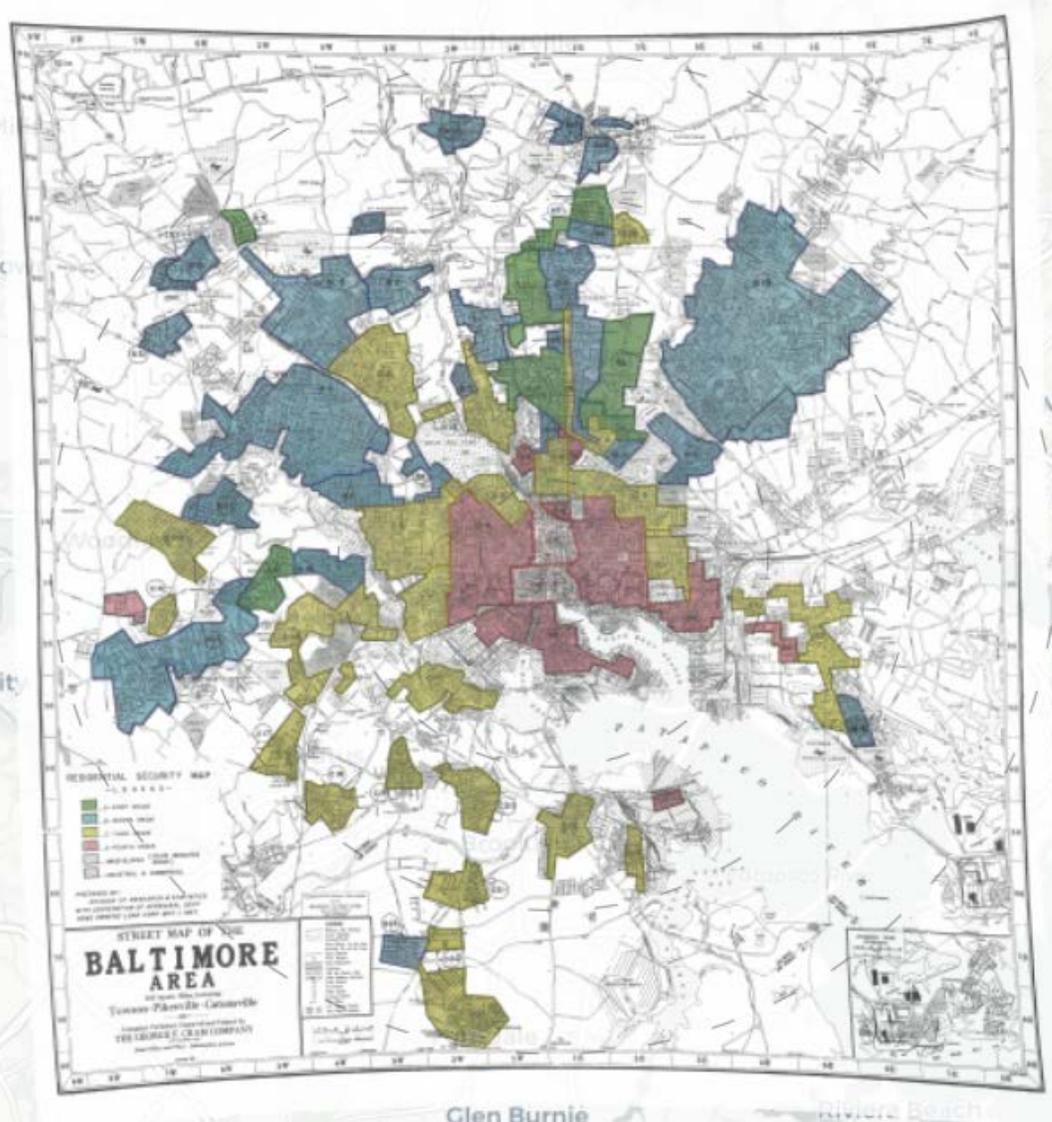


The Role of Parents on the Home Ownership Experience of their Children: Evidence from the Health and Retirement Study

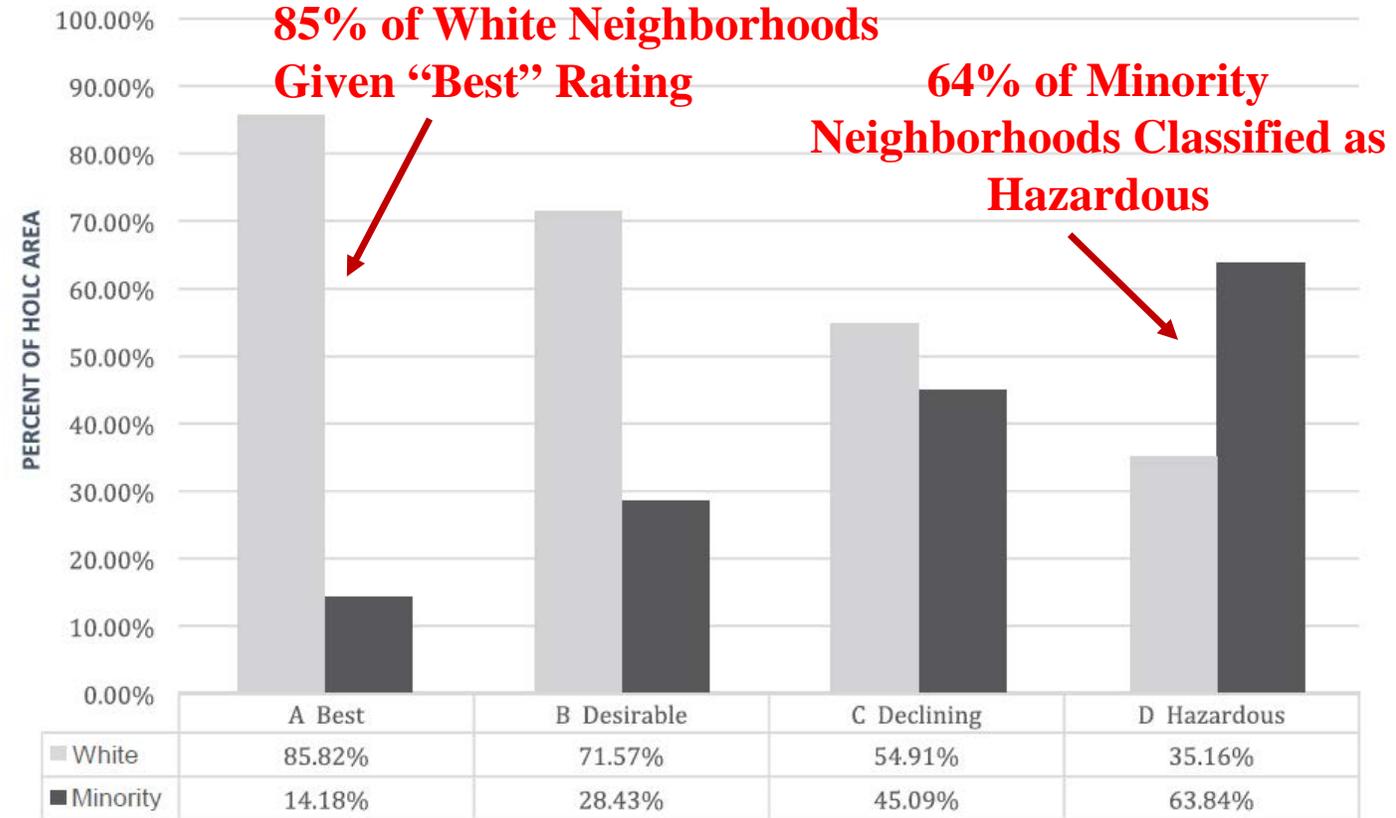
Michael D. Eriksen
University of Cincinnati

