant relationship between buying a home and relative increases in self-esteem. There are at least two possible explanations for these findings. First, buying a home may not be sufficient to alter a person’s basic feelings about himself or herself. There is some reason to believe that a person’s self-esteem may be established early on in life and difficult to alter in later life (Rosenberg 1979). Second, the impact of home ownership may take longer than the one to two years of ownership experienced by the participants in this study.

***Home ownership and perceived opportunity***

The notion of opportunity is dear to most Americans. We pride ourselves on a society that offers individuals opportunities to rise above the social class and economic status of their parents. Typically these opportunities are accessed through the public education and free enterprise systems, but some have argued that home ownership may positively impact access to opportunity — although no one has empirically tested this relationship (Rohe, Van Zandt and McCarthy 2002).

To assess whether home ownership impacts perceptions of opportunity in society, we used an additive index created from five questions (with a Cronbach’s alpha of 0.67; see Appendix A). The results show that there were very small, nonsignificant decreases in the perceived opportunity index for both the homebuyers and continuing renters (see Table 2.6). Thus there is no support for the idea that buying a home influences the more general perceptions of opportunity in society.

**TABLE 2.6. PERCEPTIONS OF OPPORTUNITY**

	Buyers			Renters			Significance	
	T1	T2	Change	T1	T2	Change	No controls	With controls
Opportunity index	15.5	14.8	-5%	14.6	14.1	-3%		

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

### *Home ownership and social networks*

Each person’s social-support network is composed of persons on whom they rely for companionship as well as emotional and material assistance. Social networks may serve two important purposes: support or leverage (Briggs 1997). Supportive relationships are used to cope with everyday tasks and for those living in poverty; these connections can be extremely important to survival. Leveraging relationships have the potential to change an individual’s life circumstances by taking advantage of “whom one knows.” Moreover, research has shown that neighbors often make up a sizable portion of typical social networks. Fischer (1982), for example, reports that compared to relatives, coworkers and friends, neighbors were the most often called upon for certain types of material support, and the second most frequently called upon for certain types of companionship. Prior research has shown that education, income, age and other demographic factors influence the size of social networks (Marsden 1987).

There is reason to believe, however, that home ownership may also positively impact the size of social networks. Homeowners, the argument goes, are more likely to get involved in either formal or informal neighborhood activities and thus get to know their neighbors. Fisher (1982) and Baum and Kingston (1984), for example, report a positive association between home ownership and informal neighboring. Similarly, research has consistently found that homeowners are more likely to participate in local voluntary associations.

Measures of social network were constructed from survey items that asked respondents about the number of nonfamily relationships they used for either support or leverage (see Appendix A). The results of our analysis show that the homebuyers experienced a small increase in the size of their social-support networks, while the continuing renters experienced no change in the size of their support networks (see Table 2.7). The difference in the size of the social networks of renters and owners was not significant before the control variables were introduced, but was statistically significant after they were introduced. Thus, controlling for other factors, home ownership does seem to have a positive impact on the size of people’s social networks.

**TABLE 2.7. NUMBER OF PEOPLE IN SUPPORT AND LEVERAGING NETWORKS**

	Buyers			Renters			Significance	
	T1	T2	Change	T1	T2	Change	No controls	With controls
Support size	3	3.1	3%	2.6	2.6	0%		**
Leverage size	2.9	2.8	-3%	2.7	2.6	-4%		

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

## The Economic Benefits of Home Ownership

A central objective of the research was to assess the impacts of home ownership on several measures of economic well-being, including (1) the size of the home and its condition; (2) financial characteristics (housing costs, household income, and nonhousing assets); (3) the presence and management of nonhousing debt (type, repayment experience, and bankruptcy); and (4) the availability of health insurance that may ameliorate the impacts of crisis events in the life of households.

Most of these measures have been examined in prior home-ownership research, but a review of the literature suggests that the economics benefits of home ownership may not accrue equally to all homeowners, especially low- and moderate-income households (McCarthy, Van Zandt and Rohe 2000). To better understand the economic impacts of affordable home-ownership efforts, the findings below detail the economic impacts of home ownership for our sample of low-income homebuyers.

### *Size and condition of property*

The decision to purchase a house typically includes both a consumption and an investment component. On one hand, homebuyers try to find an optimal housing package to match their current and future demand for housing services (characteristics such as size, location or neighborhood amenities). On the other hand, they try to find a housing package that provides an optimal return on investment. Theoretically, homeowners are expected to value housing more highly than renters, and thus they are expected to purchase larger, higher-quality units with more amenities.

Recent research supports these contentions. In 1997, the average renter-occupied dwelling had 4.3 rooms with 1,324 square feet of living space, compared with 6.3 rooms and 1,966 square feet for owner-occupied units. Compared with homeowners, renters were also twice as likely to suffer from rodents, holes in walls, ceilings, and floors, wiring deficiencies and water leaks. Renters are also three times more likely to live in crowded conditions (defined as more than one person per room). Of course, differences in the income levels of owners and renters account for some of these differences.

In the current study, we asked participants two questions about the unit in which they were living at the time of each survey: the home size (number of rooms) and to rate the physical condition of the unit. The results are presented in Table 2.8. Overall, the findings are consistent with expectations and with prior research.

**TABLE 2.8. HOUSING CONDITION**

	Buyers			Renters			Significance	
	T1	T2	Change	T1	T2	Change	No controls	With controls
Number of rooms	4.1	5.3	29%	3.9	4.1	5%	***	*
Housing condition	2.7	3.1	15%	2.6	2.7	4%	***	

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

The data show that unit size among buyers in our sample increased from the first to the second survey. Unit size among continuing renters also increased, but not as much. In general, homebuyers, compared to renters, rented larger units prior to purchase and bought even larger units. Similarly,



rating of housing conditions among buyers increased after home purchase. As before, housing condition rating also increased for continuing renters. The increase, however, was significantly greater among the buyers. Increases in both unit size and unit rating were significantly greater among buyers only in the absence of statistical controls. Once controls were introduced, the differences in housing condition disappeared, although buyers still enjoy a significantly greater number of rooms.

### ***Housing costs***

Most homeowners purchase housing with a long-term financial instrument like a 30-year, fixed-rate, self-amortizing mortgage. Such homeowners have the security that their housing costs remain relatively constant in nominal terms, and fall in real terms, throughout the life of the mortgage. Because household incomes usually rise over time, most families experience falling housing cost-to-income burdens over the life of the mortgage. Renters, on the other hand, must renew their leases periodically, at which point they are likely to see rent increases that often surpass consumer price increases and income growth. As a result, renters are more likely than homeowners to see their housing cost burdens increase. Empirical evidence is consistent with these contentions (McCarthy, Van Zandt and Rohe 2000).

In the present study, we asked respondents about their housing costs (principal, interest, property taxes and insurance for homeowners, and rent payments for renters). The data show that housing costs among homebuyers increased by 59 percent from the first to the second survey (see Table 2.9). Housing costs among continuing renters also increased, but only by 23 percent. Increases in housing costs were significantly greater among buyers only in the absence of statistical controls. Once the controls were added, including the size of the unit, differences became insignificant.

**TABLE 2.9. MONTHLY HOUSING COSTS**

	Buyers			Renters			Significance	
	T1	T2	Change	T1	T2	Change	No controls	With controls
Monthly housing payment	\$480	\$763	59%	\$406	\$499	23%	***	

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Overall, it may not be surprising that increases in housing costs among homeowners compared unfavorably to that of continuing renters. First, as discussed above, homebuyers made greater gains in housing size and quality from the first to second survey than renters did. However, even controlling for the size of the unit, the results indicate that homebuyers are paying greater housing costs than are renters. Second, it can be expected that the benefits of falling real housing costs need more than two years to be realized (the time between the first and second survey). We expect that with time, as the cost of living increases but mortgage payments remain constant, real housing costs will decline among owners. Moreover, the above figures do not incorporate the tax advantages associated with owning a home. The tax deductions for mortgage interest and property taxes will also reduce housing costs among many, although not all, low-income homeowners.

### ***Income, savings, and nonhousing assets***

Households accumulate housing assets through home ownership in two ways. First, homeowners reap the full return (or loss) associated with house-price appreciation. Second, as the mortgage is repaid, a household builds equity — the difference between the value of the home and what is owed on it. The latter is often referred to as “forced savings” because it is a requirement of the loan agreement. Invest-

ment return, however, does not usually include the “imputed rent,” and thus housing as a financial investment includes free housing as a monthly dividend (McCarthy, Van Zandt and Rohe 2000).

It is clear that homeowners are forced to save through the repayment of their mortgages. It is not clear, however, whether home ownership influences other savings and investment behavior. Renter households intent on purchasing homes may increase their work efforts to make more, save more, and accumulate a down payment. However, after purchase, homeowners may also work harder to accumulate more precautionary savings — in the case of unforeseen maintenance expenses or job losses, or to pay for improvements to the home or its furnishings.

In order to test these contentions, two questions were included in the study: “Counting money from all sources including employment, government assistance and child support, what was your total annual income before taxes?” and “What is the total amount of savings and other assets you have (not counting housing equity, if any)?” It should be noted that because of data availability, we have no information on the amount of the down payment. The data show that, relative to continuing renters, buyers experience greater gains in income but no greater gains in savings and other nonhousing assets. This finding is consistent with prior research (McCarthy, Van Zandt and Rohe 2000).

**TABLE 2.10. INCOME AND SAVINGS**

	Buyers			Renters			Significance	
	T1	T2	Change	T1	T2	Change	No controls	With controls
Assets	\$3,419	\$3,285	-4%	\$2,158	\$2,083	-3%		
Income	\$30,300	\$38,586	27%	\$24,256	\$25,491	5%	***	

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Homebuyers experienced significant income gains. From the first to the second survey, households that purchased a home saw their income increased by more than one quarter (27 percent). The comparable figure for continuing renters is only 5 percent. Income growth differences, however, are significant only in the absence of statistical controls such as borrower’s age, gender, marital status, race, education and employment status. Significant differences between owners and renters disappear once controls are added for these factors. Since controlling for employment may mask any effect that buying a home has on work effort, we removed employment as a control, but found no significant impact on income. We also ran a separate model using tenure to predict employment. This model, which also controlled for other factors, indicated that homebuyers are 1.6 times as likely as continuing renters to be employed full-time.

In contrast, we found no difference between buyers and renters in the growth of savings and nonhousing assets. To some extent, this is not surprising, given the fact that buyers are likely to have depleted their savings when they purchased their homes between the first and the second survey. From this perspective, the lack of difference is quite remarkable.

***Outstanding debt***

Homeowners have better access to capital than renters. This includes both secured debt in the form of second mortgages, home equity lines of credit, or senior annuity mortgages, as well as unsecured debt in the form of credit cards or consumer loans. Access to credit gives homeowners more financial

flexibility. The downside of accessing credit, however, is an increased debt burden, with an associated higher default risks (McCarthy, Van Zandt and Rohe 2000). Financial security through better access to capital, therefore, erodes housing security because it can increase default risks (Elmer and Seelig 1998).

In the present study, several questions were included to capture debt considerations: “What kind of outstanding debt do you have?”, “Counting all the debts what is your monthly debt payment?”, “In the past, have you been more than 30 days late on a debt payment?”, and “Have you filed for bankruptcy in the past seven years?” Overall, the data are partially consistent with the above contentions (see Table 2.11).

Excluding home-mortgage debt, the proportion of buyer households with outstanding debt increased significantly — by 12 percent — from the first to the second survey. Most of the increase among homebuying households is the result of more credit-card debt. This type of debt also increased among continuing renters, but to a lesser extent. In contrast, the proportion of households with “other outstanding debt” increased more among continuing renters than among homebuyers. All these differences were significant only in the absence of statistical controls. These differences were not significant when controls were incorporated.

**TABLE 2.11. AMOUNT AND TYPES OF DEBT**

	Buyers			Renters			Significance	
	T1	T2	Change	T1	T2	Change	No controls	With controls
Monthly debt payment	\$397	\$589	48%	\$430	\$579	35%		
<b>Outstanding debt</b>	268 (80)	299 (89)	12%	119 (86)	120 (86)	1%	*	
Type of debt:								
Car loan	143 (43)	171 (51)	20%	54 (39)	68 (49)	26%		
Credit cards	171 (51)	235 (70)	37%	84 (60)	92 (66)	10%	**	
Personal loan from bank	44 (13)	32 (10)	-27%	23 (17)	11 (8)	-52%		
Student loans	72 (21)	80 (24)	11%	29 (21)	31 (22)	7%		
Medical bills	33 (10)	56 (17)	70%	22 (16)	30 (22)	36%		
Payday loan		7 (2)			4 (3)			
Home improvement		16 (5)			2 (1)			
Furniture payments		43 (13)			11 (8)			
Home-equity loan		40 (12)			2 (1)			
Other	10 (3)	16 (5)	60%	8 (6)	18 (13)	125%	*	
30 days late	38 (11)	75 (22)	97%	47 (34)	56 (40)	19%		

Percentages are shown in parentheses.

