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The Social Benefits and Costs of Homeownership:  
A Critical Assessment of the Research

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William M. Rohe, Shannon Van Zandt and George McCarthy

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**Low-Income Homeownership**  
**Working Paper Series**

# **Joint Center for Housing Studies**

## **Harvard University**

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#### **A Critical Assessment of the Research**

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### **Abstract**

Interest in homeownership among Americans has been justified by claims that it confers benefits both to individuals and to the society as a whole, including good citizens, stable neighborhoods and strong communities. This paper examines evidence for these claims. Strong and consistent evidence indicates that homeowners are more likely to: a) be satisfied with their homes and neighborhoods; b) participate in voluntary and political activities; and c) stay in their homes longer, contributing to neighborhood stability. Evidence on several other purported positive impacts is sparse or inconclusive. Some of these positive impacts, however, may be limited to specific populations or housing conditions. Further, some evidence suggests that under certain condition, homeownership may have negative impacts, including damage to psychological or physical health and decreased ability to escape distressed neighborhoods. The possibility of negative impacts suggests caution be taken when promoting homeownership, particularly among those less likely to be successful.

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## I. Introduction

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

### *Recent Trends in Homeownership*

Interest in homeownership among Americans has been encouraged and supported by a variety of federal programs and policies, including the federal tax code, Federal Housing Administration (FHA) programs, and the Clinton Administration's National Homeownership Strategy. The federal commitment to and subsidy of homeownership has often been justified by claims that it has a variety of social and economic benefits both to individuals and to the society as a whole. In this article, we look exclusively at arguments for the social benefits of homeownership.<sup>1</sup>

The introduction to the National Homeownership Strategy (1995) includes the following passages:

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

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

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<sup>1</sup> For a discussion of economic costs and benefits, see McCarthy, Rohe and Van Zandt, 2001.

What evidence is there for these claims? Are they based on “conventional wisdom” or sound empirical research? How about the costs of homeownership? Is there a “downside” that is ignored in the rush to support homeownership? In answering these questions, we seek to accomplish several objectives:

- Provide a comprehensive and critical review of the literature on the purported social impacts of homeownership;
- Present a balanced view of both the potential benefits and potential costs of homeownership; and
- Develop an agenda for future research on the benefits and costs of homeownership.

## **II. Individual Social Impacts**

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

### ***Homeownership and Satisfaction***

*The Theory.* Given the social and economic benefits often attributed to it, homeownership might be expected to have a positive impact on a person’s life or residential satisfaction. Life satisfaction is defined as a person’s level of contentment with all aspects of his or her life (Campbell 1976; Fernandez and Kulik 1981). Residential satisfaction is more narrowly defined satisfaction with both the housing unit and the surrounding neighborhood (Rohe and Stewart 1996).

Homeownership may contribute to life satisfaction in a number of ways. First, buying a home is an important goal for many Americans (Fannie Mae 1998, 1999). In American society, buying a home is a rite-of-passage symbolizing that a person has achieved a certain economic status. Thus, attaining this goal should increase an individual’s satisfaction with his or her life.

Second, many homeowners find satisfaction in both maintaining and improving their homes (Saunders 1990). Renters are less inclined to engage in these activities since they will not reap the economic benefits of improvements upon leaving their units and since they are less attached to their units (Austin and Baba 1990; Galster 1987; Saunders 1990).

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

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

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

In a longitudinal study, Rohe and his colleagues surveyed both a group of homebuyers and a comparison group of continuing renters in Baltimore. After one and one-half years the homebuyers were found to have experienced a statistically significant increase in their ratings of life satisfaction (Rohe and Stegman 1994a). Moreover, based on a second follow-up survey, homeowners still reported higher ratings of life satisfaction three years after purchasing their homes (Rohe and Basolo 1997). These results were found in spite of the purchased units being in relatively less desirable neighborhoods.

The research done on the determinants of residential satisfaction consistently finds that homeowners are more satisfied with their dwelling units, even after the influences of household, dwelling unit and neighborhood characteristics are controlled for (Danes and Morris 1986;

Kinsey and Lane 1983; Lam 1985; Morris, Crull and Winter 1976; and Varady 1983). In one of the stronger studies on this topic, Lam (1985) analyzed survey data from a large national sample of adults. He constructed a housing satisfaction measure based on four survey items that, based on factor analysis, seemed to be measuring the same underlying construct. After controlling for a host of demographic, housing unit and neighborhood characteristics using OLS regression procedures, he found homeowners to be substantially more satisfied with their homes than renters.

