

# Cincinnati Habitat For Humanity

## The Benefits of Homeownership

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Research compiled by the Cincinnati office of the Neighborhood Reinvestment Corporation, April 2003

### Homeownership Builds Successful Children:

Compared to the children of renters (of the same age, income, race, etc.), the children of homeowners:

- are **25%** more likely to graduate from high school<sup>1</sup>
- are **116%** more likely to graduate from college<sup>2</sup>
- are **20%** less likely to become teenage mothers<sup>3</sup>
- are **59%** more likely to own a home within 10 years of moving from their parent's household<sup>4</sup>
- have **9%** higher math scores<sup>5</sup>
- have **7%** higher reading scores<sup>6</sup>
- have **3%** fewer behavior problems<sup>7</sup>
- save taxpayers an estimated **\$34,000** in public expenditures (i.e. the cost of juvenile delinquency, teenage pregnancy, etc.) that would have been spent had they remained in rented housing<sup>8</sup>

### Homeownership Builds Wealth for Low-Income Families:

Compared to renters (of the same age, income, race, etc.), homeowners:

- are **12 times** wealthier<sup>9</sup>
- have **66%** of their wealth in their homes<sup>10</sup>
- accumulate an average of **\$44,000** in home equity during the first 10 years of homeownership (wealth that becomes the basis for first-generation college graduates and small business owners)<sup>11</sup>

Some other key points:

- one study found that if two identical families invested \$16,800 – one in a house and the other in the stock market (while remaining in a rental home), the net return of the home owner would be more than **2 times** that of the renter.<sup>12</sup>

### Homeownership Builds Community Wealth:

- A 1% increase in home-ownership rates increases the value of each home in the area by an average of **\$800**<sup>13</sup>
- Each “Campaign for Home Ownership 2002” homeowner produced approximately **\$2,572** in home-related goods and services sales at move-in and spent more every year thereafter than renters.<sup>14</sup>
- Each home sold produces approximately:
  - **\$4,000** in Realtor fees<sup>15</sup>
  - **\$886** in revenue and taxes for government agencies<sup>16</sup>
  - over **\$171** for title companies<sup>17</sup>
  - **\$37,143** in revenues for banks, mortgage lenders and loan servicers over the lifetime of the mortgage<sup>18</sup>
  - **.15** jobs

## Homeownership Builds Stronger Communities:

Compared to renters (of the same age, income, race, etc.), homeowners:

- are **28%** more likely to repair or improve their homes<sup>19</sup>
- are **12%** more likely to maintain a garden outside their homes<sup>20</sup>
- are **10%** more likely to report they have worked to solve local problems<sup>21</sup>
- live **4 times** longer in a community<sup>22</sup>
- are **11%** more likely to know who represents them in Congress<sup>23</sup>
- are **9%** more likely to know who their school-board representative is<sup>24</sup>
- are **15%** more likely to vote<sup>25</sup>

## Homeownership Builds Stronger Families:

Compared to renters (of the same age, income, race, etc.), homeowners:

- are **10%** more likely to attend church<sup>26</sup>
- are **16%** more likely to belong to parent-teacher organizations, block clubs, etc.<sup>27</sup>
- read newspapers **1.3 times** more often<sup>28</sup>
- are less likely to have alcohol and substance-abuse problems<sup>29</sup>

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<sup>1</sup> Boehm, Thomas P. and Alan Schlottmann, "Does Home Ownership by Parents Have An Economic Impact on Their Children?," Department of Finance, University of Tennessee at Knoxville, 1999.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> Haurin, Donald R, Toby L. Parcel and R. Jean Haurin, "The Impact of Homeownership on Child Outcomes," Low-Income Homeownership Working Paper Series, LIHO-01.14, October 2001.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

<sup>8</sup> Green, Richard K. and Michelle J. White, "Measuring the Benefits of Homeowning: Effects on Children," Chicago: Center for the Study of the Economy and the State, 1994.

<sup>9</sup> Tabulations of the 1995 *Survey of Consumer Finances*.

<sup>10</sup> Ibid.

<sup>11</sup> Neighborhood Reinvestment Corporation estimation based on a common 30-year, level-payment mortgage schedule at 7% interest, assuming the buyer does not default and pays a 3% down payment on a \$71,500 home, the average home in the NeighborWorks® Campaign for Home Ownership 2002 in 1998. This equity accrues over 10 years, appreciating at 3% annually, roughly the 2.8% rate reported from 1990 to 1998 by the Office of Federal Housing Enterprise Oversight. Since 1980, home prices have increased 4.3% annually.

<sup>12</sup> "Buying a New Home: A Solid Investment," a special report produced by the National Association of Home Builders and Builder, 1998. Assumes \$140,000 house, 10% down payment, 10.5% stock appreciation, 25% capital gain tax on stocks, 2% of home-purchase price and 7% of sales price goes to fees, 7.5% mortgage interest, 33% combined federal and state income taxes.

<sup>13</sup> Rohe, William and Leslie Steward, "Homeownership and Neighborhood Stability," *Housing Policy Debate*, 1 (1), 1994.

<sup>14</sup> Emrath, Paul, "Consumption Spending of New Home Buyers," *Housing Economics*, 25(7), July 1994.

<sup>15</sup> Fees estimated as 7% of \$71,500 sale price.

<sup>16</sup> Ibid.

<sup>17</sup> Ibid.

<sup>18</sup> Based on a 30-year mortgage worth 80% of a \$71,500 house. The remaining 20% is assumed to be down payment plus grants and loans. Homes are assumed to be held 10.5 years, the average length of ownership for lower-income homeowners according to the 1993-1995 *American Housing Surveys*. Each buyer is assumed not to default and to pay 1% in loan fees or points.

<sup>19</sup> Galster, George C., "Cross-Tenure Differences in Home Maintenances and Conditions," *Land Economics*, 41, 1983.

<sup>20</sup> DiPasquale, Denise and Edward L. Glaeser, "Incentives and Social Capital: Are Homeowners Better Citizens?," Joint Center for Housing Studies, Harvard University, W97-3, December, 1997.

<sup>21</sup> Rohe, William M. and Michael A. Stegman, "The Impact of Homeownership on the Social and Political Involvement of Low-Income People," *Urban Affairs Quarterly*, 30, 1994.

<sup>22</sup> Length of ownership based on unpublished tabulations by the Joint Center for Housing Studies at Harvard University using the *American Housing Survey*, 1993-1995.

<sup>23</sup> DiPasquale and Glaeser, 1997.

<sup>24</sup> Ibid.

<sup>25</sup> Ibid.

<sup>26</sup> Ibid.

<sup>27</sup> DiPasquale and Glaeser, 1997; also Rossi and Weber, 1996 and Rohe and Stegman, 1994.

<sup>28</sup> Rossi, Peter and Eleanor Weber, "The Social Benefits of Homeownership: Empirical Evidence from National Surveys," *Housing Policy Debate*, 7(1), 1996.

<sup>29</sup> Page-Adams, Deborah and Michael Sherraden, "What We Know About Effects of Asset Holding: Implications for Research on Asset-Based Antipoverty Initiatives," Working Paper No. 96-1. Center for Social Development, Washington University in St. Louis, 1996.