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

The data also show no other significant differences in the type of debt carried by homebuyers and continuing renters. These include medical bills, and car, personal, student, payday, home improvement, furniture and home equity loans. This does not mean that these types of debt did not increase among buyers. It just means that the increase in these types of debt among buyers was not significantly different from the increase among continuing renters.

Similarly, from the first to the second survey, changes in average monthly debt payment among homebuyers were not significantly different from those experienced by continuing renters. We also find no significant differences in the growth of the number of households who have been more than 30 days late on a debt payment or filed for bankruptcy.

### **Health insurance**

The availability of health insurance is likely to affect the economic well-being of households. Health insurance can help pay for expected and unexpected medical bills. When absent, households may be forced to rely on their accumulated savings or assets, or to incur debt to cover bills.

**TABLE 2.12. HEALTH INSURANCE**

Type of insurance	Buyers			Renters			Significance	
	T1	T2	Change	T1	T2	Change	No controls	With controls
Private	269 (80)	272 (81)	1%	93 (67)	89 (64)	-4%		**
Medicare/Medicaid	26 (8)	43 (13)	65%	24 (17)	19 (14)	-21%	**	
No insurance	37 (11)	30 (9)	-19%	23 (17)	32 (23)	39%	**	**

Percentages are shown in parentheses.

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Homebuyers appear to fare better in this area than continuing renters. Among homebuyers, the proportion of households without health insurance declined by 19 percent from the first to the second survey. In contrast, the comparable figure among continuing renters increased by 40 percent. These differences are statistically significant with and without controls. It should be noted that these changes were accompanied by significant changes in the proportion of households with public insurance (Medicare or Medicaid). The proportion of buyers with public insurance increased by 65 percent, while the corresponding figure for continuing renters declined by 21 percent. These differences are significant only in the absence of statistical controls.

The incidence of households with private health insurance increased slightly among homebuyers, but decreased slightly among continuing renters. Although the changes are small, they are statistically significant when controls are incorporated into the analysis.

On the basis of the data, we are unable to know why buyers are more likely to have health insurance, at the time of both first and second surveys. In any case, over time, the availability of some form of health insurance is likely to increase the financial stability of the homeowners in our sample.

## **Summary and Conclusions**

Our survey data indicate that a full 72 percent of survey respondents went on to purchase homes, although this figure may be affected by a lower response rate among continuing renters. At the very least, however, a quarter of those who graduated from the home-ownership training courses in the eight programs studied bought homes, and the actual percentage is likely to be considerably higher.

The analysis of the characteristics of buyers versus continuing renters indicates that even after controlling for household income, education, savings and other variables, married persons were more

likely to buy homes, while black persons were less likely. Compared to continuing renters, married persons may have been more interested in putting down roots in their communities and thus had a stronger desire to buy a home. Married people may also have had a greater opportunity to increase their work effort through overtime or going from a half-time to a full-time job to increase their incomes. The finding that blacks are less likely to buy after controlling for income, savings, monthly debt payments and credit problems suggests that there is still discrimination in the housing market. Those who reported a lack of funds for a down payment were also less likely to have bought a home.

The analysis of the social impacts of homebuying indicates that after controlling for income, education, age and other differences between homebuyers and continuing renters, homebuyers were more satisfied with their lives. Buying seems to have had a generalized positive impact on how people feel about their lives. Homebuyers, compared to continuing renters, were also more likely to have larger social-support networks that have been shown to contribute to improved health.

The data also show positive associations between homebuying and participation in school, civic and neighborhood groups, but these associations are not statistically significant once controls were introduced. Similarly, compared to continuing renters, homeowners showed a smaller decrease in satisfaction with their neighborhoods, but this difference was not statistically significant once the controls were introduced. Turning to the impact of homebuying on self-esteem, buyers actually had a small but statistically significant decrease in self-esteem, but again this difference was not statistically significant when control variables were introduced. Finally, there was no difference between the perceptions of opportunity of homebuyers and continuing renters.

What might account for the lack of statistically significant relationships between homebuying and participation, neighborhood satisfaction, self-esteem and perceptions of opportunity? There are several possible explanations. First, while previous research has suggested positive relationships between home ownership and many of these variables, most of that research utilized cross-sectional research designs and a limited number of control variables (Rohe, Van Zandt and McCarthy 2000). Thus, one possibility is that homebuying does not have an independent impact on these social variables.

A second explanation is that the impact of homebuying on lower-income buyers may be different from the impacts on higher-income buyers. As suggested earlier, lower-income buyers may have more trouble meeting the costs associated with home ownership. They may also be buying homes in worse condition and in less attractive neighborhoods. Thus under these circumstances, homebuying may not have the same positive impacts found among higher-income buyers.

A third explanation is that our measures of these social constructs may not be sensitive or reliable enough to capture any impacts of home ownership. In-depth interviews or other measurement techniques may uncover impacts that are missed by survey questions with four response categories.

Finally, the social impacts of home ownership may take more than two years to realize. Respondents in our sample had been homeowners for, at most, two years. This may simply not be enough time for changes in these social constructs to take place.

The analysis finds three measures of economic well-being strongly associated with home purchase after controlling for other factors. Homebuyers are more likely to see gains in dwelling size (more rooms). Homebuyers are more likely to be employed than continuing renters. They are also more

likely to have some form of health insurance than continuing renters (even after controlling for employment status). The findings are thus consistent with the contentions in the literature that homeowners are more likely to live in bigger homes and that home ownership somehow promotes a stronger workforce attachment.

With regard to the economic impacts of homebuying, the findings indicate that buying a home may not have many of the positive influences suggested in the literature. Although we find significant relationships between homebuying and certain measures of economic well-being when considered in isolation, these significant relationships disappear after controlling for important factors such as income, education, age and other characteristics. When compared with continuing renters, homebuyers experience similar changes in housing quality, housing payments, assets and income, and in the amount and type of nonhousing debt carried overtime. In all likelihood, many of the economic impacts of homebuying take time to be realized — more than the two years between the first and the second surveys.

The lack of significant differences, however, needs to be put in context. Homebuyers are likely to have depleted their savings when purchasing a home, something not applicable to renters. Thus, the lack of significant differences in savings growth across tenure types cannot be considered a negative finding per se. Similarly, finding no significant difference in housing-cost increases can also be considered positive to the extent that buyers are accumulating wealth in the form of home equity, while renters, who experienced similar housing-cost increases, are not accumulating equity in the process. Finally, households often need to acquire furniture and appliances after home purchase. Thus, the fact that buyers and continuing renters experienced similar increases in the amount and type of nonhousing debt is not necessarily bad. Obviously, increases in nonhousing debt strain household budgets. From this perspective, the increase in the number of homebuyers with this type of debt should raised some concerns about their ability to manage finances in the eventuality of a crisis event.

## Chapter 3

### The Experience of Low-Income Homebuyers

Important social and economic impacts of home ownership were examined in the prior chapter. These impacts were identified by comparing the survey responses of homebuyers with those of continuing renters. In this section, we focus exclusively on three dimensions of the experience of homebuyers in our sample: housing maintenance, repairs and costs; access to credit; and an overall assessment of the home-ownership experience.

#### Housing Maintenance, Repairs and Costs

Homeowners incur costs not borne directly by renters. The most prominent of these is maintenance costs. Routine maintenance expenditures for owner-occupied housing increase with the age of the home. For instance, research has shown that homeowners with houses built before 1920 pay about 0.7 percent of the house value in routine maintenance outlays, while owners of households built after 1994 pay less than 0.2 percent of the annual value (McCarthy, Van Zandt and Rohe 2000). Routine maintenance alone will not always protect an owner's housing investment. As housing ages, it can filter down into lower-priced submarkets because of a mismatch between supply and demand for specific amenities. For this reason, improvements are sometimes required to keep a home within the same price-quality submarket (Rothenberg et al. 1991).

Lower- and moderate-income households purchase a disproportionately larger share of older housing than wealthier households (McCarthy, Van Zandt and Rohe 2000). This trend, combined with the fact that these households are likely to have tight housing budgets, may result in a significant number of homebuyers not keeping up with needed home maintenance and repairs. This problem is likely to be worse if low-income homeowners are also confronted with other high housing costs.

In the present study, we included four questions to assess these contentions: "Have you experienced any major unexpected costs associated with the house?", "What kind of unexpected costs have you experience?", "Are there needed repairs that you haven't been able to afford?", and "(If yes) What kind of repairs?" The data show that the nearly half of homeowners in our sample experienced major unexpected costs due to needed home repairs, and that nearly a third still need to undertake needed repairs they cannot afford (see Table 3.1).

**TABLE 3.1. PERCENT OF BUYERS EXPERIENCING UNEXPECTED COSTS AND NEEDED REPAIRS**

Unexpected costs	Number of buyers	Needed repairs	Number of buyers
Any unexpected costs	159 (48%)	Any repairs	95 (28%)
<b>Type of unexpected costs (% of those saying they had unexpected costs) (may choose more than one)</b>		<b>Type of repair (% of those saying they had repairs) (may choose more than one)</b>	
Repairs to major systems	104 (65%)	Roof or foundation	48 (50%)
Increases in utility payments	57 (36%)	Heating or air conditioning	37 (39%)
Increases in property taxes	43 (27%)	Plumbing	33 (35%)
Repairs to roof or foundation	36 (23%)	Electrical system	27 (28%)
Repairs to appliances	30 (19%)	Major appliances	15 (16%)
Increases in homeowner's insurance	25 (16%)		
Other	22 (14%)		

More narrowly, of all households who purchased homes between the first and the second survey, about 48 percent experienced major unexpected costs associated with the house. Of these, 65 percent experienced major costs due to repairs to systems such as electrical, plumbing, heating or air conditioning systems; 23 percent experienced major costs due to repairs to the roof or foundation; and 19 percent experienced costs due to needed repairs to kitchen appliances. To make matters worse, a large proportion of homeowners also experienced major unexpected increases in utility payments (36 percent), property taxes (27 percent) and homeowners insurance (16 percent).

Along similar lines, about a third of the sample reported the need for home repairs that they could not afford. Of these homeowners, half needed repairs to the home’s roof or foundation, 39 percent to the heating or air conditioning system, 35 percent to the plumbing system, 28 percent to the electrical system, and 16 percent to kitchen appliances.

To explore which buyers experienced unexpected costs and were unable to afford needed repairs, we conducted a logistic regression (see Table 3.2). Housing condition is a significant determinant of both experiencing unexpected costs and being unable to afford needed repairs. Respondents who rated their homes in excellent or good condition appear to be less likely to encounter significant costs. Although ratings of fair or poor were not significant, homes with fewer rooms are associated with a higher occurrence of unexpected costs as well as unaffordable repairs. These smaller homes may indicate homes of lower quality or with more unreliable systems.

Further, those buyers who experienced unexpected costs seem to be those with less time to deal with them, while those who were unable to afford repairs appear to be those with financial constraints. Male respondents were more likely than females to experience unexpected costs, while older homebuyers were significantly less likely to experience unexpected costs. Further, marital status and employment status appear to be important predictors. Unmarried respondents were more than twice as likely to experience unexpected costs as were married respondents. Those respondents not employed full-time were much less likely to experience unexpected costs than their fully employed counterparts.

While marital and employment status were important predictors of experiencing unexpected costs, they do not appear to affect ability to pay for repairs. As income and savings increase, the likelihood of being unable to afford repairs decreases. Further, fiscally constrained retired or student respondents were more likely to have been unable to afford repairs than fully employed respondents.