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

*Overall Assessment.* Future studies might delve deeper into the specific explanations for why homeowners are more satisfied. At this point, the basic relationship is well established but we are still inferring the reasons for this relationship. A comparison of different types of ownership, such as condominium, cooperative, community land trust and fee simple, may provide additional insights on this issue. Each of those types of ownership confers a different set of benefits and those differences may result in differing levels of satisfaction.

### ***Homeownership and Psychological Health***

This section assesses the claims that homeownership has a variety of positive impacts on psychological health. Not unlike the mechanisms that are thought to lead to residential and life satisfaction, some have argued that the social status and personal freedom associated with homeownership leads to higher levels of self-esteem and perceived control over life. Others have argued that homeownership contributes to both psychological and physical health as

homeowners have additional assets that can be used to pay for improved health care. Compared to renters, homeowners also have additional security of tenure, which may result in a less stressful life.

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

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

Third, self-esteem may be influenced by self-assessments of their own actions and their outcomes. People who are successful in accomplishing their goals see this as evidence of their own competence. Since homeownership is a goal for an overwhelming majority of Americans (Fannie Mae 1998, 1999; Tremblay, et al. 1980), having achieved it may contribute to greater self-esteem.

Self-efficacy, sometime referred to as perceived control, refers to an individual's belief that he or she is largely in command of important life events rather than being subject to fate or to the will of others. In addition to increases in self-efficacy that may result from the successful purchase of a home, compared to renters, homeowners may have more actual control over important aspects of everyday life. Owners are not, for example, dependent on the decisions of landlords concerning rent increases or lease renewals. In addition, homeowners are better able to control who enters their units. Finally, homeowners are free to make modifications to the units to suit their needs and tastes. This enhanced control over their homes, the argument goes, may positively impact the more general sense of perceived control over life events thus leading to greater psychological and physical health.

A counter argument, however, suggests that homeowners, particularly lower-income homeowners, do not have as much actual control as some have claimed. Financial instability puts lower-income households at risk of losing their homes due to mortgage foreclosure. The psychological impact of homeownership could be negative if a person is unable to pay their mortgage and is forced from his or her home. It may also be negative if the house is found to have major problems or if owners do not have sufficient incomes to maintain their homes.

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

*The Evidence.* Although far from conclusive, the weight of the relatively scant empirical evidence supports the idea that homeownership may contribute to a person's self-esteem. Out of the five studies reviewed, four provided a limited amount of evidence for a positive association between homeownership and self-esteem (Rohe and Stegman 1994a; Rohe and Basolo 1997; Balfour and Smith 1996; Rossi and Weber 1996; Clark 1997). While several studies have found that homebuyers report higher levels of self-esteem, one of the strongest studies on this topic found that buying a home had no significant impact on self-esteem, suggesting that such a positive relationship may need to be qualified (Rohe and Stegman 1994a).

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

In analyzing survey data from the National Survey of Families and Households, Rossi and Weber (1996) report that homeowners were more likely to agree to the statement, "I do

things as well as anyone,” a question meant to assess a person's self-esteem. Yet homeowners are likely to be different from renters in a variety of ways, and these variations may account for the differences found. Homeowners are likely to have higher incomes, education levels and occupational statuses, and are more likely to be older and married with children (Carliner 1973). Rossi and Weber did not control for many of the variables that they acknowledge could account for the results, including household composition, housing conditions, or marital status. Further, most studies on this topic measure self-esteem with a potentially more reliable index composed of multiple questions.

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

One of the strongest studies on this topic was conducted by Rohe and his colleagues (Rohe and Stegman 1994a; Rohe and Basolo 1997). They employed a panel study of 143 persons who had signed contracts to purchase newly constructed row houses on four sites in central city Baltimore. The panel was interviewed three times—before move-in and then at two eighteen-month intervals. This study also surveyed members of a comparison group of Section 8 renters with comparable wage incomes at the same time intervals. Surveys included a single direct question asking respondents if they thought buying a home had a positive, negative or no impact on their self-esteems, as well as a five-question self-esteem index developed by Hoyle (1987).

