

# Foundation for Success?

## A Review of New Research on the Effects of Homeownership on Children

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Parents often strive to own a home and consider it part of providing a good life for their children. A number of studies have provided support for parents' homeownership aspirations by showing better educational, health, and social outcomes for children who grow up in owned homes. The body of research on homeownership's benefits for children has provided support for policies that promote homeownership, particularly for low- and moderate-income households. Several recent studies, however, have re-examined homeownership's effects on children and found that the benefits may have been overstated. These new studies suggest that factors other than homeownership are often responsible for what appear to be positive effects of homeownership on children's outcomes.

Does it matter whether children live in an owned or rented home? A new batch of studies says no — what really matters are other factors such as residential stability, neighborhood quality, and the parents themselves. This new research may be of interest to policymakers as they consider whether to continue policies that favor homeownership or instead rebalance housing policy to give equal support to both homeownership and rental housing. Policymakers also may be able to apply the new evidence to adapt existing policies — for example, by increasing the stability of both rental and owned homes through back rent/mortgage assistance programs — or create new programs that help children succeed whether in rental or owned homes. This policy brief summarizes the conclusions of the growing body of new research on this

topic and looks at ways that housing policy can foster children's well-being.

### What Benefits for Children Have Been Attributed to Homeownership?

Over the years, many research studies have found connections between homeownership and positive outcomes for children. Homeownership has been linked with higher levels of academic achievement, better health, and fewer

problematic behaviors in children. Studies have found that children of homeowners have higher test scores and graduation rates than children of renters and are more likely to be in school at age 17 (Green and White, 1997; Haurin, Parcel, and Haurin, 2001; Aaronson, 2000; Braconi, 2001). Children of homeowners have also been shown to have fewer behavioral problems and lower rates of teenage parenthood (Green and White, 1997; Haurin, Parcel, and Haurin, 2001). They are also reported to have fewer problems related to allergies and asthma and better physical health in young adulthood (Chen et al., 2006; Miller and Chen, 2007).

Those who grew up in an owned home appear both to have higher wages in young adulthood and to be more likely to become homeowners themselves (Boehm and Schlottman, 1999).

Three recent studies call some of these findings into question. Homeownership may be linked with better children's outcomes, but the new studies featured in this brief (and

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summarized in a box on page 6) conclude that the better outcomes are not caused by homeownership itself. What is really influencing children's well-being, these new studies assert, are other factors, such as residential stability, neighborhood quality, school quality, and unobserved aspects of the parents themselves.

For government officials struggling to fund social programs in a weak economy, this shift in the evidence about homeownership's benefits is critically important. If homeownership programs do not yield the benefits that researchers had once thought, perhaps children would be better served by funding programs that make rental housing more affordable, improve schools, strengthen neighborhoods, enhance rental stability, or assist children's outcomes in other ways.

## How Might Homeownership Affect Children?

Studies that link homeownership with positive outcomes for children have proposed a number of possible explanations. Green and White (1997) propose that homeownership may lead parents to develop skills that improve their parenting. They suggest that the experience of hiring tradespeople and budgeting for home repairs helps homeowners develop management skills which can also be used to improve their parenting. Under this theory, it may take years for these skills to develop, so moving from a rented to owned home may not have an immediate effect; it could lead instead to improvements in children's outcomes several years later. The delay in learning parenting skills through experience as a homeowner was noted by a recent study as a possible explanation for the lack of significant differences between low- to moderate-income homeowners and renters in parental expectations, supervision of their children, or volunteering at their children's schools since the parents in the study had only

owned their homes for a maximum of six years (Grinstein-Weiss et al., 2009).

Another theory proposes that homeownership leads children to grow up in better-quality housing. Shenassa, Stubbendick, and Brown (2004) found that neighborhoods with higher homeownership rates also have fewer incidents of children being injured in a fall or burned — a finding that they attribute to more adequate maintenance of owned rather than rented homes.