**TABLE 3.2. LOGISTIC REGRESSION OF PREDICTORS OF UNEXPECTED COSTS AND NEEDED REPAIRS**

Predictor	Experienced unexpected costs			Unable to afford needed repairs		
	B	Sig.	Exp(B)	B	Sig.	Exp(B)
Constant	.714	.621	2.043	.129	.936	1.137
<b>Male</b>	.748	<b>.010</b>	<b>2.112</b>	.067	.849	1.069
<b>Age</b>	-.032	<b>.021</b>	<b>.968</b>	-.024	.150	.976
<b>Race</b>						
Black (reference)		.970			.507	
White	-.083	.865	.920	.175	.778	1.191
Hispanic	.074	.878	1.077	.539	.390	1.713
Other minority	.007	.990	1.007	-.199	.769	.819



Predictor	Experienced unexpected costs			Unable to afford needed repairs		
	B	Sig.	Exp(B)	B	Sig.	Exp(B)
<b>Education</b>						
High-school education (reference)		.419			.306	
Some college	-.458	.272	.633	-.421	.436	.657
College degree or higher	-.097	.789	.908	.127	.794	1.135
<b>Marital Status</b>						
Married (reference)		<b>.010</b>			.305	
Formerly married	.900	<b>.009</b>	<b>2.459</b>	.229	.571	1.257
Never married	1.046	<b>.009</b>	<b>2.846</b>	-.516	.279	.597
<b>Number of children</b>	.020	.851	1.021	.031	.798	1.032
<b>Employment status</b>						
Full time (reference)		<b>.028</b>			.192	
Part time	-1.522	<b>.006</b>	<b>.218</b>	.938	.165	2.555
Unemployed	-1.941	<b>.006</b>	<b>.144</b>	.612	.470	1.844
Retired or student	-1.649	<b>.027</b>	<b>.192</b>	1.879	<b>.036</b>	<b>6.546</b>
<b>Monthly housing payment</b>	.000	.604	1.000	.000	.599	1.000
<b>Annual income</b>	-.101	.142	.904	-.227	<b>.007</b>	<b>.797</b>
<b>Savings</b>	.022	.743	1.022	-.228	<b>.009</b>	<b>.796</b>
<b>Monthly debt payment</b>	.116	.100	1.124	.130	.116	1.138
<b>Housing condition</b>						
Excellent (reference)		<b>.000</b>			<b>.000</b>	
Good	-1.178	.265	.308	-2.656	<b>.019</b>	<b>.070</b>
Fair	-.715	.489	.489	-1.208	.255	.299
Poor	1.108	.317	3.027	1.095	.330	2.990
<b>Number of rooms</b>	.285	<b>.003</b>	<b>1.330</b>	.211	<b>.073</b>	<b>1.235</b>
R-squared			0.265			0.409

The fact that most low-income homebuyers in our sample have experienced major, unexpected costs or needed to make repairs they could not afford emphasizes the importance of quality inspections and home repairs done at the time of purchase, with quality control by the NeighborWorks<sup>®</sup> organization assisting with the home purchase.

## Access to Credit

Housing equity is a major component of the wealth of American households. In 1993, housing equity represented 45.2 percent of net worth of the average household, but the percent varied among households by race, age and overall household wealth (McCarthy, Van Zandt and Rohe 2000). As household wealth decreases, the portfolio share of housing increases. For instance, in 1992 home equity accounted for only 7 percent of the net worth of the richest 1 percent of households, and 1.5 percent of the net worth of the wealthiest 10 percent. In contrast, for the median household (based on net worth) home equity accounted for 25.6 percent of net worth (McCarthy, Van Zandt and Rohe 2000).

Engelhardt (1995) shows that there is a positive correlation between house-price appreciation rates and consumption behavior. In particular, he shows that the marginal propensity to consume out of

housing equity gains is 0.14. This means that homeowners will consume, on average, about one-seventh of the gains associated with increase house values (McCarthy, Van Zandt and Rohe 2000).

In general, without a move, homeowners access house-price appreciation by either refinancing or securing a home-equity line of credit. Although homeowners take out home-equity loans for a variety of reasons, most homeowners refinance to take advantage of lower interest rates. Recent research shows that of those owners taking out home-equity loans, 54 percent said the loan would be used to make additions, repairs, or improvements to the home (U.S. Census Bureau 1995). However, many home-equity loans are used to finance consumption. Of homeowners with home-equity loans, 21 percent intended to use it to consolidate other debt, and another 10 percent used it to make a consumer purchase directly. Only 6 percent of home-equity loans were used to pay large bills like medical expenses or to finance education. The practices of predatory lenders are a major concern associated with the use of home-equity loans and the accumulation of debt by lower-income homeowners.

There is no specific information on the extent to which, relative to the average homeowner, lower-income homeowners tap into housing-equity gains. Four questions were included in the present study to examine this issue: “Have you refinanced your mortgage?”, “Why have you refinanced your mortgage?”, “Have you taken out a home equity loan or line of credit?”, and “If you have borrowed against the equity, either through refinancing to take cash out or through a home-equity loan or line of credit, what have you used the cash for?” The data show that most households did not refinance or take out a home-equity loan during the study period (see Table 3.2). Fewer than one in six homeowners did either.

<b>TABLE 3.3. USE OF HOUSING EQUITY</b>	
<b>Item</b>	<b>Number of buyers</b>
Refinanced mortgage	49 (15%)
<b>Reasons (may choose more than one):</b>	
To take advantage of a better interest rate	43 (88%)
To consolidate debt	8 (16%)
To take cash out	7 (12%)
To catch up on mortgage payments	4 (8%)
Other	2 (4%)
Taken out an home-equity loan	45 (14%)
Used cash from home equity	107 (31%)
<b>For what use (may choose more than one):</b>	
Pay off debt	33 (31%)
Home repair or improvement	22 (21%)
Buy consumer goods	6 (6%)
Other	5 (5%)
Buy home furnishings	5 (5%)
Car repairs	3 (3%)
Finance education	3 (3%)
Start business	2 (2%)

About one in six homeowners in this study refinanced his or her mortgage (15 percent). Although relatively small, the figure is significant when put into context. At the time of the first survey, these

households were all renters. At the time of the second survey (at most two years later), these households had not only purchased a home, but also refinanced their mortgages.

Of the 49 homeowners who refinanced, almost all refinanced to take advantage of lower interest rates (88 percent). Only four (8 percent) reported refinancing to catch up on mortgage payments, presumably after missing one or more payments on their original mortgage. A number of homeowners refinanced to improve their cash liquidity. Seven respondents (12 percent) refinanced to take cash out and eight (16 percent) refinanced to consolidate debt.

The need to consolidate debt may be the result of debt acquired since purchasing a home. At the time of the second survey, about one third of the sample (31 percent) reported having bought household items, such as appliances, electronics, or furniture, on which more than \$500 was owed.

It is noteworthy that paying off debt was the most common use of money of those taking out a home-equity loan. About 15 percent of homeowners reported taking out a home-equity loan (45 respondents); of those who took money out, either through refinancing or a home-equity loan, a third used the home-equity proceeds to pay off other debt. Consistent with existing research, about 22 percent used the money for home repairs and improvements (22 respondents). A small proportion of homeowners used the proceeds to purchase consumer goods, such as cars, stereos, electronic equipment or computers (6 percent), buy home furnishings (5 percent), finance education (3 percent), pay for needed car repairs (3 percent) or start a business (2 percent).

These findings reflect positively on most low-income homeowners in our sample. Most have not acquired new debt, have not refinanced or taken out a home-equity loan. These households appear to be managing their finances and access to credit well. However, the findings also show that a small group of homeowners may be having difficulties managing their finances. Although it is not possible to say from the data whether refinancing, debt consolidation or taking out a home-equity loan will ultimately be bad for these homeowners, it raises some concerns about the difficulties these homeowners find themselves in so soon after home purchase. In any case, these are the types of homeowners who would benefit the most from ongoing postpurchase training.

## **Overall Assessment of the Home-Ownership Experience**

By purchasing a home, most people can increase their wealth. For the typical homeowner, housing equity accounts for almost half of all household wealth. Home ownership brings financial security and benefits for most households. For most homeowners in our study, the empirical evidence presented is consistent with these contentions. However, we also find that a small proportion of low-income homeowners seemed to have experienced financial instability after home purchase. There are several possible reasons for this. These households accumulate lower-than-average nonhousing savings, and thus have no reserves to tap when in need. These households may also hold more housing than is optimal given their portfolio composition and wealth, exposing them to higher instability and risk. Some lower-income homeowners may need to borrow more against their equity and more expensively than others, eroding the wealth accumulated through house-price appreciation. In many instances, problems resulting from the latter situation may be compounded by predatory-lending practices.

In the present study, we included two general questions to assess the overall home-ownership experience of individual homebuyers in our sample. These were “What has been the greatest advantage of home ownership?” and “What has been your greatest challenge as a homeowner?” The data show that the homebuyers believed that the major advantages of buying were the equity-building and the sense of independence that comes from owning a home. Homebuyers offered two major disadvantages of buying: increased monthly expenses and finding the time for home maintenance.

**TABLE 3.4. ADVANTAGES AND CHALLENGES OF HOME OWNERSHIP**

Advantages of home ownership	Number of buyers	Challenges of home ownership	Number of buyers
Building equity	212 (63%)	Increased monthly expenses	93 (28%)
Sense of independence	49 (15%)	Finding time for home maintenance	85 (25%)
More living space	31 (9%)	No challenges	52 (16%)
Financial security	20 (6%)	Increased responsibility	47 (14%)
Tax benefits	18 (5%)	Expensive house repairs	40 (12%)
Other	4 (1%)	Other	18 (5%)
Access to additional credit	1 (0%)		
Reduced monthly expenses	0 (0%)		

More narrowly, over six in every ten homeowners reported that the greatest advantage was building equity instead of paying a landlord (63 percent). The sense of independence that comes from owning one’s own place was the second most frequently identified advantage (15 percent). Few low-income homeowners identified more living space (9 percent), financial security (6 percent), homeowner tax benefits (5 percent), access to additional credit, or reduced monthly expenses (both 0 percent) as advantages.

Homeowners reported that the greatest challenge they faced from home ownership was increased monthly expenses (28 percent). One in four homeowners rated the lack of time for home maintenance as the greatest challenge (25 percent).

About one in six homeowners reported having no challenges at all as homeowners (16 percent). This significant proportion may be the result of quality prepurchase counseling that prepared these households well for home purchase. In contrast, about the same proportion rated the increased responsibility associated with owning a home as the greatest challenge (14 percent). About one in eight homeowners rated expensive house repairs (12 percent) as the greatest challenge. These two responses emphasize the need for quality prepurchase education that presents a realistic picture of the responsibilities associated with owning a home.

## Chapter 4

### Loan Performance

For the most part, the expansion of home ownership to low-income and minority populations has been achieved by a reliance on so-called affordable mortgage products. These are mortgage products with relaxed underwriting criteria. They allow low or heavily subsidized down payments, higher debt-to-income burdens, and nontraditional verification of creditworthiness. For homeowners with little or no equity, nominal price declines within the first five years of purchase can push them into negative equity positions — the debt on their homes exceeds potential sale value. The situation can worsen if these households also suffer a shock to their regular income. A cash-strapped household might need to come up with more than 10 percent of the value of the home just to make up the shortfall if they sell the home to extinguish the mortgage. If these homeowners have had difficulty making monthly mortgage payments, they are unlikely to have that kind of cash on hand (McCarthy, Van Zandt and Rohe 2000). Although mortgage delinquency and default are relatively rare events, they may have disastrous impacts for households and other stakeholders, especially during an economic turndown.

Secondary-market entities are key stakeholders in the default process. With mortgages sold in the secondary market, organizations such as the Federal National Mortgage Association (Fannie Mae), the Federal Home Mortgage Corporation (Freddie Mac), the Government National Mortgage Corporation (Ginnie Mae), or Neighborhood Housing Services of America (NHTSA) are likely to suffer losses on foreclosed properties. NHTSA purchases loans originated by NeighborWorks® organizations, such as the ones that participated in Neighborhood Reinvestment's Homeownership Pilot program.

Ideally, a complete evaluation of the impacts of home ownership resulting from the implementation of Neighborhood Reinvestment's Pilot program would have incorporated an examination of the repayment performance of households that purchased homes through the program. Because of limited data availability, we are unable to present such an examination. Instead we examine the performance of loans purchased by NHTSA. It should be noted that we do not know whether these loans were originated as part of the Pilot program. We only know that they were originated during the years of the Pilot program, and that the loans were originated by NeighborWorks® organizations, some of which participated in the Homeownership Pilot.

The NHTSA database included information on about 2,500 loans purchased by NHTSA from 1998 to 2002. It contained information on most of the key underwriting factors, including the value of the home appraisal, the sale price, the original loan amount, the original loan to value ratio (LTV), the loan type, the front-end and back-end ratios, and borrower credit scores. In addition, the database contained information on whether the loan carried mortgage insurance, the type of down payment, whether prepurchase counseling was received, the location or the originating NeighborWorks® organization, and status of the loans as of September 30, 2002 (i.e., active, paid off, delinquent and default action).