The analysis involved a simple frequency count of the homeowners who felt that homeownership had had a positive impact on their self-esteems and the use of multiple regression models to assess the relative change in self-esteem index between the homeowners and continuing renters while controlling for potentially confounding variables. The results indicate that at the time of the second interview, 85 percent of the homebuyers said being a homeowner has made them feel better about themselves. The analysis of the self-esteem index, however, found no statistically significant differences between the self-esteem of the

homebuyers and continuing renters. The analysis of the third set of interviews found similar results.

Rohe and his colleagues offered three explanations for the lack of statistically significant relationships between homeownership and the self-esteem index. First, the impact of homeownership on self-esteem may have been too small to detect given the relatively small sample sizes and the relatively crude measure used. Second, buying a home may simply not be enough to alter what some believe to be a very stable self-perception (Rosenberg 1979). Finally, the type of housing units purchased as well as the condition of the neighborhoods surrounding these units may have dampened any impacts that homeownership may have on self-esteem.<sup>2</sup>

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

In addition, little, if any, research exists on the impacts of foreclosure on a person's self-esteem or any other psychological constructs. Not everyone is a successful homeowner and, given the current push to increase the homeownership rate, the number of foreclosures is likely to increase. We should have a better understanding of the impacts of these foreclosures on the persons involved.

### ***Homeownership and Physical Health***

How might homeownership impact physical health? One answer is that owner-occupied units, at least in the United States, are typically kept in better condition, so homeowners are less likely to be subject to problems related to inadequate heating and cooling systems and infestations of bugs and rodents. But the critical variable here is housing condition, rather than homeownership per

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<sup>2</sup> The units purchased by the sample of homebuyers were all attached row houses with small front and/or back yards. These units do not fit the more traditional image of an owner-occupied home—a detached dwelling with an ample yard. In addition, the surrounding neighborhoods had abandoned properties as well as a relatively high level of crime and other social problems. These factors could have inhibited the impacts that owning a home had on the buyers' self-esteem.

se. One might ask whether homeownership has an independent effect, once housing condition is taken into account.

*The Theory.* One argument is that homeownership provides individuals with additional assets that can be drawn upon in times of need. Page-Adams and Vosler (1997), for example, argue that recent economic restructuring has left many people feeling economically, socially and psychologically vulnerable. Homeowners are in a better position to handle this vulnerability because they have an asset in the form of home equity that can be drawn on to get them through hard times. Rasmussen and his colleagues (1997) also argue that home equity can be used by the elderly to cover the increasing “out of pocket” costs of health care, suggesting that they are able to afford a higher level of care and hence remain healthy longer.

Others argue that homeownership leads to “ontological security” which might be expected to have a positive impact on physical health by promoting a general sense of well-being (Saunders 1990). A counter argument, however, has been put forth by Nettleton and Burrows (1998). They suggest that mortgage indebtedness can lead to insecurity, anxiety and fear, particularly for those who are at risk of losing their homes. Recent trends such as variable interest rates and less secure employment may mean that some homeowners feel insecure about losing their homes.

*The Evidence.* Homeownership is a variable included in many studies of physical health but it is seldom the main emphasis of these studies. Rather, it is often included as a control variable with little attention being paid to its independent impact on health. While these studies tend to show that homeowners are healthier, physically as well as psychologically, they do not control for the potentially confounding influences of both other characteristics of the housing units and the surrounding neighborhoods (Baker 1997; Greene and Ondrich 1990; Kind, et al. 1998; Lewis, et al. 1998). Given that owner-occupied homes, when compared to rental properties, tend to be larger, detached units in better repair, it is not surprising to find positive associations between homeownership and health.

Several studies have, however, been explicitly designed to assess the impacts of homeownership on health. Macintyre et al. (1998) studied approximately 1,500 persons in Scotland. After controlling for age, sex, income and self-esteem, the authors report that homeowners scored higher on general health questionnaires as well as a number of more specific health indicators. In a study based on two surveys of Americans, Rossi and Weber (1996)

analyzed data from the National Study of Family Health and found more positive self-assessments of physical health among homeowners, although the control variables were limited to age and socioeconomic status. Data from the General Social Survey, however, indicated no significant relationship between homeownership and health.

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

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

Nettleton and Burrows (1998) studied the health impacts of having difficulty making mortgage payments. They analyzed data from more than 3,500 persons from the British Household Panel Survey at two time intervals: 1991 to 1992 and 1994 to 1995. Results indicate that having difficulty making mortgage payments was associated with lower scores on a general well-being scale among both men and women and it increased the likelihood of men visiting their general practitioners. Control variables included in this study were: income changes, physical health problems (a dichotomous measure), employment changes, number of household members employed, age, residential mobility and mortgage problems. These findings suggest that the impact of homeownership on health is contingent on whether the homeowner is able to keep up with his or her payments.