Shaun Bond
University of Cincinnati

Home Owners Loan Corporation (HOLC)

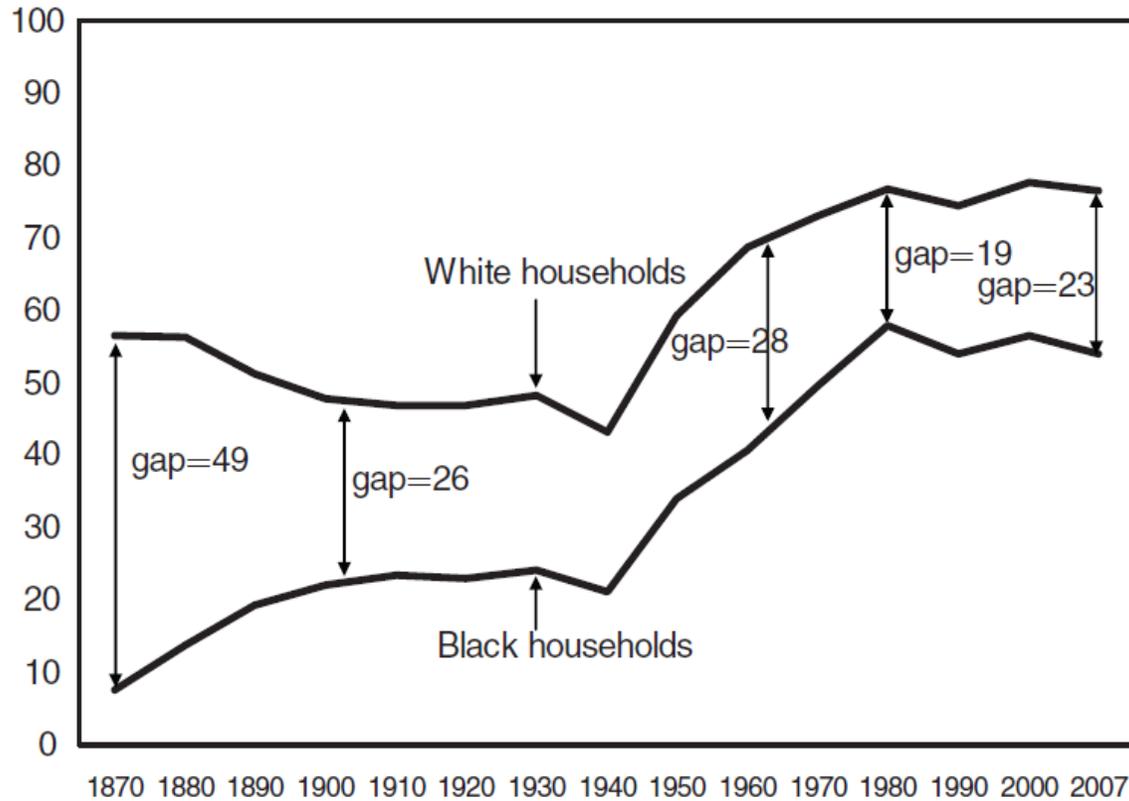


National HOLC Grades and Race



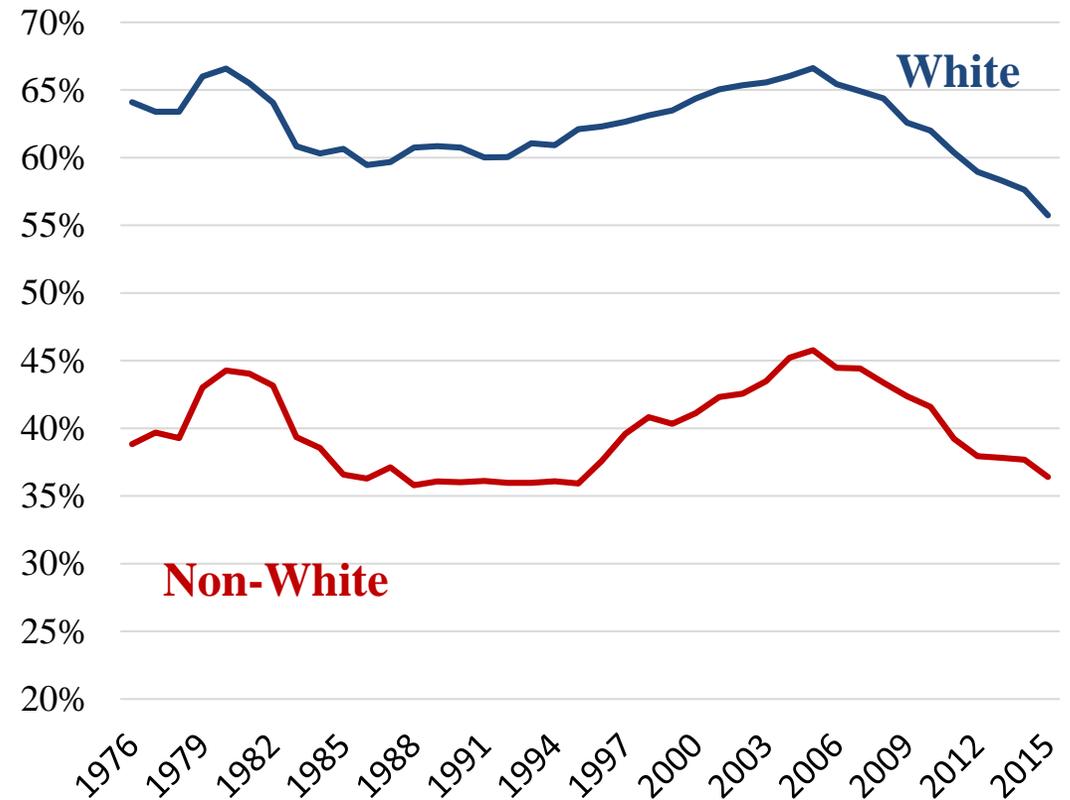
Persistent Home Ownership Gaps

Difference in White/Non-White Home Ownership Rates (1870-2007)



Source: Collinson and Margo (2001)