The original database was edited to remove missing or seemingly erroneous information.<sup>3</sup> Once edited, the analysis database contained information on 1,051 home-purchase loans. Table 4.1 shows

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<sup>3</sup> Records removed included those with missing information on LTV, front-end and back-end ratios or credit scores. Loan records were also deleted if they had credit scores above 900 and back-end ratios over (con't.)

that when comparing the original (when possible) and the edited databases, the deletion of cases did not seem to change the mean values for the key variables. Because of the small number of troubled loans in the edited database, only basic descriptive statistics on loan performance are presented in this report, and even these should be considered with caution because of extremely small underlying numbers.

The loans in the analysis file are described in Table 4.1. Loans ranged from a low of \$8,320 to a high of \$283,000, with a mean of \$79,871. Loan-to-value ratios ranged from 31 to 98 percent, with a mean of 84 percent. Front-end ratios range from two to 40 percent, with a mean of 26 percent; back-end ratios ranged from 3 to 50 percent, with a mean of 33 percent. The mean borrower credit score was 686. These figures describe a sample of loans somewhat atypical of other affordable home-ownership efforts (Quercia et al. 2002).

Of the 1,051 loans, half were originated during Pilot program implementation years. About 14 percent were originated in 1998, 24 percent in 1999, 26 percent in 2000, 18 percent in 2001, and 18 percent in 2002.

<b>TABLE 4.1. DESCRIPTION OF NHTSA MORTGAGE LOANS</b>					
<b>Original Database</b>	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
Credit score	1,927	0	8090	686	1434
LTV	2,551	0%	100%	51%	42%
Back-end ratio	2,109	0%	450%	24%	30%
Front-end ratio	2,109	0%	502%	18%	19%
Loan amount	2,555	\$1,525	\$1,500,000	\$78,842	\$45,697
<b>Edited database</b>	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
Credit score	1,051	187	820	686	68
LTV	1,051	31%	98%	84%	12%
Back-end ratio	1,051	3%	50%	33%	8%
Front-end ratio	1,051	2%	40%	26%	7%
Loan amount	1,051	\$8,320	\$283,000	\$79,871	\$35,617

Overall, loan performance was good. The percentage of troubled loans in the analysis file was less than one percent. These include loans that were 90-day delinquent, substituted, substitution requested, REO,<sup>4</sup> or foreclosed. As can be expected, older loans showed a higher incidence of problems. Only four of the loans originated in 2001 and 2002 were 30-day delinquent, and only one was 60-day delinquent. No loans were 90-day delinquent, substituted (or substitution requested), in REO, or foreclosed. In addition, no borrowers had filed for bankruptcy. Of the 378 loans originated in 2001 and 2002, only two from 2001 had been paid off by September 2002. These figures are very positive when compared with industry standards, especially during an economic downturn. It should be noted that the low incidence of troubled loans may reflect the fact that 2001 and 2002 loans are not

50 percent. In addition, 20 home-rehabilitation loans were deleted because the sales price and appraisal price were set at \$0, resulting in missing LTVs and front-end and back-end ratios.

<sup>4</sup> REO stands for real estate owned by the lender and includes conveyance foreclosures and foreclosure alternatives in the form of short or foreclosure-sales and deed in lieu of foreclosures.

seasoned enough to experience difficulties. A longer-term examination of the loans would be required to assess the risk of these cohorts.

<b>TABLE 4.2. NHTSA MORTGAGE LOANS, BY YEAR OF ORIGINATION</b>					
<i>(Edited database)</i>					
<b>1998</b>	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
Credit score	148	529	814	672	61
LTV	148	34%	95%	84%	12%
Back-end ratio	148	11%	50%	33%	7%
Front-end ratio	148	2%	40%	26%	7%
Loan amount	148	\$19,150	\$141,800	\$65,351	\$21,465
<b>1999</b>	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
Credit score	248	513	809	689	65
LTV	248	51%	95%	86%	11%
Back-end ratio	248	3%	48%	32%	8%
Front-end ratio	248	3%	40%	24%	7%
Loan amount	248	\$13,600	\$195,200	\$78,098	\$33,399
<b>2000</b>	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
Credit score	277	525	809	692	61
LTV	277	32%	98%	85%	12%
Back-end ratio	277	10%	50%	33%	8%
Front-end ratio	277	9%	40%	25%	7%
Loan amount	277	\$20,000	\$248,000	\$87,894	\$40,848
<b>2001</b>	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
Credit score	187	502	816	685	66
LTV	187	31%	98%	81%	14%
Back-end ratio	187	12%	50%	35%	7%
Front-end ratio	187	9%	40%	28%	6%
Loan amount	187	\$8,320	\$214,000	\$74,162	\$30,292
<b>2002</b>	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
Credit score	191	187	820	688	84
LTV	191	31%	97%	84%	12%
Back-end ratio	191	9%	46%	35%	7%
Front-end ratio	191	9%	40%	26%	7%
Loan amount	191	\$20,500	\$283,000	\$87,378	\$39,128

In contrast, loans originated in 2000 seem to show a slightly worse performance. Of these, about 2 percent were 30-day delinquent, one was 60-day delinquent, and one was 90-day delinquent. In addition, two borrowers had filed for bankruptcy and about 14 percent of the loans had been paid off. Loans originated in 1998 and 1999 exhibited a similar performance, although a lower number of loans were paid off. As stated before, all these figures should be considered as suggestive only, given the small number of loans involved.

**TABLE 4.3. DELINQUENCY AND DEFAULT STATUS BY YEAR OF NOTE***(Edited database)*

	1998		1999		2000		2001		2002	
	N	% of N	N	% of N	N	% of N	N	% of N	N	% of N
Total	148	100%	248	100%	277	112%	187	75%	191	77%
Bankruptcies	4	2.7%	2	0.8%	2	0.8%	0	0.0%	0	0.0%
30 days past due	1	0.7%	0	0.0%	5	2.0%	3	1.2%	1	0.4%
60 days past due	3	2.0%	2	0.8%	1	0.4%	1	0.4%	0	0.0%
90 days past due	1	0.7%	1	0.4%	1	0.4%	0	0.0%	0	0.0%
Substitutions	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Substitutions required	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
REO	0	0.0%	1	0.4%	0	0.0%	0	0.0%	0	0.0%
Foreclosed	0	0.0%	1	0.4%	0	0.0%	0	0.0%	0	0.0%
Paid off	18	12.2%	23	9.3%	34	13.7%	2	0.8%	0	0.0%

Note: Default status categories are not mutually exclusive.



## Chapter 5

### Changes in the Homeownership Pilot Target Neighborhoods

As discussed earlier, the Homeownership Pilot offered support in three funding categories: A, B, and C. Funding made available under Category B was designed to assist high-producing NeighborWorks<sup>®</sup> organizations undertake neighborhood revitalization activities that complemented their home-ownership promotion efforts in their target neighborhoods. Accordingly, one of the objectives of our evaluation was to assess the impacts of the Category B Pilot programs on social and physical characteristics of the target neighborhoods.

To assess the impacts of the Pilot on the target neighborhoods, two types of data were acquired. First, Home Mortgage Disclosure Act (HMDA) data were acquired for both the target areas and their larger metropolitan areas for the years 1996 through 2001. The Pilot program ran from April 1999 to March 2001, so we can look to see if loan activity in the target areas increased, relative to their metropolitan areas, during this time period. More specifically, we present data on the changes in both the numbers and average values of loans originated for both the target areas and their metropolitan areas.

Second, 1990 and 2000 census data were acquired and used to assess changes in housing conditions in the target areas over the decade. We present data on the changes in the median housing values, the percentage of owner-occupied units and of vacant housing units for both the target areas and their metropolitan areas.

Four Category B sites were included among the eight sites that were selected for in-depth analysis. Those sites and the NeighborWorks<sup>®</sup> organization in each city that participated in the Homeownership Pilot were Chattanooga, TN (Chattanooga Neighborhood Enterprise), New Britain, CT (Neighborhood Housing Services of New Britain), New Orleans (Neighborhood Housing Services of New Orleans) and Sacramento (Sacramento Neighborhood Housing Services). For each of these sites we present both Home Mortgage Disclosure Act (HMDA) and census data to assess change in the target neighborhoods.

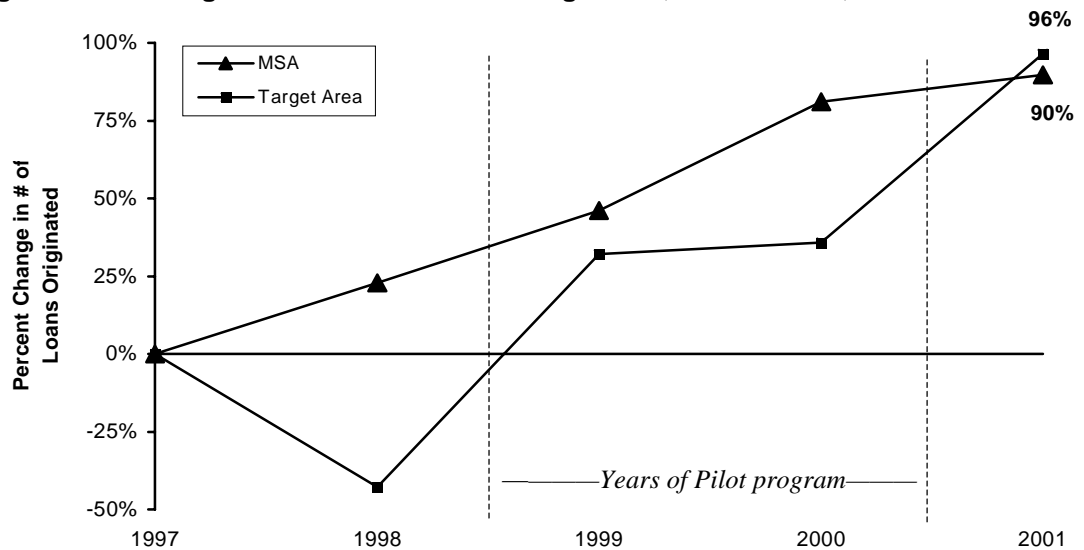
The HMDA data show changes in both the number of mortgage loans made and the average value of those loans for 1997 through 2001. These data are provided for each Pilot target area and its respective metropolitan area. Comparing the two levels of geography provides an indication of how the number and average value of loans in each target area compares to the larger metropolitan area. To facilitate this comparison, we have indexed both target and metropolitan area values to a base of 100 for 1997; thus, values reported for subsequent years should be interpreted as relative percentage increases or decreases from those starting values. The census data show changes from 1990 to 2000 in selected housing characteristics for each target area and its respective metropolitan area. Raw values for both types of data can be found in Appendix B.

It is important to acknowledge that changes in the characteristics of target areas relative to the larger urban or metropolitan area cannot be directly attributed to the Pilot program or to other activities of the NeighborWorks<sup>®</sup> organizations, although this may be the case. We are not able to account for other possible explanations for the changes reported.

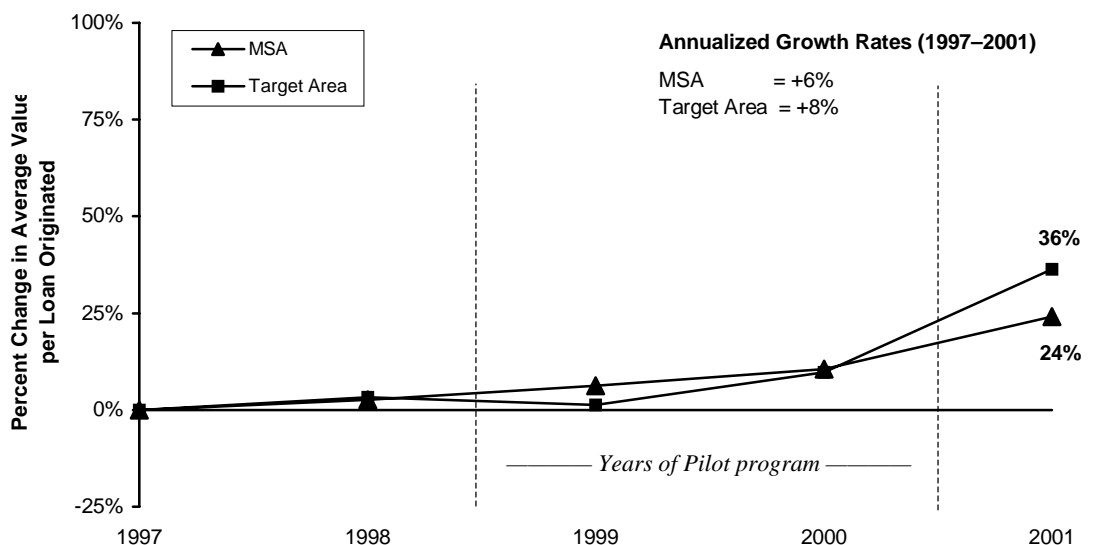
## Impacts of the Pilot Program in Sacramento

The HMDA data for Sacramento indicate that the number of loans originated in the target area fell the year preceding the implementation of the Pilot program, and then increased for the two years of the Pilot (see Figure 5.1). Then, the number of loans originated continued to increase the year after the Pilot, exceeding the rate of growth for the number of loans made in the metropolitan area as a whole. The data on the average value of loans shows a small, steady increase over the years of the Pilot program (see Figure 5.2).