*Overall Assessment.* The weight of the limited evidence on the relationship between homeownership and health suggests that there is a positive association between homeownership and health, as long as the household is current on its mortgage payments. The existing studies, however, do not adequately control for potentially confounding variables including

socioeconomic status and housing and neighborhood conditions. Thus, it seems premature to conclude that there is a causal relationship between homeownership and health.

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

### **III. Societal Social Impacts**

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

Homeownership is also thought to lead to higher levels of participation in local voluntary organizations and political activities as homeowners seek to protect their economic and emotional investments in their communities. Homeownership is also thought to influence behaviors such as school performance and teen parenthood among children as well as substance abuse among adults. As we will see, the research findings tend to confirm an association between homeownership and both neighborhood stability and socially or civically desirable behaviors. It is not clear, however, whether homeownership actually causes greater stability and participation, or whether those who are more likely to stay put are prone to buy homes. Further, as the transaction costs associated with home buying continue to decline, we may see a decline in the stability currently associated with homeownership, along with all its putative benefits.

### ***Homeownership and Neighborhood Stability***

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

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

Rohe and Stewart (1996) suggest that homeownership impacts stability through two mechanisms. The first mechanism involves the human capital accumulated through age, education and income. Homeowners tend to be higher-income, family households with older, more educated household heads. These households anticipate staying in a home for a longer period of time. The second process is related to the additional interests that homeowners have in their homes. While both renters and homeowners have use interests in their homes, homeowners also have exchange interests. “This combination of interests seems to provide powerful incentives for owner-occupants to maintain their properties at a higher standard and to join organizations that protect the collective interests of homeowners in the area” (Rohe and Stewart 1996: 71).

Collectively, homeownership is thought to confer benefits to the neighborhood by stabilizing property values, encouraging maintenance and upkeep of properties and improving social conditions like high school dropout rates or crime rates (Rohe and Stewart 1996). Economically, the individual may benefit from neighborhood stability through stable or increasing property values. Further, individuals are thought to benefit socially by becoming more invested in their communities. Rohe and Stewart suggest that, beyond homeownership, “living in a relatively stable neighborhood will further encourage participation in community organizations, local social interaction and attachment, property maintenance, neighborhood satisfaction, and positive expectations about the future of the neighborhood” (1996: 54-55).

Housing policy-makers interpret these theories to suggest that increasing homeownership rates will result in both economic and social benefits to residents. However, actions taken to promote neighborhood stability through increasing homeownership may be at the cost of individual mobility. The decreased mobility associated with homeownership among individuals and households living in distressed neighborhoods may perpetuate the kinds of social problems associated with these environments (see Wilson 1987; Jargowsky 1997; Ellen and Turner 1998). In recent years, indices of both dissimilarity and isolation have increased, meaning that more poor households are living in areas of concentrated poverty, with less access to people different than themselves (Abramson et al. 1995). Segregation and isolation stunt the ability of neighborhood residents to improve neighborhood social characteristics, such as levels of employment and the number of families on public assistance, as well as physical characteristics like the number of dilapidated houses or the median value of homes (Massey and Fong 1990).

*The Evidence.* Homeowners are indeed far less likely to move than renters. While renters maintain their residences for a median duration of 2.1 years, homeowners stay in one residence for a median of 8.2 years. More than 70 percent of renters have lived in their current residence for fewer than four years, while more than 70 percent of owners have lived in their current residence for more than four years (Hansen et al. 1998). This decreased residential mobility among homeowners confers benefits to both the neighborhood of residence and the individual household. Yet, it may also have unexpected costs.

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

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

Yet, a growing body of empirical literature suggests that, in some instances, rather than improving the environment for residents of distressed neighborhoods, homeownership acts to trap households in those neighborhoods. In those cases, length of tenure may reflect the greater obstacles to mobility among homeowners rather than a desire to stay put. The literature identifies four groups that may be particularly susceptible to isolation within neighborhoods of poor quality: low-income households, black households, female-headed households, and older homeowners.

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

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

they move into neighborhoods of similar or worse quality, if they move at all (South and Crowder 1997; 1998a).