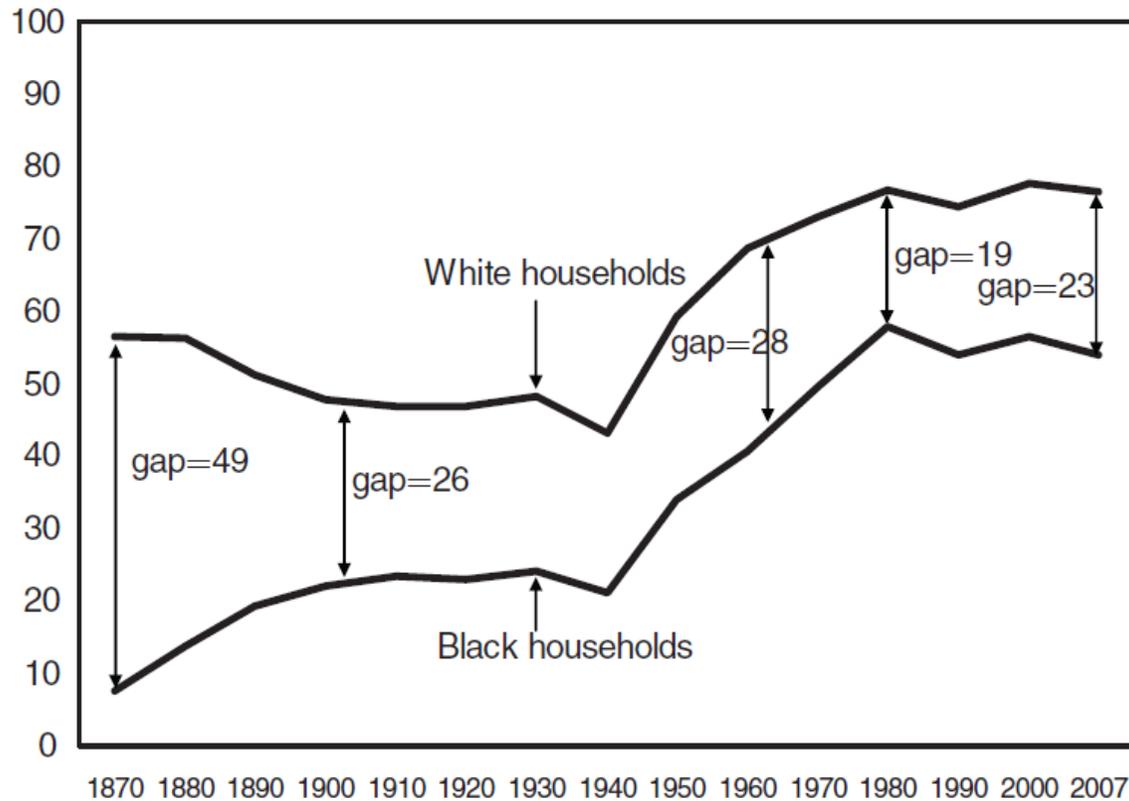
Home Ownership Rates of Independent and Co-Residing Adults 23-49 (1976-2015)



Source: Authors Calculations Using Current Population Survey (CPS)

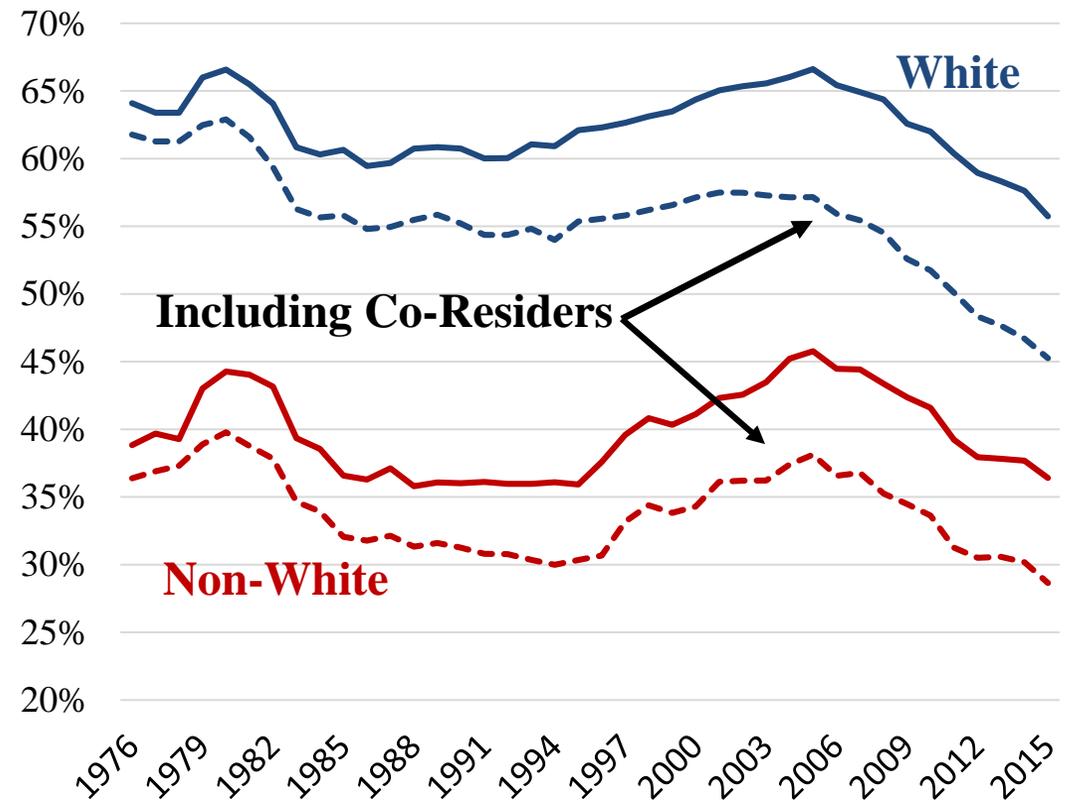
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Home Ownership Rates of Independent and Co-Residing Adults 21-49 (1976-2015)



