Erasing the Advantage: Homeownership and the Impact of Financial Hardship on Health for Lower-Income Americans

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The Homeownership Experience:
Before and After the Housing Market Collapse
New Research on Homeownership Crucial

• New reality of the homeownership experience = new research needed

• Selection effects; homeownership not randomly selected
Housing and Health

Physical structure
Social climate
Economic environment

Dwelling

Neighborhood

Local health services
Environment
Recreation spaces
Residential density
Key Questions

Is the beneficial health impact of homeownership still present following the housing market downturn?

What impact does financial hardship have on health?
The Community Advantage Program (CAP)

Lenders make conventional mortgages to lower-income borrowers

Ford Foundation + Fannie Mae underwrite risk

Mortgages sold by lender to financial community development agency
The Community Advantage Program 1998-2004

46,545 loans

- Small down payments
- Low credit scores
- 42% single mothers

- $30K median income
- 35% in poor tracts
CAPS Sample: How To Compare Apples and Oranges?

- From 2009 survey wave:
  - 2,225 homeowners
  - 915 renters
- Propensity score matching finds owners and renters who are demographically similar

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Oranges that look like apples
And
Apples that look like oranges
Findings - Financial Hardship

More renters than owners cut spending on:

- **Medical**: 17%
- **Housing**: 54%
- **Dental**: 42%
- **Babies**: 22%

Note: Mean differences between owners and renters significant at p<0.05
Findings - Homeownership

- Homeownership reduces risk of health problem
- Financial hardship increases risk
- Interaction effect: Homeowner + financial hardship = greater risk than renter + hardship
Policy Implications

Financial help for struggling homeowners can have health benefits

Improving the rental experience can improve health outcomes

Health benefits of homeownership remain post-crisis

Landlords could be incentivized to make property improvements