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

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

*Overall Assessment.* Although the relationship between homeownership and mobility is straightforward and well-documented, the impacts of decreased mobility, caused by homeownership or other structural impediments, are not so well-established. The tension between individual mobility and group stability remains unresolved within housing policy. While homeownership has been shown to improve neighborhood stability, thus conferring certain benefits to the individual, at the same time it restricts individual mobility, which in certain instances may stunt the individual or household's ability to escape a neighborhood of poor quality and move to better one. Although facilitating homeownership among disadvantaged groups may enable them to escape distressed neighborhoods, it may also lead to the entrapment of such households in declining neighborhoods, thus perpetuating rather than improving the problems associated with such neighborhoods.

While the aforementioned studies clearly indicate that disadvantaged groups are less likely to move out of distressed neighborhoods, and that homeownership is an obstacle to such movement, it is not clear whether recent efforts to make homeownership more widely available

to underserved populations are counteracting or exacerbating the effect. Further research is needed to establish the conditions under which these outcomes occur, as well as to propose methods to facilitate the more desirable result.

### ***Homeownership and Social Involvement***

American society values participation in both voluntary associations and political organizations. In our capitalist-oriented democracy, participation in voluntary associations is needed to address some of the social issues and problems that are either beyond the influence of government or beyond our willingness to support government programs to adequately address those problems.

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

*The Theory.* Why should homeowners participate more than renters in both voluntary organizations and political activities? Several arguments have been put forward. First, homeowners may be more likely to participate in local voluntary and political activities because they have an economic investment in their homes and they see participation in voluntary and political organizations as a means of protecting that investment (Baum and Kingston 1984; Rohe and Stewart 1996). The equity homeowners have in their homes is affected by conditions in the surrounding neighborhood, thus homeowners work to influence these conditions through participating in both volunteer organizations and becoming active in local political affairs. Renters, on the other hand, lack this strong economic incentive to get involved.

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

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

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

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

DiPasquale and Glaeser (1999) analyzed data from the General Social Survey. After controlling for age, race, gender, marital status, children, income, education and city size they found that homeownership had a strong correlation with the number of non-professional organizations belonged to, knowledge of local political leaders, voting and involvement in activities designed to solve local problems. Their results indicate that compared to renters, homeowners are “approximately ten percent more likely to work to solve local problems or know

their U.S. representatives by name. They are 13 percent more likely to know the identity of their school board head. Homeowners are 16 percent more likely to vote in local elections. On average, they are members of 0.22 more non-professional organizations than non-owners” (1999: 3).

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

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

Finally, Kingston and Fries (1994) analyzed data from the General Social Survey to see if there are differences in the social and political participation of male and female homeowners. They report that, compared to renters, both male and female homeowners were more inclined to vote in local elections, but that only female homeowners were more likely to be working to solve community problems. This is one of the few studies, however, that did not find a positive relationship between homeownership and participation in voluntary organizations.

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

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

### ***Homeownership and Socially Desirable Youth Behaviors***

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

*The Theory.* Green and White (1997) offer several possible explanations for how homeownership may impact socially desirable behaviors among local youth. First, homeowners may acquire both “do-it-yourself skills” from doing their own home maintenance and financial skills from having to meet the costs of home repairs. These skills may then be transferred to the children in home owning households. It is hard to imagine, however, that home maintenance skills translate into lower levels of adolescent crime, pregnancy, and drug use and higher levels of educational attainment and employment. Yet, as Boehm and Schlottman (1999) show, children of homeowners are more likely to become homeowners themselves, suggesting that the homeownership ethic may be passed down generationally.

A second argument is that because homeowners have a greater financial stake in their neighborhoods they will be more concerned with any anti-social behaviors of local children, including their own, since they may negatively impact property values. Thus, homeowners may monitor their children’s behavior more closely. Haurin and his colleagues (2000) suggest that greater investment in owned property leads to an improved home environment, one that is supportive of cognitive and emotional development in a child. The increased social capital that results from a stable home environment helps children develop stable and strong relationships with their parents and others, diminishing involvement in undesirable behavior.

Third, homeowners tend to stay longer in a neighborhood, making them more effective monitors of children in the neighborhood. This hypothesis suggests a role for the neighborhood in turning out well-behaved youngsters through, for example, collective socialization or peer influences (Jencks and Mayer 1990; Ellen and Turner 1997). While most researchers acknowledge the greater influence of family and personal characteristics on youth behavior, neighborhood conditions may still play an important role. Because of the high correlation between homeownership and neighborhood quality, however, these impacts may be difficult to disentangle.