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Current Paper

- 1. What is the Affect of Parental Attributes and Wealth on Likelihood of Child Becoming a Homeowner?**
 - Importance of Parental Gifts for Down payment
- 2. How Does Parental Attributes and Wealth Affect Likelihood Child Remains a Homeowner?**
 - Consumption Smoothing following Employment Shocks
- 3. How Much Do Average Differences in Parental Wealth Help Explain Home Ownership Gaps Across Racial Groups?**

Research Approach

Create Matched Panel of Adult Children with Parents

- Panel Study of Income Dynamics (2001-2013)
- Health and Retirement Study (2000-2012)

Use Lagged Attributes to Separately Predict Becoming and Remaining Homeowner in Next 4 Years

- Individual Demographics (Age, Gender, Children, Marital Status)
- Individual Income and Employment (3 Income Bins, Full-Time)
- Parental Demographics (Age, Marital Status, Home Ownership)
- Parental Wealth (Housing, Retirement, Non-Retirement Financial)

Use Bivariate Probit Estimator to Model Joint Decision to Live Independently & Become a Homeowner

Definition of Racial Groups

Based on Self-Described Identity of Parents

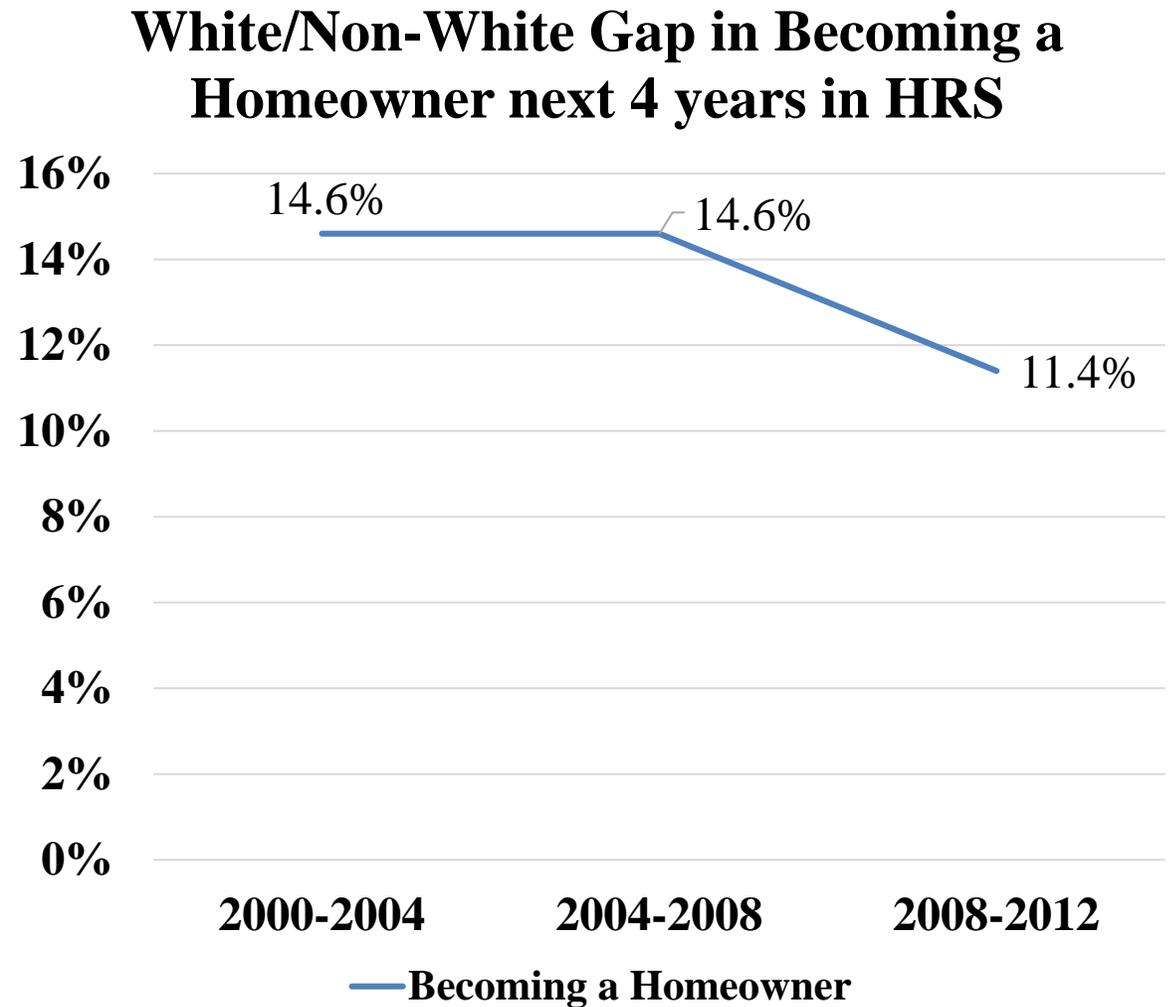
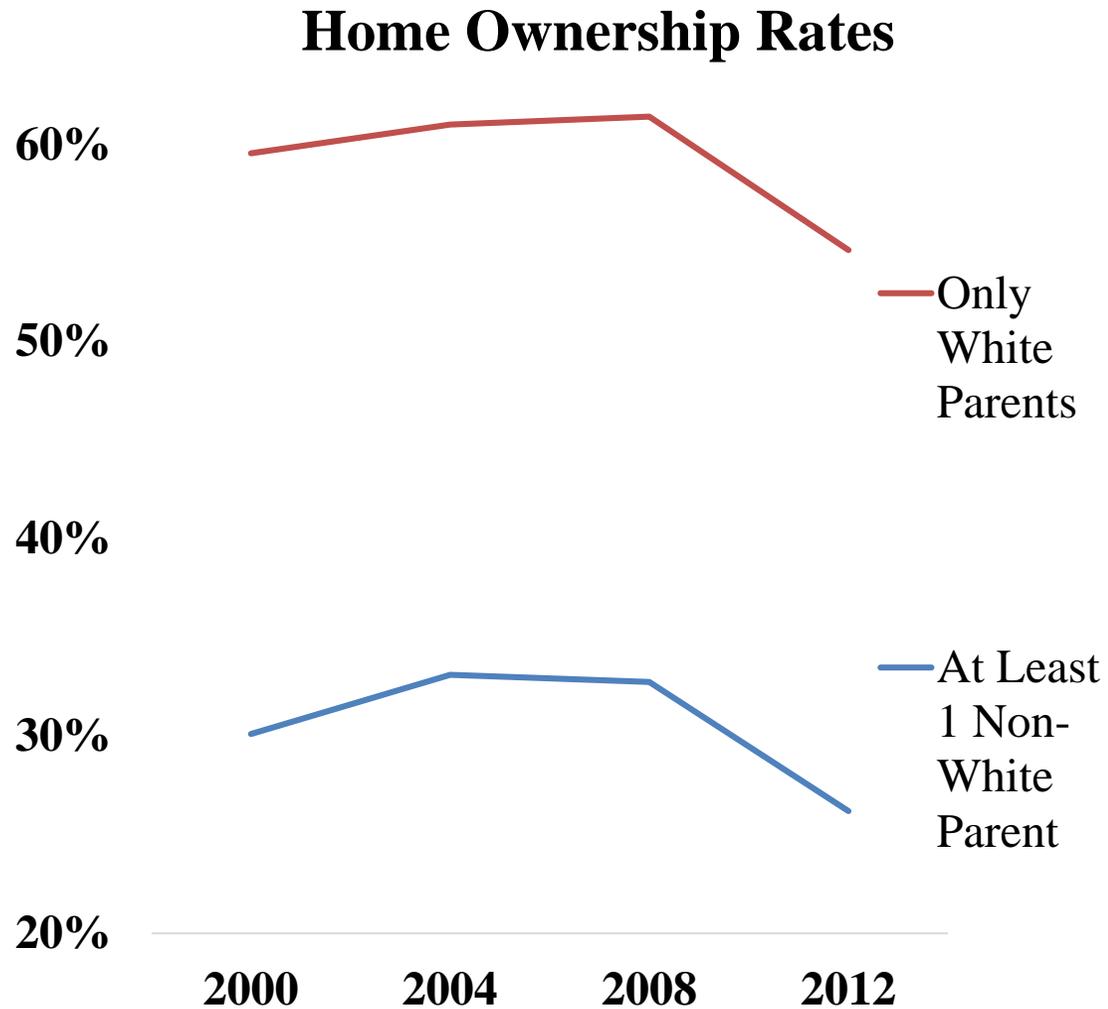
- Multiple Possible Sets, Focus on Biological When Possible
- Sometimes Only 1 Parent Identified

