

Impact Series:

Homeownership and the Social Impact Benefits of Empowering Future Generations

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Executive Summary

There are many associated benefits of homeownership ranging from socioeconomic wealth creation to social-behavioral and even health-related impacts. However, it is the children of families that own their own (vs. rent) that stand to benefit the greatest over time by virtue of their presence within stabilized home and community environments. The US Department of Housing and Urban Development (HUD) stated the cascading benefits of homeownership in a 2000 report; “Homeowners accumulate wealth as the investment in their homes grows, enjoy better living conditions, are often more involved in their communities, and have children who tend on average to do better in school and are less likely to become involved with crime. Communities benefit from real estate taxes homeowners pay, and from stable neighborhoods homeowners create.”

Key Findings

- Those who grew up in an owned home appear both to have higher wages in young adulthood and to be more likely to become homeowners themselves
- Children living in owned homes rather than rental units, math achievement scores are up to 9 percent higher, reading achievement is up to 7 percent higher.
- With the increased responsibilities associated to homeownership, parents may transfer these important life management skills to their children.
- In 2011, fewer than half of African American and Hispanic households owned their homes. In contrast, more than 74 percent of non Hispanic whites were homeowners.
- Owning a home compared with renting a home leads to a 13 to 23 percent higher-quality home environment for the child.
- Children growing up in families with incomes less than 150 percent of the federal poverty line, homeownership raises educational attainment, earnings, and welfare independence in young adulthood.

Disproportionate Homeownership in America

According to the 2012 report, *Social Benefits of Homeownership and Stable Housing* by the National Association of Realtors; “The prevalence of homeownership is not universal. Across different demographic groups and even within different regions of the country, the homeownership rate varies widely. Many of these gaps are long standing. Therefore, the social benefits of homeownership differ widely from community to community.”

Less than half of all Americans owned their homes at the beginning of the century. Homeownership rates remained fairly stable until the onset of the Great Depression in 1929, during which many homeowners lost their homes. In the following two decades, the homeownership rate rose dramatically while only modest gains were made during the 1960s, 1970s and 1980s. However, it wasn't until the the1990s, that the homeownership rate once again trended meaningfully upward as national mortgage rates steadily declined and the economy expanded at rates not seen or experienced in decades. By 2004, 69 percent of Americans owned their homes, a record high.” The homeownership rate has since settled into a 66 percent rate of homeownership as of the end of 2011, according to the US Census Bureau.

Although homeownership rates have improved markedly in the last thirty yeas, there still exists a disproportionate gap of homeownership between minorities and whites. According to the same 2012 report by the Natonal Association of Realtors; “Minorities have made marked progress in homeownership in recent years. But even with these gains, the homeownership rate among minorities still lags significantly behind that of whites. In 2011, fewer than half of African American and Hispanic households

owned their homes. In contrast, more than 74 percent of non Hispanic whites were homeowners. A large part of the gap in homeownership among minorities can be attributed to differences in economic circumstances and the age composition of minority populations. Income and wealth holdings among minorities are typically lower than that of whites.”

Furthermore, the report continues to state; “There is a disproportionately higher share of younger households who are less likely to be homeowners among minorities. Finally, a large number of minorities, particularly Asians and Hispanics, live in less affordable urban centers on both the east and west coasts. Excluding location, by some estimates, if income, age, and family type of minorities were similar to that of whites, the homeownership gap would be reduced from roughly 25 percent to an estimated 10 percent.” Even after adjusting for financial and demographic factors, minorities would still report a lower homeownership rate than whites.

The recent economic contraction of 2008 and its cascading after effects on socioeconomic markets. There has been increasing attention placed on the multitude of long-term effects and impacts that homeownership has on children. As the focus on these benefits have continued, many recent research studies have identified direct correlations between homeownership and positive short-and-long-term outcomes for children. Homeownership has been linked with higher levels of academic achievement, better health, and fewer problematic behaviors in children.

Various studies have found that children of homeowners have higher test scores and graduation rates than children of families who rent, and are more likely to be in school at age seventeen. These children are also reported to have fewer health-related problems including reduced incidence of; allergies, asthma and overall better physical health that has been shown to sustain through young adulthood according to researchers Miller and Chen.

Another theory by researchers Shenassa, Stubbendick and Brown in a 2004 report, proposes that homeownership leads children to grow up in better-quality housing. Their research findings found that neighborhoods with higher homeownership rates also have fewer incidents of children being injured in a fall or burned, a finding that they attribute to more adequate maintenance of owned rather than rented homes.