*The Evidence.* Four studies that addressed the relationship between homeownership and socially desirable youth behaviors were identified. Essen and his colleagues (1978) used the National Child Development Study to assess the impacts of homeownership on the school performance of 16 year-olds in Britain. After controlling for housing conditions, region, family size, gender, social class, parental education and parental school visits, they found that children of homeowners performed better on both reading and math tests.

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

Boehm and Schlottman (1999) examine the impact of homeownership on children's productivity through educational attainment and their housing choices as young adults, using data from the Panel Study of Income Dynamics. After controlling for variables that are thought to influence educational attainment, including personal characteristics, parents' educational background, parents' income and family size, they find that homeownership is a highly significant predictor of educational attainment, even with an additional control for average house value. Based on these results, Boehm and Schlottman conclude that increased educational

attainment is the primary channel by which the children of home owners might benefit. They go on to show that children raised in owned homes translate their greater educational attainment into both increased earnings and homeownership for themselves.

Finally Haurin, Parcel and Haurin (2000), analyze the impact of owning on both cognitive and behavioral child outcomes. They use panel data from the National Longitudinal Survey of Youth. Using a model that helps overcome many of the threats to causal attribution, the authors are able to explicitly credit improvements in child outcomes to an improvement in the quality of the home environment.<sup>3</sup> Even when controlling for a predisposition for homeowners to provide better environments (selection bias), the researchers found that homeowners offer a more stimulating and supportive home environment.

Haurin and colleagues then looked at how this improved environment impacted child outcomes. Outcomes analyzed included cognitive skills—reading recognition and math achievement—and behavioral problems like having a bad temper, being argumentative and feeling worthless, as reported by the child's mother. While these behaviors are not necessarily "socially undesirable," they might be expected to predict delinquent behavior as the child grows into adolescence. For each of the child outcomes, the researchers found that home owning significantly and substantively raised cognitive outcomes and reduced behavioral problems. Yet, while Haurin and his colleagues found home owning improved the home environment by 16 to 22 percent, the improvement in child outcomes ranged from four to seven percent. Such a reduction in the magnitude of the effect suggests that many other factors influence child behavior. These unidentified factors may be expected only to increase in importance as the child matures.

*Overall Assessment.* Although Green and White's (1997) findings of positive associations between homeownership and both staying in school and avoiding teenage parenthood are intriguing, other unobserved variables, such as family assets or neighborhood conditions like peer influences, may be responsible for those results. Haurin, Parcel and Haurin's (2000) findings are indeed compelling, but cannot tell us much about how these children will behave as

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<sup>3</sup> The quality of the home environment is measured by the Home Observation for Measurement of the Environment (HOME) scale (Bradley and Caldwell 1984). This scale includes cognitive variables measuring how much the child is cognitively stimulated, social variables like responsiveness and warmth, and physical variables including the amount of sensory input and organization of the physical environment.

adolescents. Although further findings from National Longitudinal Study of Youth hold promise, there is simply not enough research on this topic to draw any firm conclusions at this time.

Future research needs to address the impacts of home ownership on a full set of possible youth behaviors including youth employment, educational attainment, sexual behavior, drug use, and crime. In particular, the impact of home ownership on adolescent crime is a fruitful topic for research. While some studies have examined the differences in crime rates among urban and suburban teenagers, few if any have looked at the independent impact of homeownership. Sampson, Raudenbush and Earls (1997), for example, used owner-occupation as a measure of residential stability and found that it did indeed ameliorate the rate of violent crime at the neighborhood level.

#### **IV. Conclusion**

Evidence exists for a variety of positive social impacts of home ownership for both individuals and to society. This evidence, however, is stronger for certain social impacts and weaker for others. Considerable evidence suggests, for example, that homeowners are more likely to be satisfied with their homes and neighborhoods, more likely to participate in voluntary and political activities and more likely to stay in their homes longer periods of time. Some doubt still exists, however, whether these relationships are causal, since most of the studies do not adequately account for the self-selection of households to owner and renter occupancy.