3 Racial Categories of Parents

- At Least 1 Parent Black, Non-Hispanic Ethnicity
- At least 1 Parent Hispanic Ethnicity (White, Black, or Other)
- Only White, non-Hispanic Parents

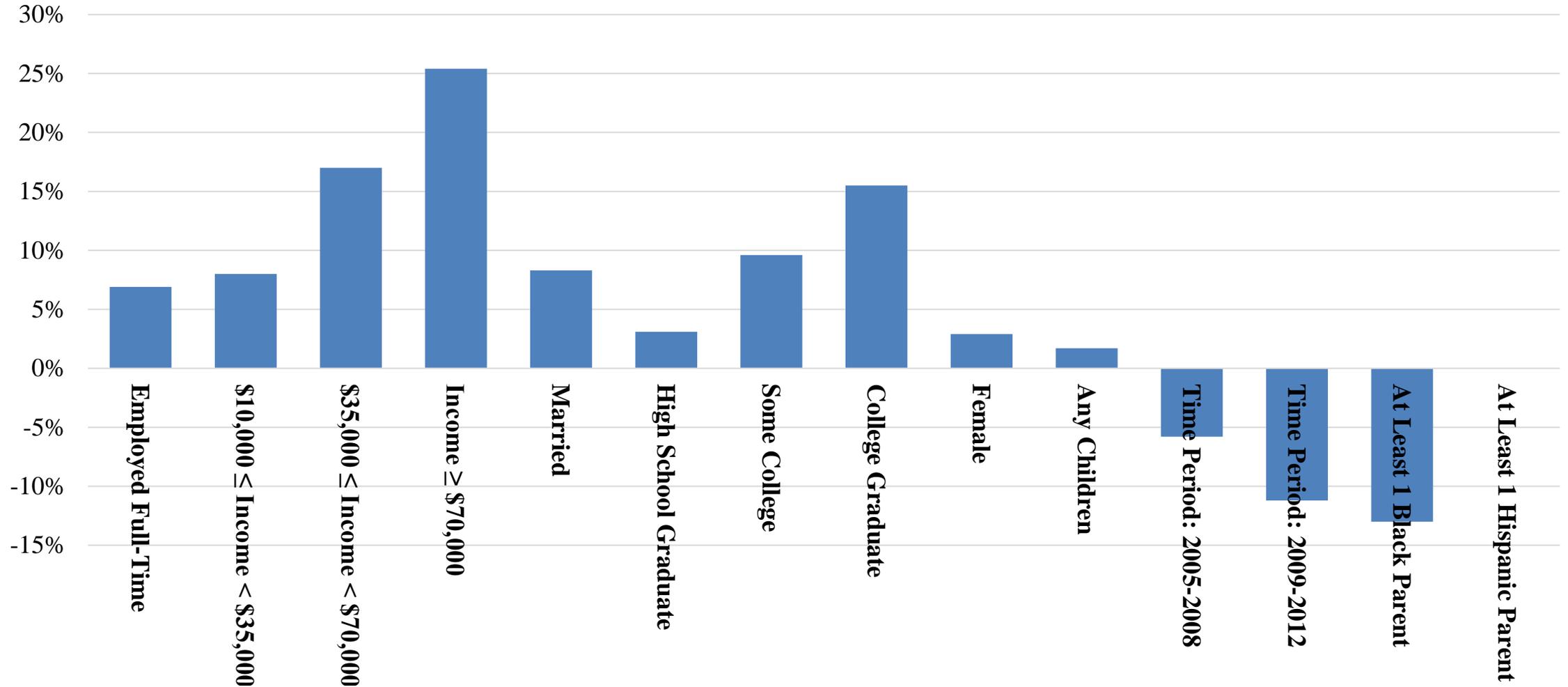
Exclude Children with Only Parents Identifying as “Other” Racial Category and Non-Hispanic