**Figure 5.1. Change in Number of Loans Originated, Sacramento, CA**

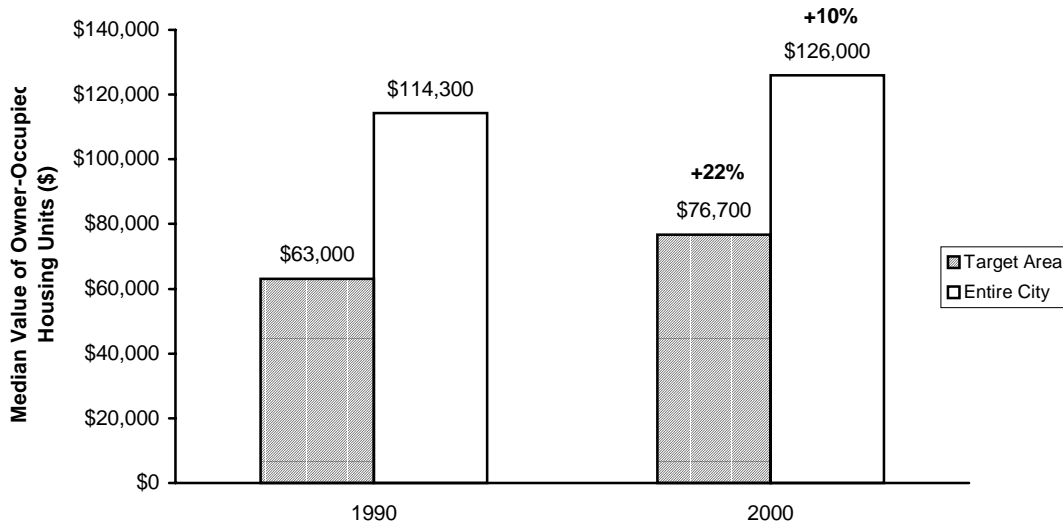


**Figure 5.2. Change in Average Value per Loan Originated, Sacramento, CA**

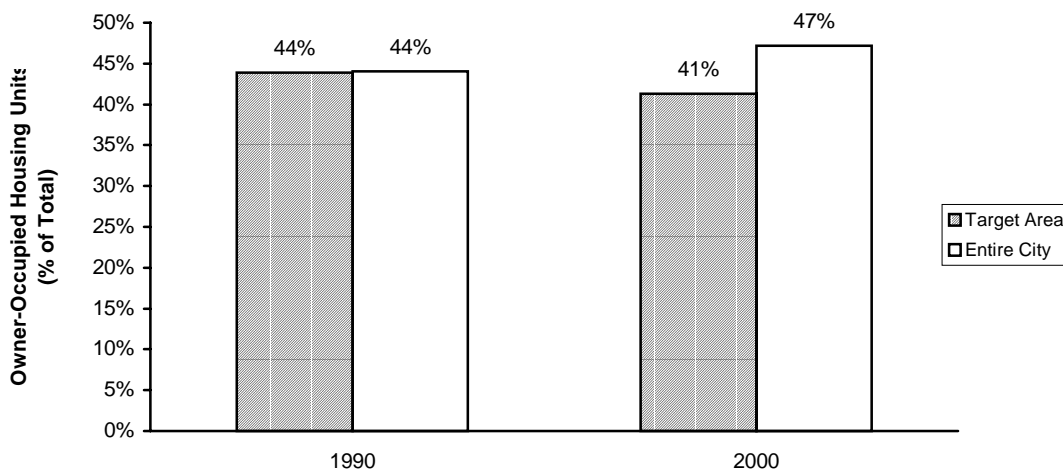


Turning to the Sacramento census data, the median value of owner-occupied units in the target area increased by 22 percent, while appreciation in the metro area as a whole only increased by 10 percent (see Figure 5.3). The percentage of owner-occupied units in the target area, however, decreased by three percentage points, while it grew by three percentage points in the metropolitan area (see Figure 5.4). Finally, the percentage of vacant housing units in the target area fell by about two percent, a larger decrease than the metropolitan area as a whole (see Figure 5.5).

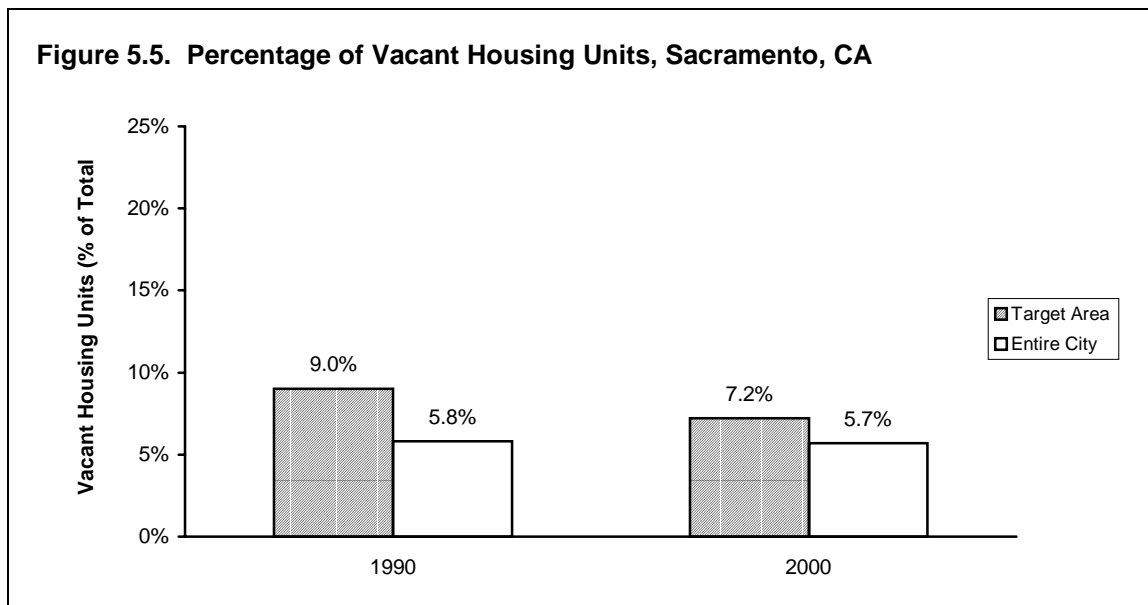
**Figure 5.3. Median Value of Owner-Occupied Housing Units, Sacramento, CA**



**Figure 5.4. Percentage of Owner-Occupied Housing Units, Sacramento, CA**



**Figure 5.5. Percentage of Vacant Housing Units, Sacramento, CA**

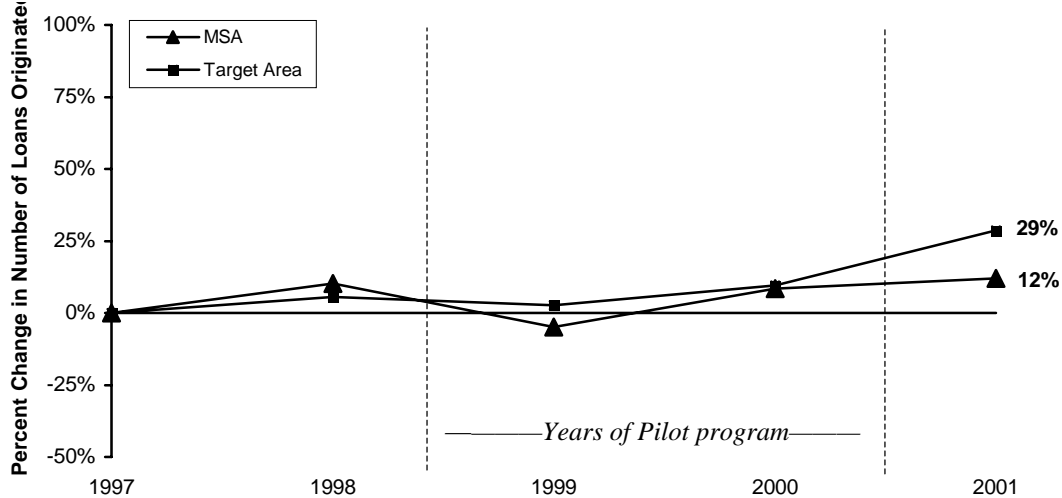


Overall, these data indicate an improvement in housing values and conditions in the target area relative to the larger metropolitan area. Although we cannot directly attribute these improvements to the Pilot program, they are in the expected direction.

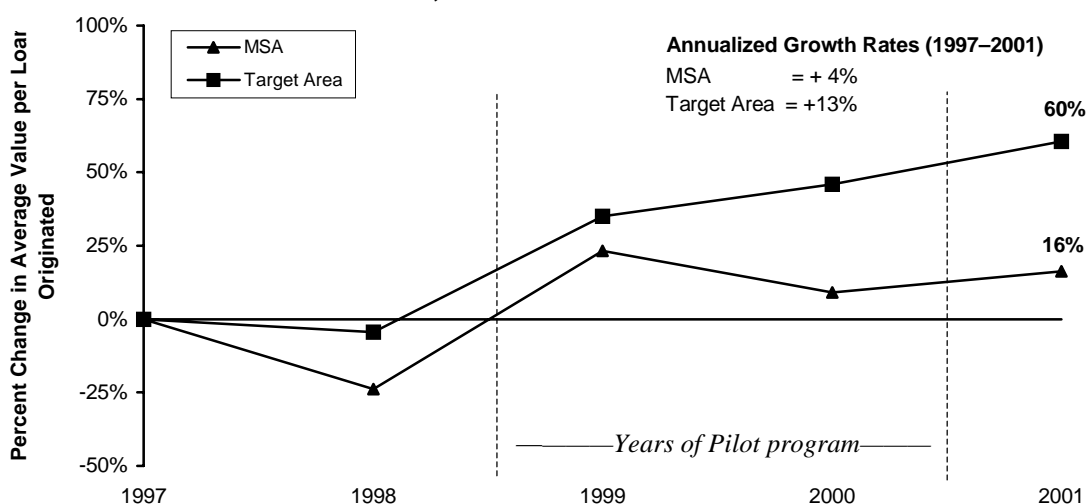
## Impacts of the Pilot Program in New Orleans

The HMDA data indicate a gradual increase in the number of loans originated in the New Orleans target area from 1997 through 2000. In 2001, the year after the Pilot program, there was a substantial increase in the number of loans originated in the target area, and the percentage increase in the target area was greater than that for the metropolitan area (see Figure 5.6). Data on the average size of mortgage loans indicates a steady increase in the average value of loans made in the target area. Moreover, those percentage increases were substantially larger than those for the metropolitan area (see Figure 5.7).