Homeownership may also strengthen neighborhoods in ways that benefit children. Because neighborhood quality can affect home values, homeowners have a financial incentive to work toward neighborhood improvements and guard against behavior that may reduce the community's appeal (Green and White, 1997). To the extent that homeownership causes neighborhoods to improve in ways that benefit children, the effects of neighborhoods on children can be attributed to homeownership. However, if individuals who choose to become homeowners also have a preference for purchasing homes in stronger neighborhoods or better school districts, then homeownership could not be said to be the cause of stronger neighborhoods and the resultant improvements in child outcomes.

A fourth theory proposes that homeownership increases residential stability which in turn is linked to better outcomes for children. Extensive research has documented a strong association between frequent moves and poor child development and educational achievement (Scanlon and Devine, 2001; Vandivere et al., 2006; see also the literature reviews in Lubell and Brennan, 2007, and Lubell et al., 2007). Although owning one's home reduces the frequency of residential moves (Holupka and Newman, 2010), the increase in stability still may not explain the difference between homeowner and renter children's outcomes.

## What If People Who Choose Homeownership Have Other Characteristics That Benefit Their Children?

It is also possible that characteristics of the homeowners themselves lead to both the decision to own a home and differences in children's outcomes. Researchers call this "self-selection" or "selectivity bias." If homeownership is partly a result of personality attributes such as strong motivation levels, the desire for consistency and stability, or determination to achieve certain outcomes (such as educational achievement for their children), then homeowners may exhibit different parenting styles than renters. High levels of parental concern may also lead parents both to purchase a home in a safe area with good amenities and to attend closely to their children's physical, emotional, and educational development. Differences between outcomes for children of homeowners and renters

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may not relate to homeownership at all, but rather to different parenting styles or other differences between people who own and people who rent (Rohe, Van Zandt, and McCarthy, 2002; Barker and Miller, 2009; Mohanty and Raut, 2009).

### **How Are Researchers Re-Assessing Whether or Not Homeownership Itself is the Cause?**

Sophisticated study design and analytic methods help researchers tease out the specific effects of homeownership as well as pinpoint other possible factors that may influence children's outcomes. Different approaches to designing a study may yield different results. The recent studies highlighted in this brief have raised questions about the findings of earlier research based on concerns about the choice of analytic techniques and have adopted different analytic methods that they argue more clearly separate homeownership from other potential explanations of children's outcomes (Barker and Miller, 2009; Holupka and Newman, 2010).

The selection of the particular population to be studied may also affect the results. Because homeownership may have stronger impacts on low-income children than children from more affluent households (Green and White, 1997; Harkness and Newman, 2003, as cited in Holupka and Newman, 2010, p. 9), Holupka and Newman opted to focus their analysis on low-income children, rather than all children, as was common in earlier research. In case the benefits of homeownership are not conveyed equally to different racial or ethnic groups, Holupka and Newman (2010) also looked separately at subgroups of white and black children in one part of their study and of white, black, and Hispanic children in another.

Researchers also seek to identify and control for a number of factors, such as demographics, family structure, and parental education, that can affect children's educational, physical, and emotional development. The newer studies included in this brief use additional control variables in order to come closer to isolating the effects of homeownership itself. These studies attempt to separate residential stability from homeownership in case the positive effects are simply the result of homeowners having fewer moves that might disrupt children's development. Other factors that the new studies seek to control for include dwelling type, urban location, household wealth, parental expectations, parents' assessment of neighborhood quality, and whether or not a child was breastfed.