Home Ownership Rates (HRS)



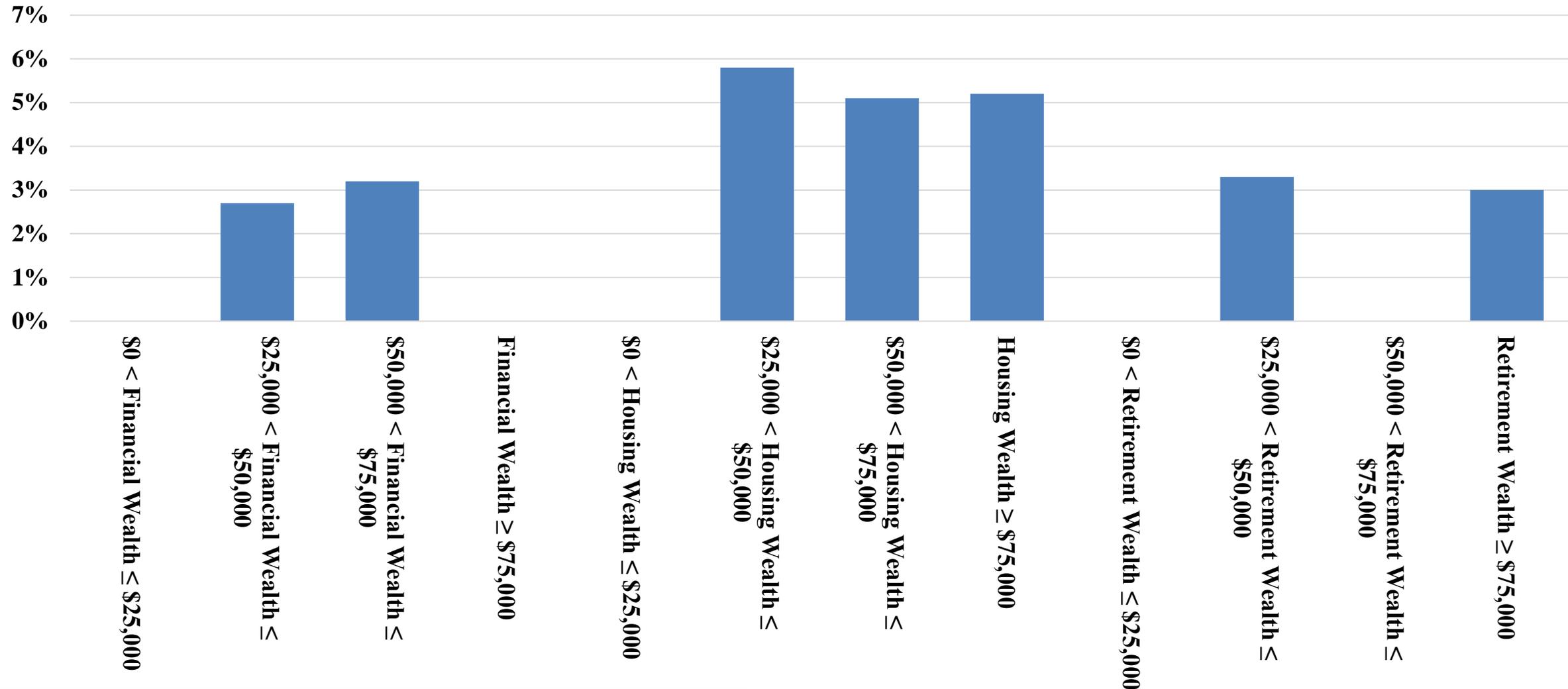
Become an Owner in Next 4 Years (HRS)

Marginal Effects of Individual Income and Demographics



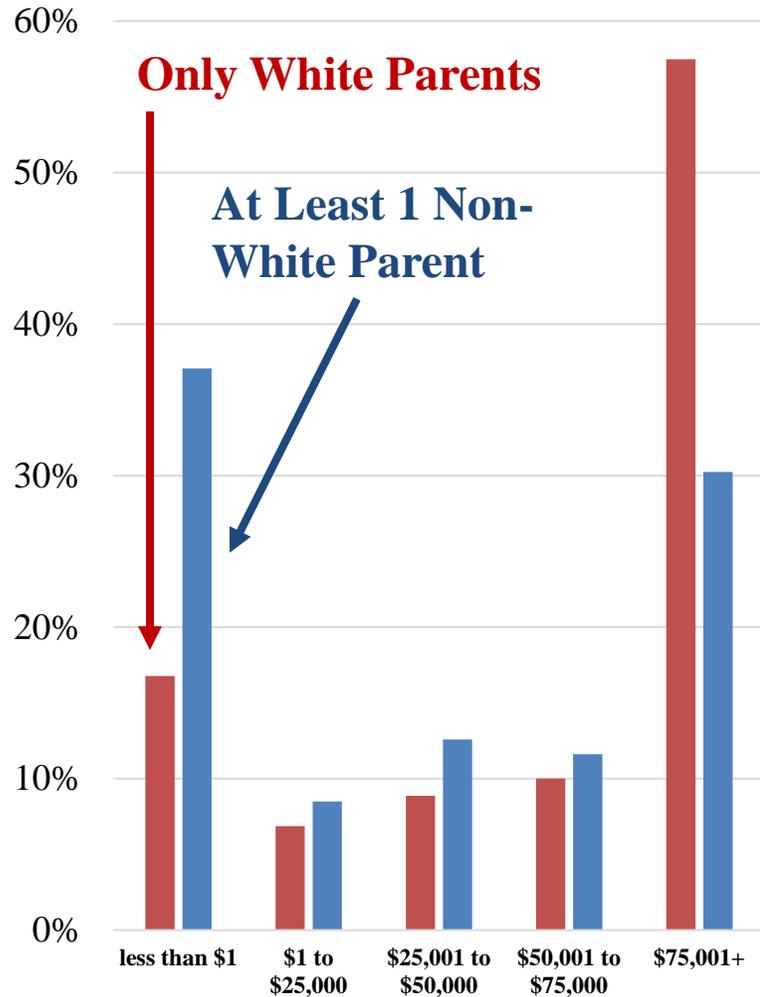
Become an Owner in Next 4 Years (HRS)

