

**Perception and Reality during the Financial Crisis: Homeownership, Low-Income Households, and Financial Stress**

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Research funded by the Ford Foundation

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**Debating Low-Income Homeownership**

 **Financial risks & benefits**

 **Responding to crisis events**

 **Psychological well-being**



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**Key Questions**

Did the financial crisis disproportionately impact homeowners?

Does homeownership affect how people think about their finances?

Did homeowners feel more psychologically stressed than renters

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### 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

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### The Community Advantage Program 1999-2003

28,491 loans

Typically < 5% downpayment

\$30,972 median income

1/2 < 680 credit score

42% female-headed

35% low-income tract

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### Loan Performance through 2009

Median appreciation \$20,459

14% ever 60 days delinquent

4% foreclosed

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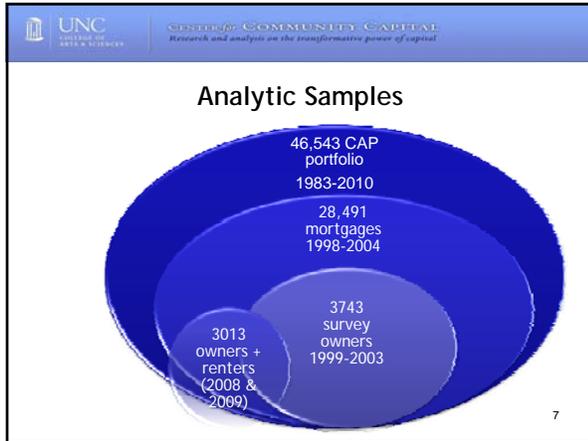
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### Variables

General stress	Financial stress	Financial satisfaction	Control Variables
<ul style="list-style-type: none"><li>The degree to which life is unpredictable and overloading</li><li>4-item scale</li><li>Scores range from 0-16</li></ul>	<ul style="list-style-type: none"><li>Extent to which meeting financial obligations is stressful</li><li>6-item scale</li><li>Scores range from 0-12</li><li>Alpha is 0.75</li></ul>	<ul style="list-style-type: none"><li>How satisfied are you with your overall financial situation?*</li><li>Very satisfied and somewhat satisfied = 1, very dissatisfied = 0</li></ul>	<ul style="list-style-type: none"><li>Age</li><li>Relative income</li><li>Region</li><li>Reduction in income</li><li>Unexpected expense</li></ul>

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### Analytic Methods

- Homeowners may be inherently different from renters
- Selected sub-sample of owners & renters who are similar in terms of: age, gender, marital status, race/ethnicity, relative income, number of children, and dwelling type
- Objective is to isolate effects of homeownership

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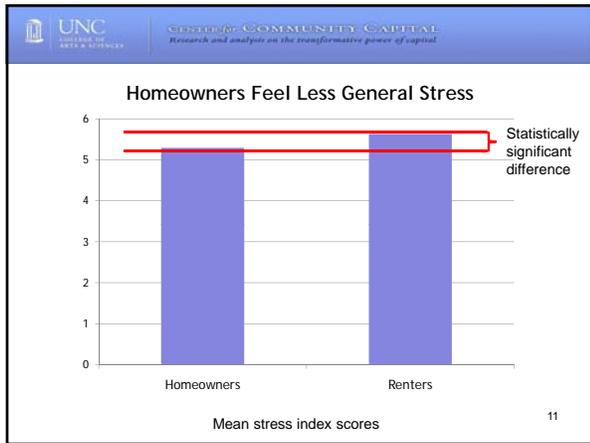
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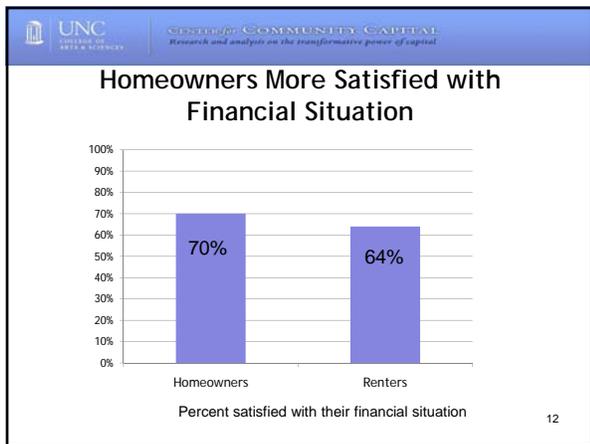
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### Policy Implications

- Homeownership did not create undue burden - likely due to favorable mortgage terms
- Homeownership linked to sense of security, control
- Policies aimed at promoting good mortgages to low-income people can provide people with security during economic downturns

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