### **What Does Current Research Say About Homeownership and Children's Education?**

After accounting for a wide range of differences between homeowners and renters, recent studies find that homeownership per se has little to no effect on children's educational outcomes. Holupka and Newman (2010) found that homeownership had no significant impact on low-income black children's verbal abilities, reading comprehension, and math skills. Most of the effects they initially found for low-income white or Hispanic children disappeared once they used a technique known as statistical matching to account for observed differences between owners and renters. For Hispanics, they did find a positive impact of homeownership on reading comprehension, but the impact was much lower than it had been before matching. For whites, their analysis of one data set (the PSID-CDS) showed a positive impact of homeownership on verbal abilities, while another data set (the NLSY) yielded a significant but negative impact of homeownership on reading comprehension. Overall, their findings suggest that homeownership per se may not benefit children's educational outcomes; better education outcomes may instead be explained by self-selection.

Barker and Miller (2009) re-analyze two prior studies that connected homeownership with positive outcomes for children (Green and White, 1997; Haurin, Parcel, and Haurin, 2001) using a few different methods, one of which is called "differences-in-differences." They also used a new method of accounting for unobserved differences between owners and renters and added some additional control variables, such as net worth, vehicle ownership, the type of home the family lives in, and whether the residence is in an urban area. The differences-in-differences analysis found no significant effects on children's test scores when families move from homeownership to renting or the reverse. In their other analysis, they found that, for children who had not moved since early elementary school, there was no statistically significant effect of homeownership on children's likelihood to be in school at age 17. They further find evidence that parents with personality traits that are beneficial to children's education may be more likely to choose homeownership, leading researchers to conclude incorrectly that homeownership itself conveys these benefits.

After accounting for self-selection and controlling for parents' ratings of the neighborhood as a place to raise children, Mohanty

and Raut (2009) — a third new study — find no significant association between homeownership and better test scores in reading or math. Their analysis found instead that the home environment and parents' concern for their children benefit younger children's test scores, while neighborhood characteristics influence achievement in older children.

## Does Homeownership Reduce Children's Behavior Problems or Yield Other Benefits for Children?

In their recent study, Holupka and Newman (2010) focused not just on homeownership's impact on education but also on children's behavior and health. Using a statistical matching method and separate analyses of white, black, and Hispanic low-income children, Holupka and Newman looked at caregivers' assessments of children's behavioral problems, such as disobedience, anxiety, and difficulties interacting with other children, and found no significant impact of homeownership on children's behavior. In addition, they found that homeownership has no impact on children's health, as rated by each child's primary caregiver.

Although recent research has not explicitly re-examined the connection between homeownership and teen parenthood, researchers' concerns about self-selection and the confounding of homeownership with residential stability also apply to studies on this topic as well as other children's outcomes. For example, Galster et al. (2007) found that residential stability and parents who value planning for one's future are associated with lower levels of teen parenthood. This suggests that it may be worth revisiting some of the earlier findings regarding the benefits of homeownership for reducing teen pregnancy to determine whether the findings persist even with better controls for residential stability and self-selection.

## What Does This Mean for Policymakers?

The three new studies reviewed in this brief all suggest that homeownership itself does not lead to improved outcomes for children. Homeownership may help children by contributing to greater residential stability, but there may be other ways to promote residential stability among renters that are equally effective in helping children — for example, by reducing rents to more affordable levels, providing counseling and financial assistance to help families avoid eviction, and changing local laws to protect renters against sharp rent increases or eviction without cause. Moreover, Holupka and Newman (2010) question even this result, finding that residential stability as conventionally measured (i.e., simply fewer moves) did not explain the small positive effect of homeownership for white children's verbal abilities.<sup>1</sup>

This does not mean that homeownership policies have no benefits for families and society. Homeownership, when entered

into sustainably, may help families build assets and reduce the frequency of the types of unwanted moves that undermine family and child well-being. Homeownership may also increase households' range of housing choices and increase adults' control over their physical environment (which may matter for parental well-being). And in some cases, homeownership may contribute to lower housing costs over the long-term. But these new studies give policymakers reason to take a fresh look at the commonly held belief that homeownership can help directly improve children's test scores and reduce high school drop-out rates and children's behavior and health problems.