Marginal Effects of Parental Wealth

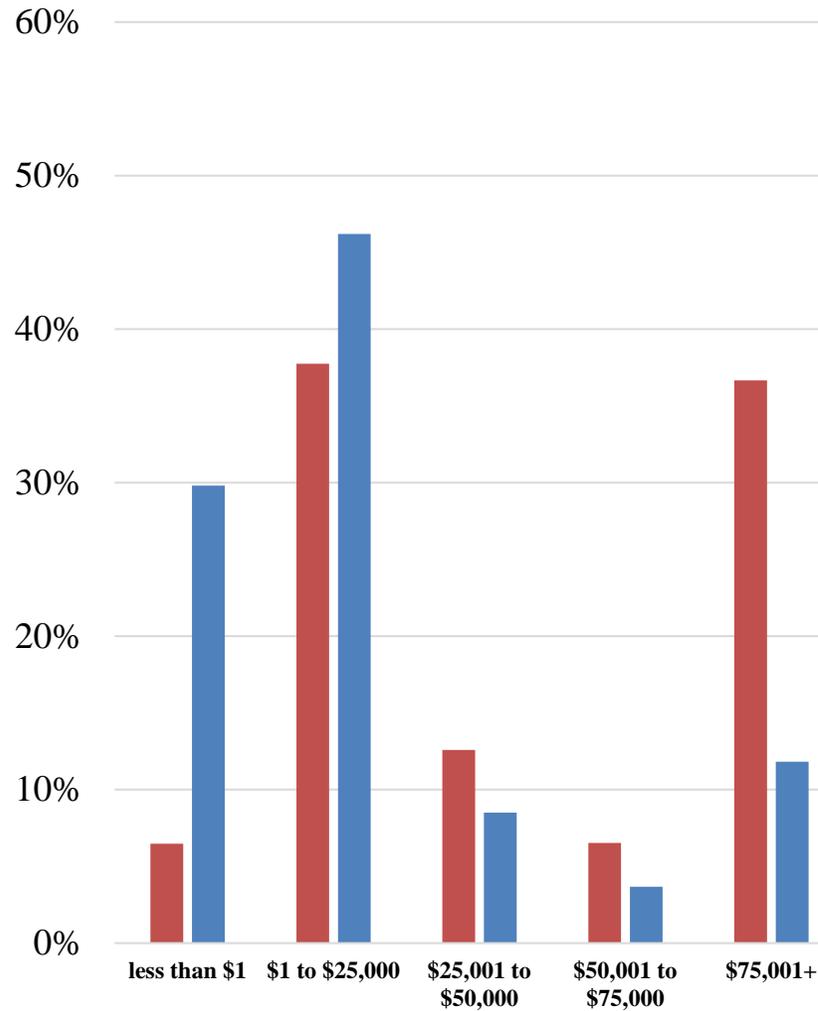


Parental Wealth of Renters, By Race

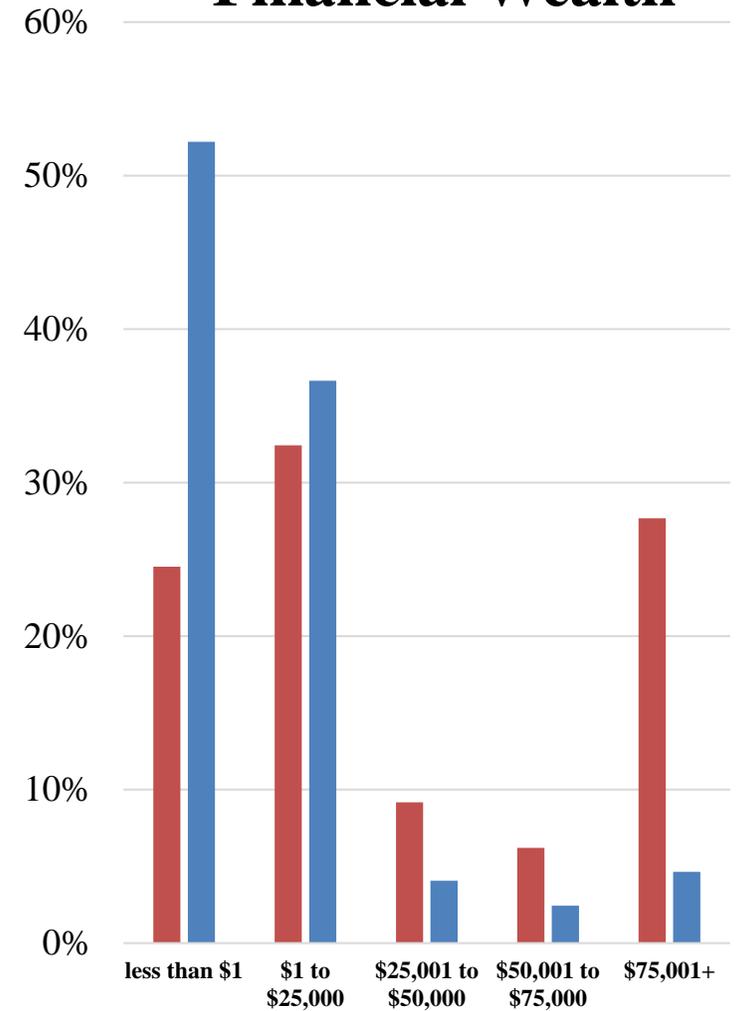
Housing Wealth