**Figure 5.6. Change in Number of Loans Originated, New Orleans, LA**

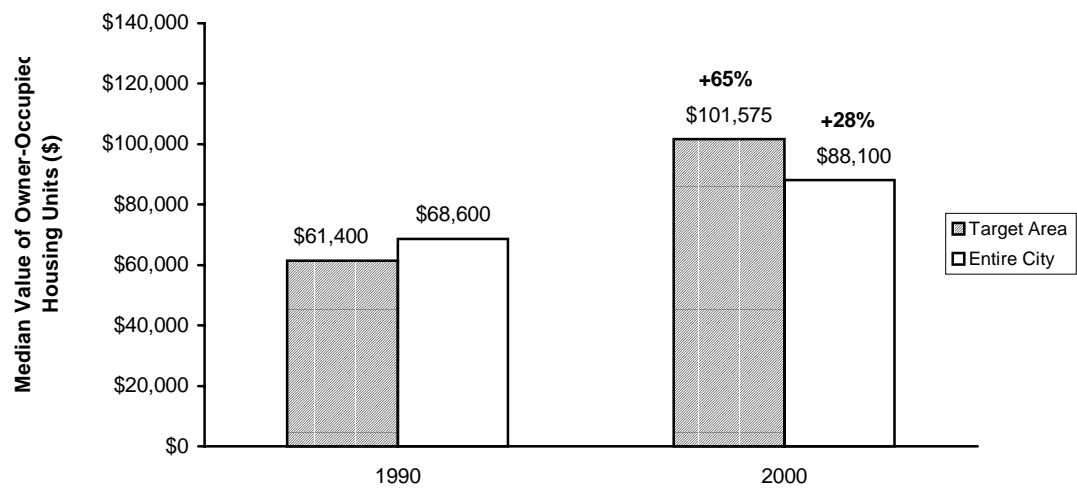


**Figure 5.7. Change in Average Value per Loan Originated, New Orleans, LA**

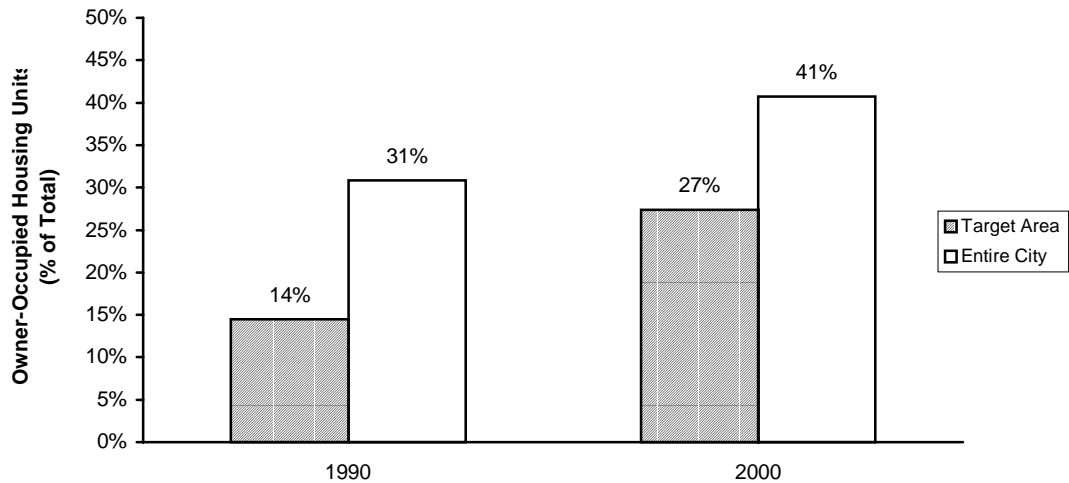


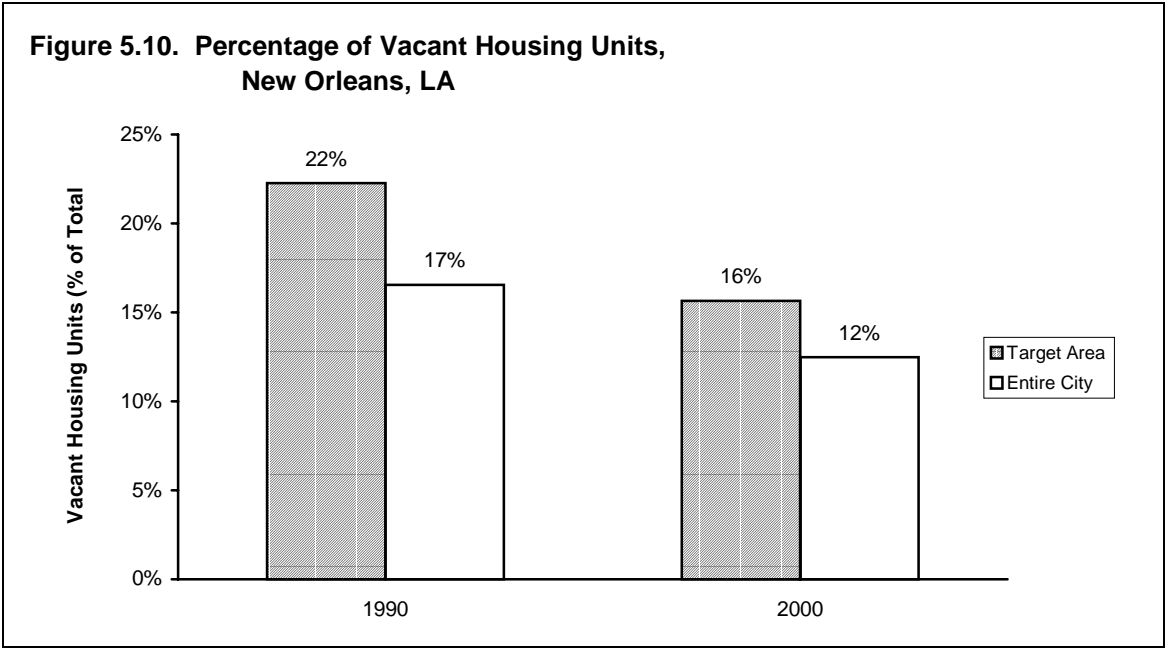
The census data indicate that the median value of owner-occupied homes in the target area increased over the decade by 65 percent, while the median value of homes in the metropolitan area only increased by 28 percent (see Figure 5.8). Similarly, the percentage of owner-occupied units in the target area increased by 13 percent, while the increase in the home-ownership rate in the metro area was a more modest 10 percent (see Figure 5.9). Finally, the percentage of vacant units in the target area dropped by a six percent, while the percentage in the city dropped by five percent (see Figure 5.10).

**Figure 5.8. Median Value of Owner-Occupied Housing Units, New Orleans, LA**



**Figure 5.9. Percentage of Owner-Occupied Housing Units, New Orleans, LA**

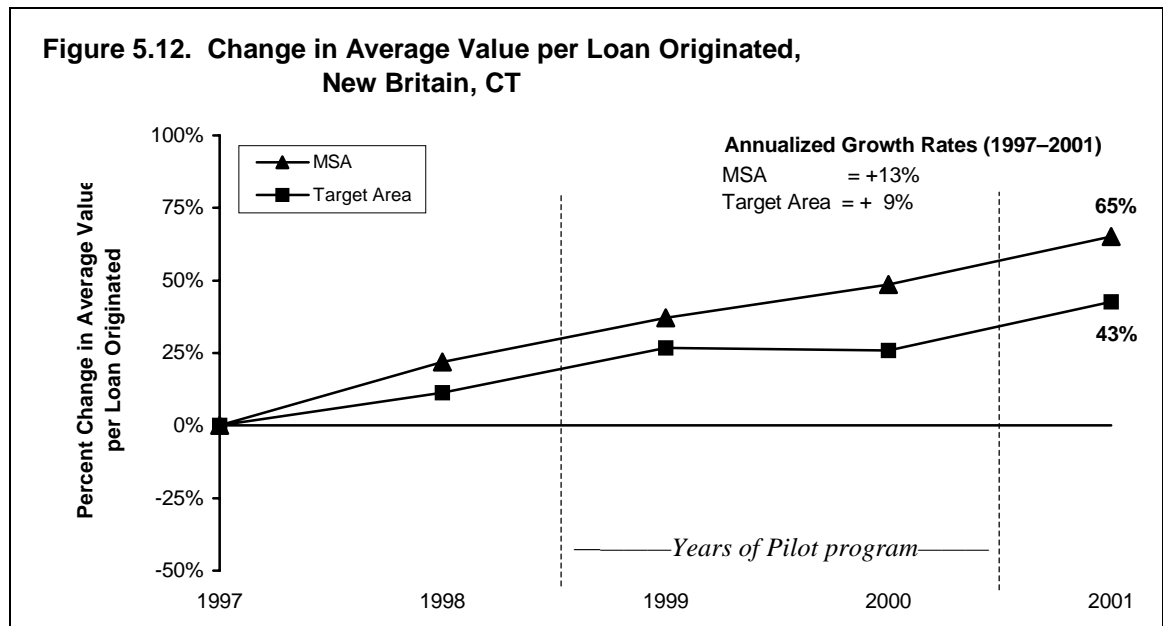
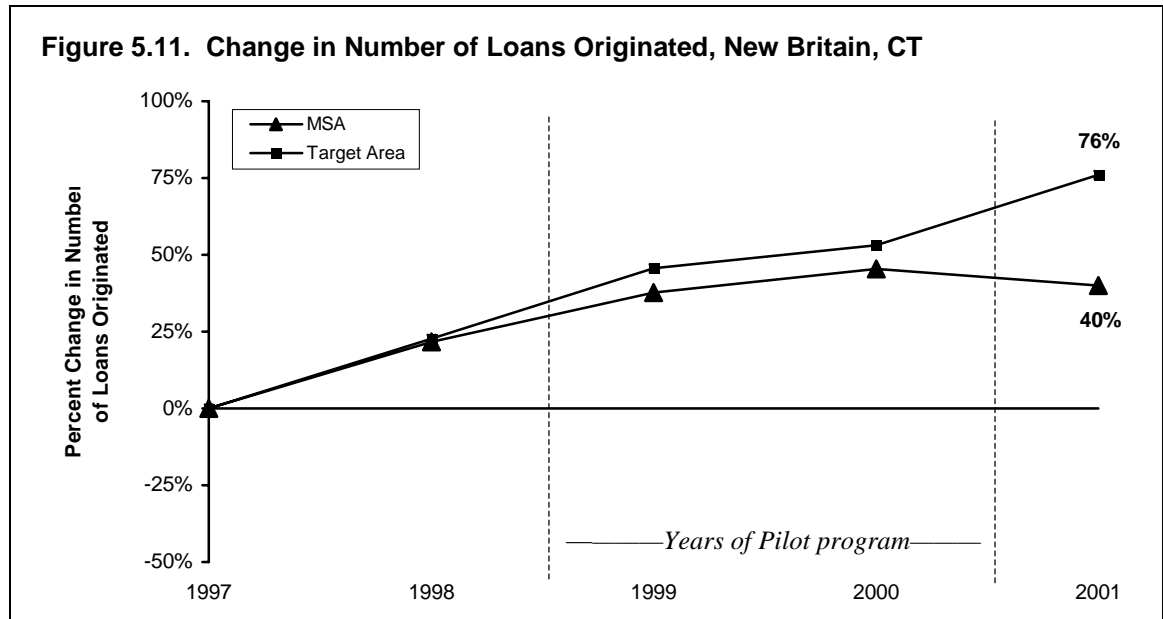




Overall, the Pilot neighborhood in New Orleans has fared substantially better than the city as a whole on all indicators.