Research is of course an ever-changing and evolving field and, within a short time, other research will come out that may further contribute to our understanding of how homeownership affects children and families more generally. It is also important to note that these new research findings do not automatically negate the findings of all earlier studies that found that homeownership benefits children. Over time, the academic consensus will become clearer. For now, the key take-home message is that several new well-designed studies have all raised serious questions about the commonly held belief that homeownership per se benefits children. This lends further weight to efforts now under way to re-balance housing policy to give equal weight to both rental housing and sustainable forms of homeownership, as well as to investigate "middle ground" tenure options such as shared equity homeownership.<sup>2</sup>

In addition to continuing to develop the literature base on the impact of homeownership on child outcomes, future research could help to determine what types of housing policies can best improve children's outcomes and whether the assets developed through homeownership benefit children by increasing their access to higher education or to subsequent homeownership in young adulthood.



Courtesy of LHB

## Endnotes

<sup>1</sup>Among other implications, this suggests that it would be useful to develop a more refined model of residential stability that focuses not simply on the number of moves, but also on the types of moves that families experience, with voluntary moves — for example to move closer to an employment center or access a better

neighborhood — being seen as contributing to stability and involuntary moves — evictions and foreclosures, in the extreme, but also moves due to other financial hardships or a decision by a landlord not to continue renting — being seen as undermining stability.

<sup>2</sup>Shared equity homeownership is a tenure type that falls roughly between rental housing and

traditional homeownership. Under shared equity homeownership, subsidies are used to reduce the purchase price of a home to an affordable level. Families who purchase these homes agree to sell them at a formula-based price that balances the goals of long-term affordability and individual asset accumulation. For more information, see [www.nhc.org/housing/sharedequity](http://www.nhc.org/housing/sharedequity).

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## Three Recent Studies That Examine Homeownership's Effects on Children

**Barker, David and Eric Miller. (2009). "Homeownership and Child Welfare." *Real Estate Economics* 37: 279-303.**

This study sought to replicate the results of two heavily cited papers that found benefits of homeownership for children (Green and White, 1997, and Haurin, Parcel, and Haurin, 2001) by using the same data and outcome measures but adding more controls and applying a different methodology to address self-selection (i.e., the fact that families that become homeowners may differ from families that remain renters in ways that affect children's outcomes). The authors also examined homeownership's effects on children's education using the Early



Courtesy of the California Housing Consortium

Childhood Longitudinal Study (ECLS), a data set that had not been available at the time of the earlier studies. After addressing self-selection and controlling for dwelling type, vehicle ownership, wealth, and residential mobility, they found that the evidence of homeownership's benefits is dramatically reduced and often eliminated.

**Holupka, C. Scott and Sandra J. Newman. (2010). "The Effects of Homeownership on Children's Outcomes: Real Effects or Self-Selection?"** Forthcoming paper.

The authors assessed homeownership's effects on the education, behavior, and health of low-income children using two data sets: the Panel Study of Income Dynamics — Child Development Supplement (PSID-CDS) and the National Longitudinal Study of Youth (NLSY). They accounted for self-selection, conducted sub-group analyses for different racial and ethnic groups, and tested various explanations for a homeownership effect. In the end, they found that homeownership's apparent benefits for children are most likely attributable to self-selection rather than homeownership itself. Non-housing factors, such as the mother's cognitive ability, had the largest impacts on children's educational achievement and behavior.

**Mohanty, Lisa L. and Lakshmi K. Raut. (2009). "Home Ownership and School Outcomes of Children: Evidence from the PSID Child Development Supplement." *American Journal of Economics and Sociology* 68(2): 465-489.**

The authors analyzed PSID and PSID-CDS data to determine whether homeownership affects children's education. They accounted for self-selection and included numerous controls. They found that residential stability, neighborhood quality, and the home environment all have beneficial effects on children's academic achievement, but they did not find any effects of homeownership once the controls and self-selection were taken into account.