

Research on low-income homeowners suggests need for support after home purchase

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Programs that help low-income and minority individuals and families purchase a home may be doing more harm than good, according to a Kansas State University economist.

When vulnerable homeowners don't get support after they purchase a home -- maybe one they really couldn't afford in the first place -- they're more likely to return to renting, said Tracy Turner, K-State assistant professor of economics. She and Marc Smith, professor of finance and director for the Institute of Housing Studies at DePaul University, are publishing their research in a forthcoming issue of the *Journal of Regional Science*.

"Moving vulnerable renters into homeownership without post-purchase support wastes tax dollars as well as creates great hardships for these new homeowners who lose their homes," Turner said. "Our research sheds light on homeowner sustainability and the need for post-purchase support for vulnerable households. It suggests that past homeownership policies are in part contributing to the current home foreclosure crisis."

Turner and Smith studied how populations with low homeownership rates also leave homeownership at high rates, either through foreclosure or selling the home. From 1970 to 2005, they found that low-income homeowners were consistently more likely to exit homeownership than higher income households. Hispanic households had higher exit rates

before 1997 but not after.

They also found that a gap between blacks and whites exiting homeownership arose after 1997. Turner said this could be because policies in the 1990s that encouraged minority homeownership were not sustainable in the long term.

"Policy initiatives made resources available to move renters into owning although they could not own without assistance, and these initiatives failed to provide post-homeownership counseling or support," Turner said. "As a result, renters who became homeowners through relatively easy entry conditions could not sustain homeownership."

Turner said their research is the first to find that the homeownership gap before 1997 is because fewer blacks were becoming homeowners in the first place, not because they were leaving homeownership at higher rates.

Because homeownership offers many benefits, Turner said it is important to understand why black, Hispanic and low-income households are less likely to own their housing. As renters, they are missing out on the benefits homeownership can provide.

"In order to design policies that will allow underrepresented groups to attain homeownership and remain homeowners, we need to understand why certain groups have lower homeownership rates to begin with," she said.

An important area of future research, Turner said, would be to look at how much of the foreclosure crisis is attributed to these types of policies versus how much of it is because of liberalized lending standards, predatory lending and house-price declines.

Source: Kansas State University

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