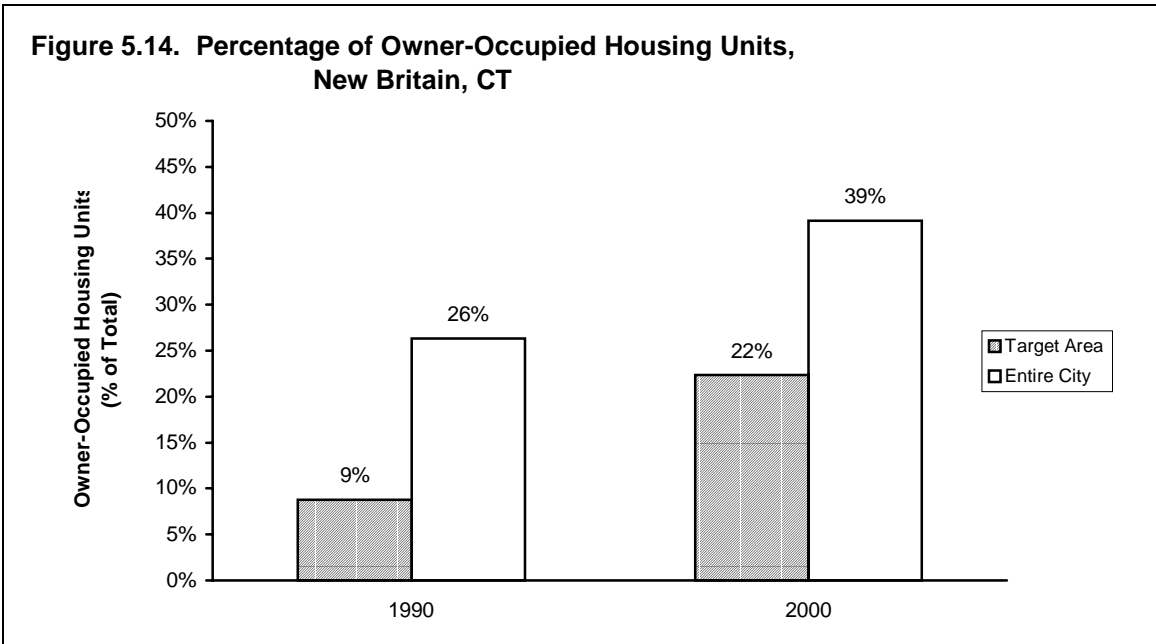
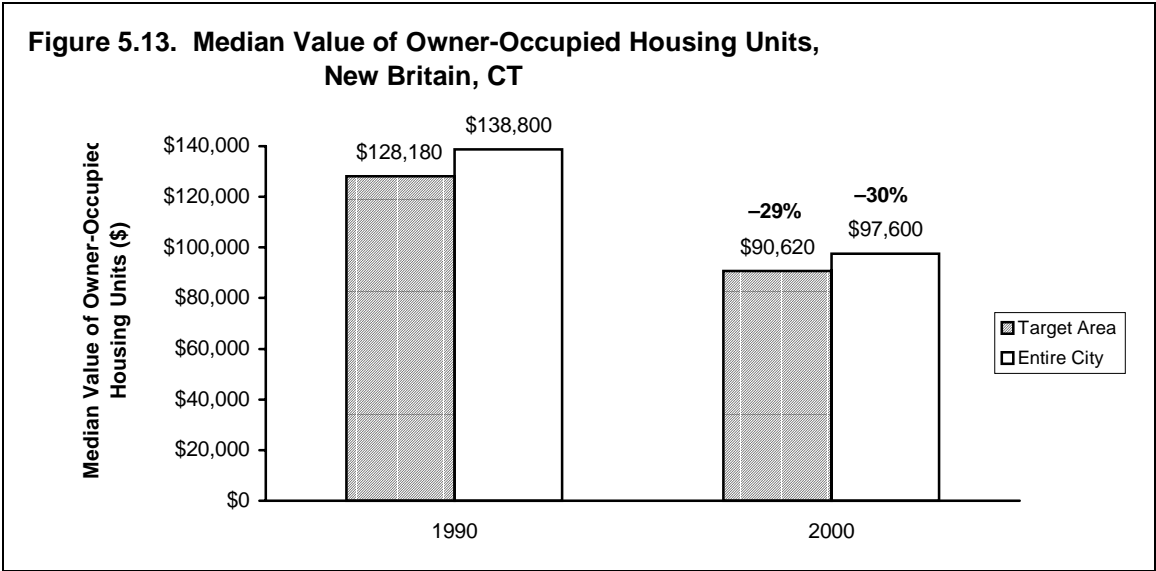
## Impacts of the Pilot Program in New Britain

The HMDA data for New Britain indicate that over the years tracked there was a steady increase in the number of mortgage loans made in the New Britain target neighborhood. Moreover, the percentage increases in the number of loans made were consistently larger than those for the New Britain metropolitan area (see Figure 5.11). Data on the average value of loans originated in the target area indicates that there were steady increases, but that those increases were somewhat less than those for the metropolitan area as a whole (see Figure 5.12).

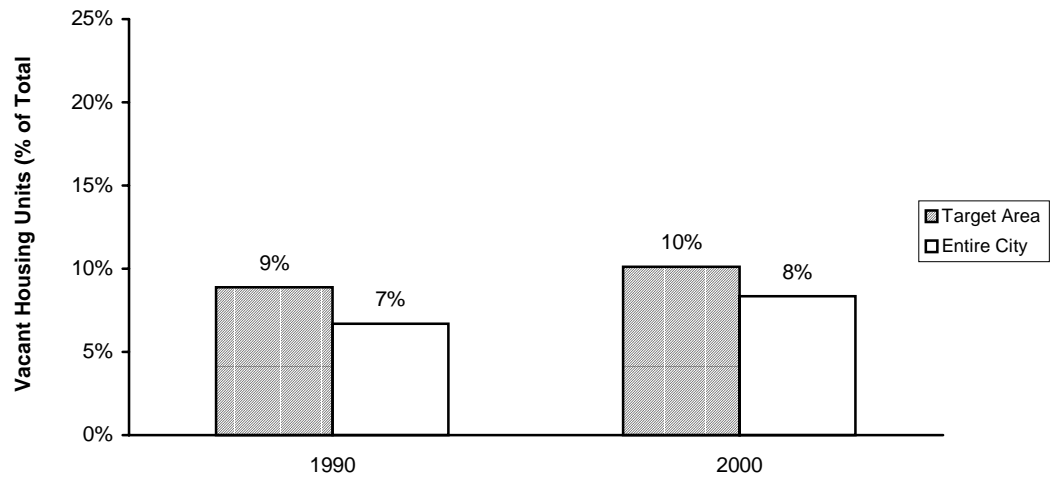




The census data for New Britain indicate that the median value of owner-occupied housing in the target area decreased by 29 percent during the 1990s, while the median value for the New Britain Metropolitan Area decreased by a similar 30 percent (see Figure 5.13). Data on home-ownership rates show that both the target area and the metropolitan area saw 13 percent increases in home-ownership rates (see Figure 5.14). Finally, the data on vacant units show that there was a one-percent increase in the percentage of vacant units in both the target area and the larger metropolitan area (see Figure 5.15).



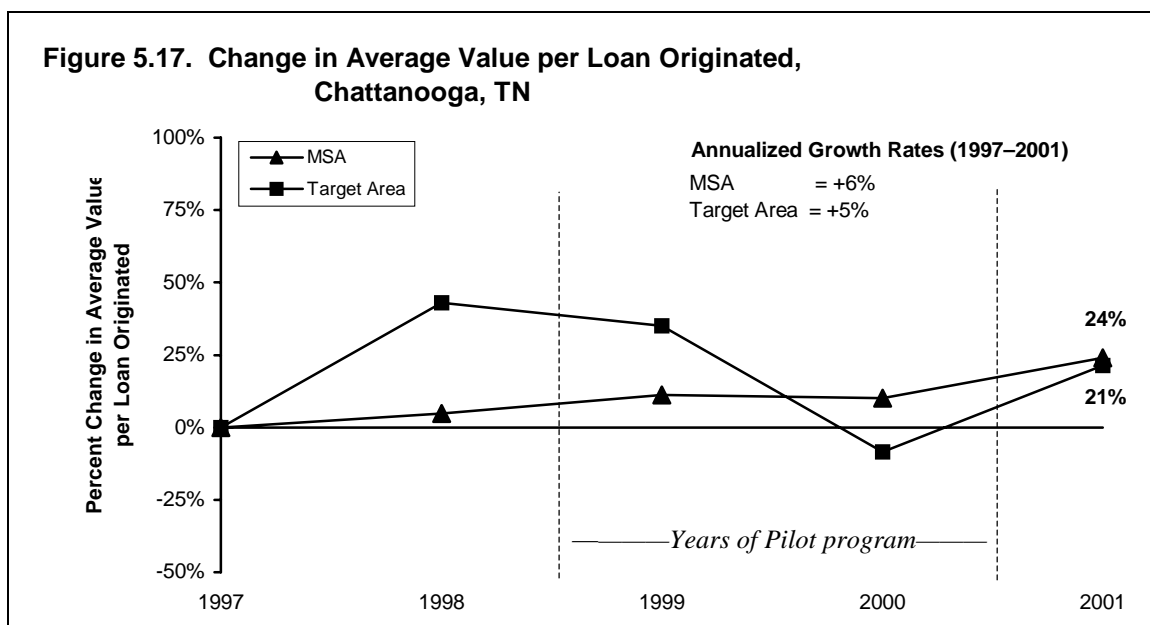
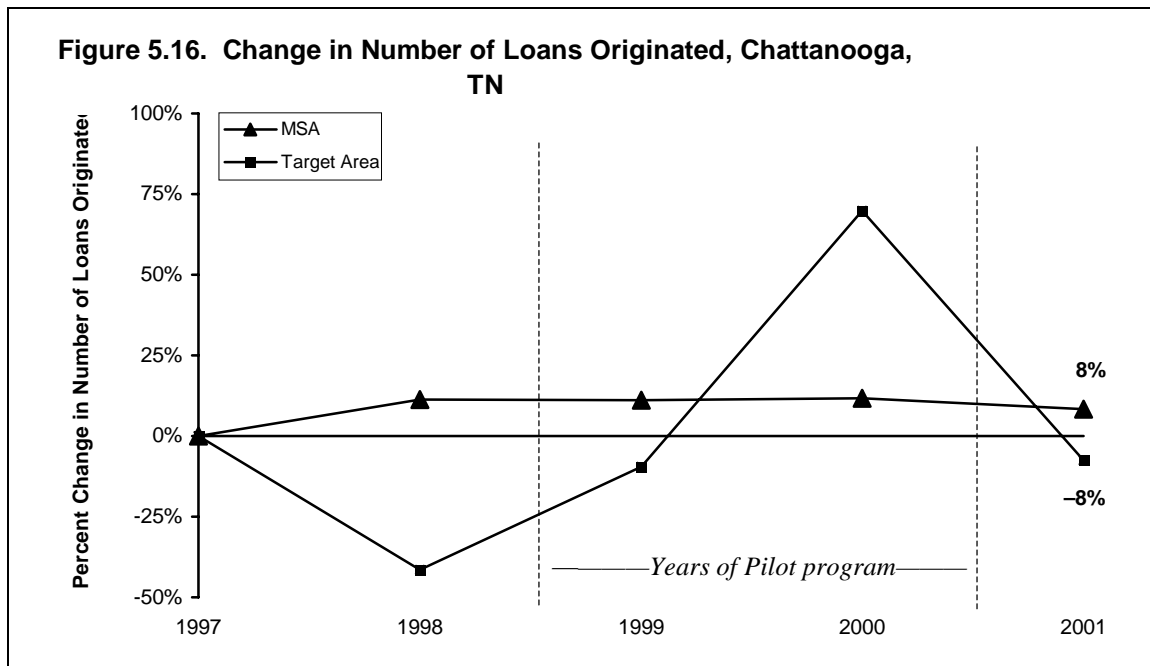
**Figure 5.15. Percentage of Vacant Housing Units, New Britain, CT**



Overall, the housing values and conditions in the Pilot target area in New Britain have improved at about the same rate as the metropolitan area as a whole.

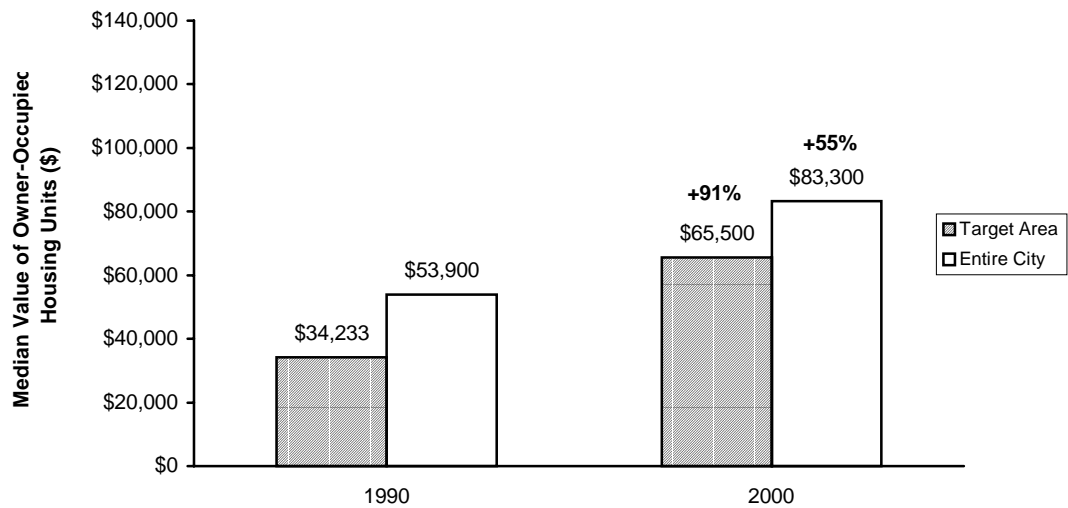
## Impacts of the Pilot Program in Chattanooga

The HMDA data for Chattanooga indicate that there was a decline in the number of mortgage loans made in the target area the year before the Pilot program, and there were large increases in the number of loans made during each year of the Pilot (see Figure 5.16). The year after the Pilot ended, however, the number of loans declined sharply. The data on the average value of mortgage loans in the target area show that the average value increased the year before the Pilot, then decreased for each of the two Pilot years. It then increased again the year after the Pilot (see Figure 5.17).