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

Very little research exists on potential negative social impacts of homeownership. One British study that suggests that those who are behind on mortgage payments suffer negative health consequences (Nettleton and Burrows 1998). Some evidence also suggests that homeowners are less likely to move from high poverty areas, although the consequences of this are not clear. No research on potentially important topics including the impacts of mortgage payment delinquency or default on self-esteem, sense of control, life satisfaction and other social variables was identified.

### ***Policy Implications***

Public policy that encourages homeownership has often been justified by claims that it has a variety of benefits both to both individuals and to society. Considerable, although not irrefutable, evidence exists for several of those claims. Given these benefits, there is justification for public policies that encourage and support homeownership. Whether the costs of these policies are reasonable given the anticipated benefits is a separate question beyond the scope of this article.

The research on the impacts of homeownership also suggests that these benefits may not accrue to all homeowners. The possibility of these negative impacts suggests that those involved in promoting homeownership should be careful not to oversell homeownership, particularly among those who are less likely to be successful homeowners. Recent public policy has been focused on making homeownership available to lower-income families. Although this is clearly an important and worthy goal, not everyone is capable of becoming a successful homeowner. Homeownership counseling may help lower-income homebuyers be successful homeowners, but at this point there is very little research evidence on this topic. Caution should be exercised in encouraging homeownership among those with a relatively low probability of success. Encouraging persons to buy homes that they end up losing would do them a great disservice.

Similarly, caution should be exercised in encouraging households to purchase homes in areas that do not have a reasonable probability of stable or increasing property values and healthy social conditions. The designers of many neighborhood revitalization programs adopt homeownership as the central element of their revitalization strategy. However, efforts to increase the homeownership rate in the target area must be accompanied by investments in infrastructure and services. Otherwise the homebuyers may not realize either the economic or social benefits of homeownership. If people buy in areas characterized by depreciating property

values and serious social problems, the American Dream could turn into the American Nightmare.

### ***Future Research***

Our review of the literature on the social impacts of home ownership suggests both general and specific recommendations on future research. These recommendations address methodological issues in how this research is conducted as well as specific topics in need of additional research.

Future research needs to do a better job of addressing self-selection bias. The self selection of people into homeownership and rental occupancy represents a significant threat to the validity of most of the research done on the impacts of homeownership, making it impossible to determine the causal direction of any relationships found. Although we cannot randomly assign people to homeownership or rental occupancy, there are statistical techniques that can help account for the self-selection problem. In particular, a two-stage modeling technique developed by Heckman (1979) can be used to predict who becomes a homeowner based on known social and economic characteristics. The prediction is then used to develop an independent variable used to capture the effect of selection bias in the primary regression model. Rohe and Stewart (1996) used the technique in their study of home ownership on neighborhood stability.

Another approach to addressing the self-selection problem is through longitudinal research designs. Longitudinal designs allow for the measurement of key variables before and after the subjects become homeowners, allowing for the establishment of temporal sequences that are important in establishing causality.

Future research needs to do a better job controlling for potentially confounding variables. Much of the existing research on the impacts of homeownership fails to adequately control for alternative explanations for the relationships found. Homeownership is strongly correlated with income, education, age, stage in the life cycle, marital status, race, the presence of children, and employment tenure and security. However, many studies fail to control for one or more of these variables. Further, owner-occupied units tend to be larger, better-maintained, single family detached dwelling units located in more desirable neighborhoods. To truly isolate the impacts of owning, these variables must also be controlled.

Future research needs to better identify the mechanisms through which homeownership influences various social variables. Much of the existing research on the impacts of

homeownership finds associations between homeownership and the social and economic variables under study and then goes on to infer the process or mechanism through which it is thought to produce those impacts. Future research needs to actually test them. The intermediate variables through which homeownership is thought to act need to be identified, measured and tested.

Future research needs to better identify the circumstances under which ownership leads to both positive and negative outcomes. Most of the existing research on the impacts of homeownership does not recognize that the homeownership experience may not be the same for all types of home buyers or for those who buy in different neighborhoods or housing markets. This review of the literature suggests a bias, particularly among American researchers, toward testing for evidence of purported positive impacts of homeownership. In particular, we know very little about: the social-psychological or economic impacts of mortgage payment stress or mortgage default; the role of homeownership in potentially trapping persons in neighborhoods that they would rather leave; and the relationship between homeownership and efforts to exclude minorities, renters and others from neighborhoods.

To develop a more balanced view of the impacts of homeownership and to better understand how to avoid the downside of homeownership these questions should be addressed in future research.

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