According to *“INSIGHTS from Housing Policy Research,”* a publication from the Center for Housing Policy, there are multiple studies that directly correlate the long-term positive effects and outcomes of children to homeownership. In a 1997 report, researchers Green and White propose that, “homeownership may lead parents to develop skills that improve their parenting. Under this theory; “it may take years for these skills to develop, so moving from a rented to owned home may not have an immediate effect; it could lead instead to improvements in children’s outcomes several years later. The delay in learning parenting skills through experience as a homeowner was noted by a recent study as a possible explanation for the lack of significant differences between low-to-moderate income homeowners and renters in parental expectations, supervision of their children, or volunteering at their children’s schools since the parents in the study had only owned their homes for a maximum of six years according to a 2009 report by researchers Grindstein and Weiss.”

INSIGHTS also reported a 2007 study by researchers, Green and White; “Homeownership may also strengthen neighborhoods in ways that benefit children. Because neighborhood quality can affect home values, homeowners have a financial incentive to work toward neighborhood improvements and guard against behavior that may reduce the community’s appeal. To the extent that homeownership causes neighborhoods to improve in ways that benefit children, the effects of neighborhoods on children can be attributed to homeownership. However, if individuals who choose to become homeowners also have a preference for purchasing homes in stronger neighborhoods or better school districts, then homeownership could not be said to be the primary cause of stronger neighborhoods and the resultant improvements in child outcomes.”

Do Parenting Styles of Homeowners Contribute to a Child’s Outcomes?

In 2010, the Center for Housing Policy reported that the “characteristics of the homeowners themselves” lead to both the decision to own a home and differences in children’s outcomes. According to the report that researchers call this decision process “self-selection” or “selectivity bias.” If homeownership is partly a result of personality attributes such as strong motivation levels, the desire for consistency and stability, or determination to achieve certain outcomes, such as educational achievement for their children, then homeowners may exhibit different parenting styles than renters. Researchers Zandt, McCarthy, Barker, Miller and others have speculated and reported on the differences between parenting styles within the context to homeownership. The Center for Housing Policy reported; “High levels of parental concern may also lead parents both to purchase a home in a safe area with good amenities and to attend closely to their children’s physical, emotional, and educational development. Differences between outcomes for children of homeowners and renters may not relate to homeownership at all, but rather to different parenting styles or other differences between people who own and people who rent.”

Homeownership’s Long-term Positive Impacts for the Child

A recent study by Ohio State University’s Donald Haurin found that families who own their own home may be contributing to their children’s educational achievements as well, and may even contribute to the reduction of a child’s behavioral problems. The research report states; “Children living in owned homes rather than rental units, math achievement scores are up to 9 percent higher, reading achievement is up to 7 percent higher and behavioral problems are 1 to 3 percent lower.

The report sights the importance of the living environment on children with supportive data showing that owning a home compared with renting a home leads to a 13 to 23 percent higher-quality home environment for the child. The report identifies that the environment of the home needed to encompass both a physical and emotional setting. The physical environment included a variety of factors, such as whether there were safety hazards present in the home and more subtle issues such as the quality of lighting, and whether the home contained education or intellectually stimulating materials such as periodicals. Haurin sighted a “cumulative effect” in his study, he states; “the benefits for children came from more than just the improved environment,” he said. The remainder of the benefits may come from the fact that homeowners tend to stay in one place longer than renters. This stability means that children stay in the same schools, and parents and children invest more time in developing positive relationships with their neighbors and the community. This investment in neighbor and community relationships may promote positive child outcomes.”

Research from Balfour, Smith, Rossi and Weber provides a supportive explanation to the long-term stability of children with empirical evidence stating that; “homeownership produces greater life satisfaction or self-esteem for adults, which, in turn, provides a more positive home environment for children.” Other researchers including a 1997 study by Green and White argue that the “psychological benefits of home ownership for adults derive from its function as an asset.” The researchers offer several wide-ranging hypotheses of the potential links between homeownership and children’s long-term outcomes, including the possibility that; “experience with contractors and repair personnel may improve home-owning parents’ interpersonal and management skills, which may transfer to their children.”

As reported in the 2012 report; “Social Benefits of Homeownership and Stable Housing,” researchers Green and White also found “the decision to stay in school by teenage students is higher for those raised by home-owning parents compared to those in renter households. Additionally, daughters of homeowners exhibit a much lower incidence of teenage pregnancy. The researchers point to certain behavioral characteristics required of homeowners that get passed down to their children. They also state; “First, a home purchase naturally involves one of the largest financial commitments most households will undertake. Therefore, homeowners tend to minimize bad behavior by their children and those of their neighbors that can negatively impact the value of homes in their neighborhood. Second, homeowners are required to take on a greater responsibility such as home maintenance and acquiring the financial skills to handle mortgage payments. These life management skills may get transferred to their children.”