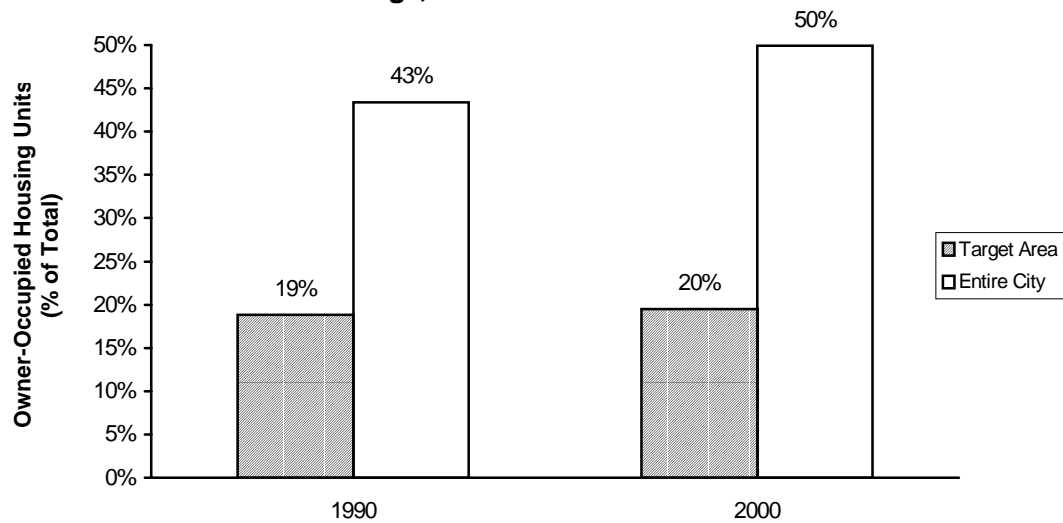


The census data indicate that the median value of owner-occupied housing units in the target area increased by 91 percent during the 1990s, while the median value for the Chattanooga Metropolitan Area only increased by only 55 percent (see Figure 5.18). The home-ownership rate in the target area, however, only increased by one percentage point, while the rate in the metropolitan area increased by seven percentage points (see Figure 5.19). Finally, the percentage of vacant units in the target area actually increased by one percent, while the rate for the city decreased by two percent (see Figure 5.20). This increase in the vacancy rate in the target area might be explained by an increase in rehabilitation activity that requires inhabitants to vacate the property while work is being completed.

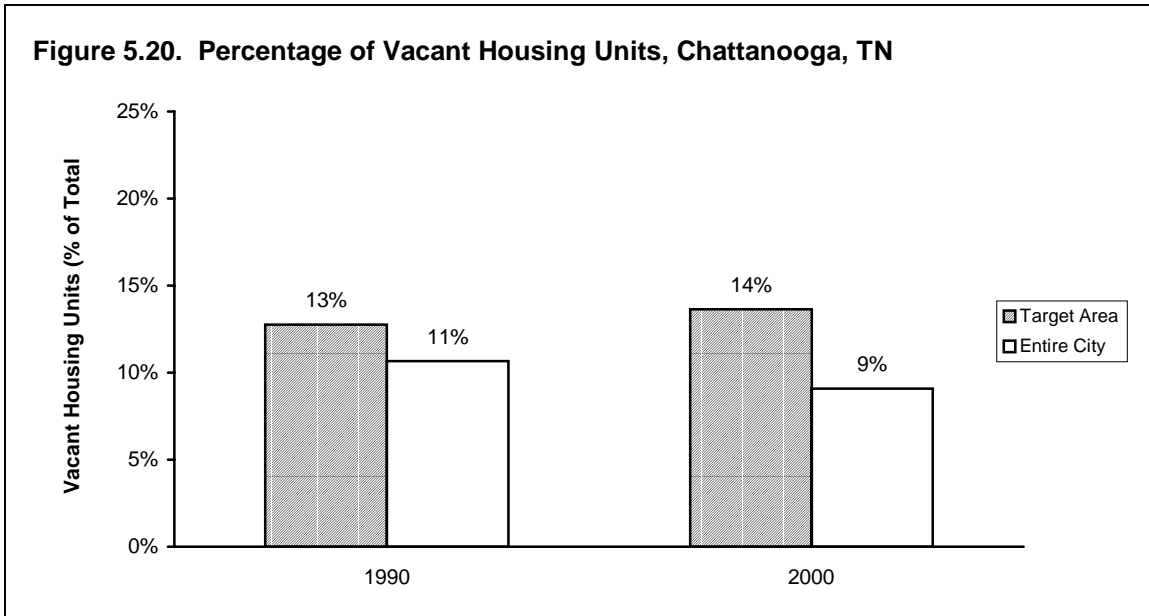
**Figure 5.18. Median Value of Owner-Occupied Housing Units, Chattanooga, TN**



**Figure 5.19. Percentage of Owner-Occupied Housing Units, Chattanooga, TN**



**Figure 5.20. Percentage of Vacant Housing Units, Chattanooga, TN**



Overall, the data indicate that the number of loan originations made in the target area increased during the Pilot years and then fell off. The average value per loan originated in the target area fell off during the Pilot period, and then rose after it was complete. The target neighborhood has seen relatively strong appreciation in property values, but the home-ownership rate and percentage of vacant units did not change substantially in the 1990s.

## Conclusion

The analysis of changes in the neighborhoods targeted by the four Category B Pilot programs indicates that there were positive changes in all four communities. In Sacramento, the HMDA data show that the target area, compared to the city as a whole, experienced larger increases in both the number of loans originated and the average value of those loans. The census data for Sacramento show that the median value of homes in the target area increased faster than the citywide values and there was also a relatively larger reduction in the number of vacant units. However, the growth rate for owner-occupancy in the target area lagged behind that of the city as a whole.

In New Orleans the target area has done better than the city as a whole on all measures. Both the number and average value of loans in the target area increased faster than that of the city. The median value of owner-occupied units, the percentage of owner-occupied units and the reduction in the percentage of vacant units all exceeded the citywide figures.

In New Britain there was a relatively large percentage increase in the number of loans, but a relatively small percentage increase in the average value of those loans. The census data show that the changes in the value and percentage of owner-occupied units was similar to the city as a whole, and so was the percentage increase in the number of vacant units.

The HMDA data for Chattanooga indicate that there was a decline in the number of mortgage loans made in the target area the year before the Pilot program, and that there were large increases in the number of loans made during each year of the Pilot. The year after the Pilot ended, however, the number of loans declined dramatically. Similarly, the average value of loans made in the target area dropped the year before the Pilot, increased for each of the two Pilot years, and then decreased the year after the Pilot.

For all four of our sample cities, the data indicate that the number of loan originations and the average value of loans made in the target areas increased during the Pilot years, and then fell off. The target neighborhoods have seen relatively strong appreciation in property values, but the home-ownership rate and percentage of vacant units did not change substantially in the 1990s.

## Appendix A. Table of Measures

Concept	Measure
Participation in voluntary organizations	Yes/no indicating participation in (respondents could choose more than one): <ul style="list-style-type: none"> <li>■ School organizations (such as the PTA)</li> <li>■ Church or church-related organizations</li> <li>■ Social or civic organizations (such as sports leagues, Kiwanis, etc.)</li> <li>■ Neighborhood organizations (neighborhood associations or citizen watch groups)</li> <li>■ Professional organizations</li> <li>■ Other types of organizations</li> </ul>
Neighborhood satisfaction	Additive index from 4-point rating of: <ul style="list-style-type: none"> <li>■ The general appearance of the streets, grounds and buildings</li> <li>■ The reputation of the neighborhood</li> <li>■ The shopping convenience for everyday needs</li> <li>■ Safety</li> <li>■ The quality of schools</li> <li>■ The neighborhood as a place to raise children</li> <li>■ The helpfulness of your neighbors</li> <li>■ The trustworthiness of your neighbors</li> </ul>
Life satisfaction	4-point scale from very satisfied to very dissatisfied
Self-esteem	Additive index from 4-point rating of agreement with: <ul style="list-style-type: none"> <li>■ I am able to do things as well as most other people.</li> <li>■ I feel confident in my abilities.</li> <li>■ I usually succeed at the things I do.</li> <li>■ I rarely accomplish goals I set for myself. (direction changed for analysis)</li> <li>■ In general, I do not have the abilities necessary to succeed at most things. (direction changed for analysis)</li> </ul>
Perceived opportunity	Additive index from 4-point rating of agreement with: <ul style="list-style-type: none"> <li>■ I believe that people will treat me fairly when it comes to getting a good job.</li> <li>■ If I work hard, I will be given the same opportunities as other people.</li> <li>■ Laws that are passed keep me from succeeding. (direction changed for analysis)</li> <li>■ Societal rules hold me back. (direction changed for analysis)</li> <li>■ Even with a good education, I will have to work harder than others to make a good living. (direction changed for analysis)</li> </ul>
Social networks — support	Index using average number of people indicated in response to: Other than those people living with you, how many people do you know... <ul style="list-style-type: none"> <li>■ Whom you would ask for a ride somewhere?</li> <li>■ Whom you would talk to about a personal issue?</li> </ul>
Social networks — leverage	Index using average number of people indicated in response to: Other than those people living with you, how many people do you know... <ul style="list-style-type: none"> <li>■ Who would be a good source of information about getting a better job?</li> <li>■ Whom you admire for achieving a major personal or professional goal (like earning an advanced college degree or starting a business)?</li> </ul>
Social networks — local	For each of the above: How many of these people live in your neighborhood?
Number of rooms	Count, excluding bathrooms, porches, balconies, foyers, halls or half-rooms
Housing condition	4-point scale from excellent to poor

Concept	Measure
Monthly housing costs	Self-reported
Income	Self-reported annual income before taxes
Savings	Self-reported, excluding housing equity, if any
Outstanding debt	Self-reported, excluding mortgage, if any; also, yes/no response to type of debt: <ul style="list-style-type: none"> <li>■ Car loan</li> <li>■ Credit card and charge accounts</li> <li>■ Payday loan</li> <li>■ Home-improvement loan</li> <li>■ Furniture payments</li> <li>■ Personal loan from bank</li> <li>■ Student loans</li> <li>■ Medical bills</li> <li>■ Home-equity loan</li> <li>■ Other</li> <li>■ No outstanding debt</li> </ul>
Late payments	Yes/no
Health insurance	Yes/no to three types of insurance; exhaustive list



## Appendix B. Changes in Pilot Neighborhoods

<b>TABLE B.1. HMDA INDICATORS OF CHANGES IN LENDING</b>										
	<b>Number of loan originated</b>					<b>Average value per loan originated (in thousands)</b>				
	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Sacramento</b>										
Target area	28	16	37	38	55	\$54	\$56	\$55	\$59	\$73
MSA	24,183	29,690	35,326	43,771	45,865	\$128	\$132	\$136	\$142	\$159
<b>New Orleans</b>										
Target area	73	77	75	80	94	\$95	\$91	\$128	\$139	\$153
MSA	14,350	15,820	13,658	15,560	16,069	\$101	\$77	\$125	\$111	\$118
<b>New Britain</b>										
Target area	79	97	115	121	139	\$53	\$59	\$67	\$67	\$76
MSA	551	670	759	801	771	\$53	\$65	\$73	\$79	\$88
<b>Chattanooga</b>										
Target area	53	31	48	90	49	\$40	\$57	\$54	\$37	\$49
MSA	6,435	7,166	7,156	7,191	6,966	\$81	\$85	\$90	\$89	\$101

<b>TABLE B.2. CENSUS INDICATORS OF CHANGE</b>									
	<b>Median home value (\$)</b>			<b>Housing-vacancy rate</b>			<b>Owner-occupancy rate</b>		
	<b>1990</b>	<b>2000</b>	<b>% growth</b>	<b>1990</b>	<b>2000</b>	<b>% change</b>	<b>1990</b>	<b>2000</b>	<b>% change</b>
<b>Sacramento</b>									
Target area	\$63,000	\$76,700	22%	9%	7%	-3%	44%	41%	-3%
Entire city	\$114,300	\$126,000	10%	6%	6%	-2%	44%	47%	3%
<b>New Orleans</b>									
Target area	\$61,400	\$101,575	65%	22%	16%	-7%	14%	27%	13%
Entire city	\$68,600	\$88,100	28%	17%	12%	-4%	31%	41%	10%
<b>New Britain</b>									
Target area	\$128,180	\$90,620	-29%	9%	10%	1%	9%	22%	14%
Entire city	\$138,800	\$97,600	-30%	7%	8%	2%	26%	39%	13%
<b>Chattanooga</b>									
Target area	\$34,233	\$65,500	91%	13%	14%	1%	19%	20%	1%
Entire city	\$53,900	\$83,300	55%	11%	9%	-2%	43%	50%	7%

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