The report also states that the causation link between homeownership and improved schooling performance is not completely clear. It could very well be that homeownership brings residential stability, and it is the stability that raises educational attainment. Such an interpretation would be consistent with a

study by the New York Federal Reserve Bank which also concluded that, homeownership raises educational outcomes for children, and neighborhood stability further enhanced the positive outcome.

In another study by Harkness and Newman, the researchers examined whether children from lower-income and higher-income families benefit equally from homeownership and found that for “children growing up in families with incomes less than 150 percent of the federal poverty line, homeownership raises educational attainment, earnings, and welfare independence in young adulthood.” However, these positive results are not consistent with the long-term outcomes of children in families with incomes more than 150 percent of the poverty line. According to the study, these findings suggest that “homeownership effects are not only attributable to unobserved characteristics of homeowners, but also indicate causal effects.”

Better social outcomes arise as parents provide a more supportive environment for their children. These factors, as well as many others, help explain increased educational attainment and higher lifetime annual incomes of homeowners’ children. Research has also confirmed that access to economic and educational opportunities are more prevalent in neighborhoods with high rates of homeownership and community involvement. Boehm and Schlottmann show that the average child of homeowners is significantly more likely to achieve a higher level of education and, thereby, a higher level of earnings. The authors further find the housing tenure of parents plays a primary role in determining whether or not the child becomes a homeowner. According to a report 2001 study by the Harvard University Joint Center for Housing Studies report, a long-term study determined; “homeownership positively affects child outcomes and strengthens the argument for early homeownership. Improved child cognition yields not only increased future earnings for the child, but also generates the externalities associated with a higher achieving population.”

Homeownership Impacting Health

There are several studies that provide evidence of the positive impacts of homeownership on health. Researchers; Rohe and Stegman found that low-income individuals or families who recently became homeowners “reported higher life satisfaction, higher and higher perceived control over their lives.” Another study by Rossi and Weber concluded that homeowners report higher self-esteem and happiness than renters. Their study reports; “homeowners are more likely to believe that they can do things as well as anyone else, and they report higher self-ratings on their physical health even after controlling for age and socioeconomic factors. For homeowners, in addition to being more satisfied with their own personal situation than renters, Rohe and Stegman suggest “they also enjoy better physical and psychological health.”

According to the report, “Foundation for Success: A Review of New Research on the Effects of Homeownership on Children” by The Center for Housing Policy, another study showed that “renters who become homeowners not only experience a significant increase in housing satisfaction, but also obtain a higher satisfaction even in the same home in which they resided as renters. More recently, research examining the association of self-rated health with socioeconomic position showed that social mobility variables, such as the family financial situation and housing tenure during childhood and adulthood, impacted one’s self-rated health. In particular, the socioeconomic disadvantage indicated by not being able to save any money or not owning or purchasing a home, is negatively associated with excellent or very good self-rated health. A similar examination, but looking at self-reported financial well-being, also showed financial well-being depends on home ownership, the number of children, health insurance, age, and income.”

Conclusion

Homeownership and other factors contribute to a higher statistical probability of social advancement for the child including; residential stability, neighborhood quality, and styles of parenting. It also provides families the opportunity to accumulate wealth, promote autonomy and serves as the basis for many proven positive economic, social and health-related outcomes. Homeownership has also been documented to improve educational achievement and promote or induce civic participation, volunteer-related activities, crime reduction and declining reliance on government assistance.

Research has also proved that homeownership versus renting supports a general sense of emotional pride to the home owner - a sense of accomplishment and personal fulfillment within dynamic American communities that has experienced volatile economic environments. For the observant child, the pursuit of the American Dream and the manifestation of a stabilized family dynamic appears determined to set long-term behaviors that children will seek to emulate and evolve as the next generation of homeowners.

Articles/research sighted:

Harvard University Joint Center for Housing Studies report, The Impact of Homeownership on Child Outcomes. Effects of Homeownership on Children: The Role of Neighborhood Characteristics and Family Income by Harkness and Newman. The Center for Housing Policy Report, Foundation for Success: A Review of New Research on the Effects of Homeownership on Children. The Center for Housing Policy's INSIGHTS from Housing Policy Research (2010), Effects of Homeownership on Children: The Role of Neighborhood Characteristics and Family Income by Harkness and Newman. Social Benefits of Homeownership and Stable Housing report by the National Association of Realtors (2012). Research studies referenced as they appear.