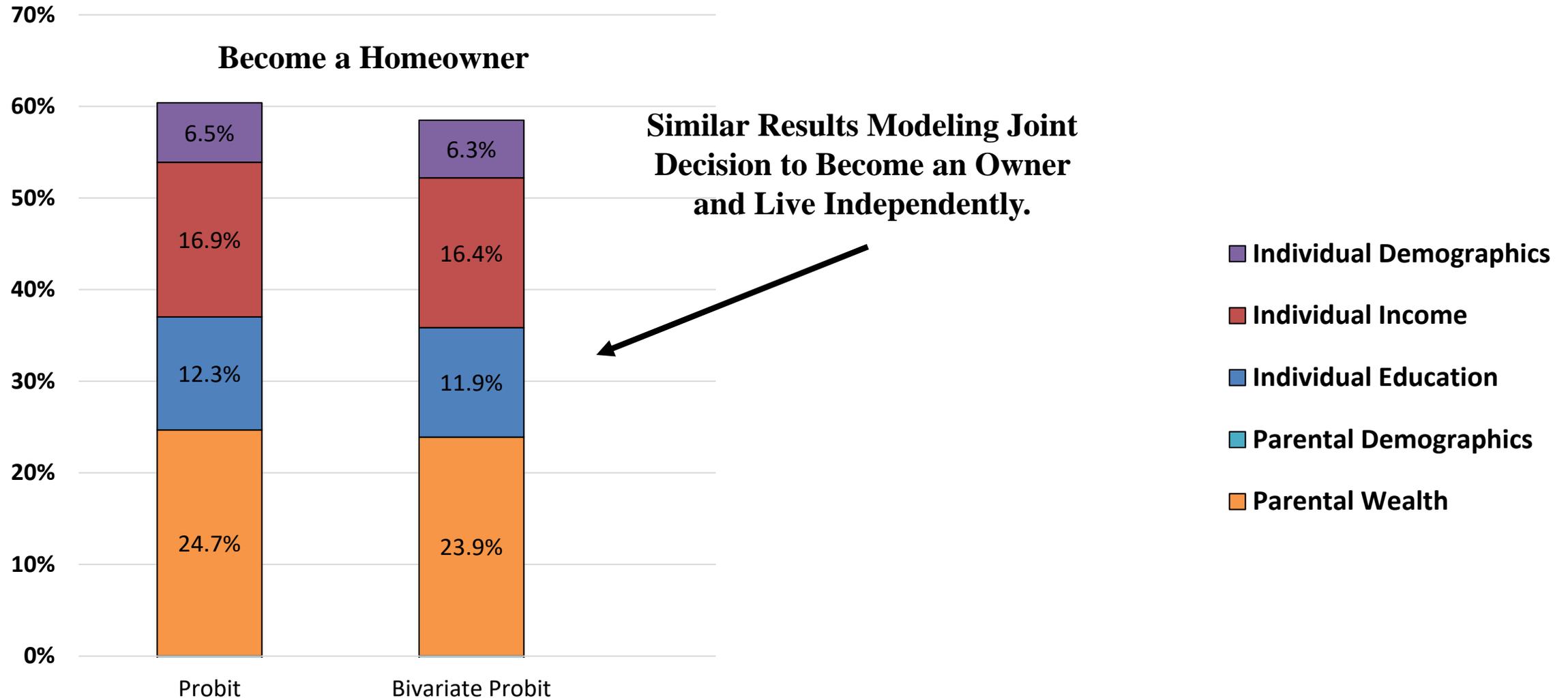
Retirement Wealth



Non-Retirement Financial Wealth

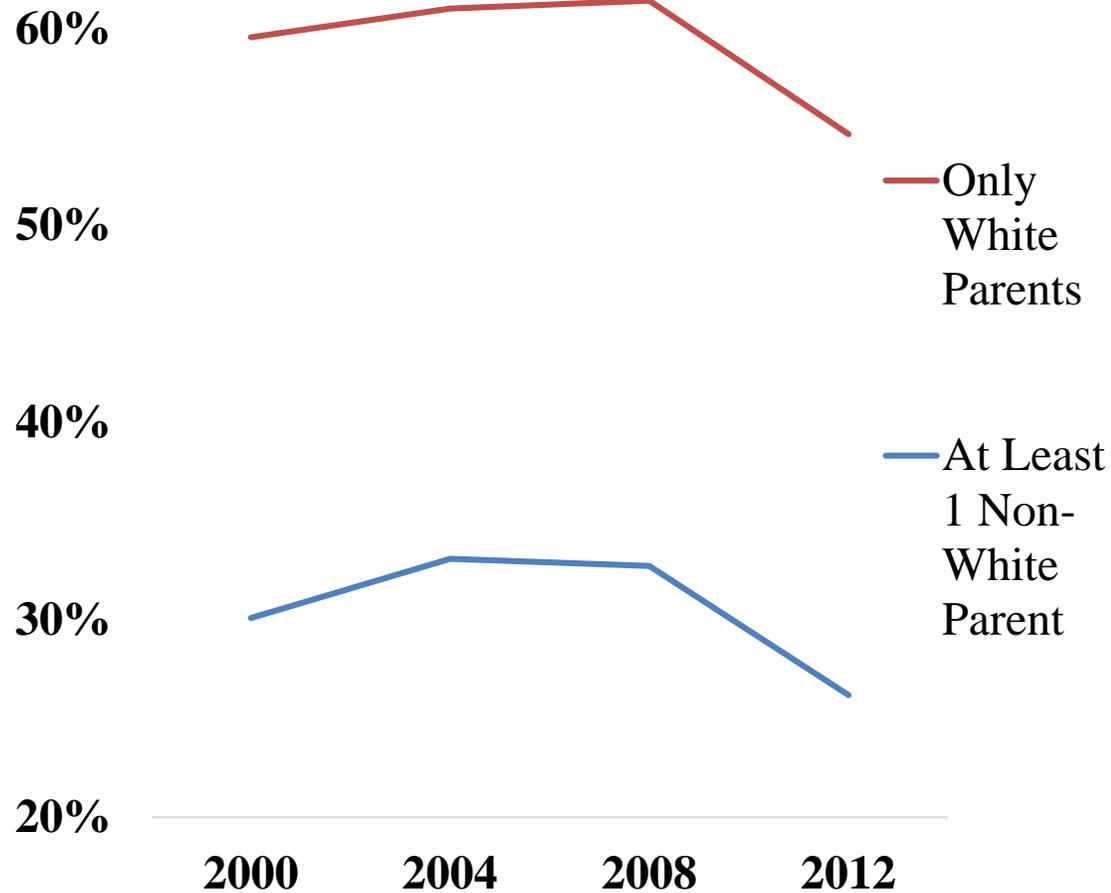


Decomposition of Average Endowments

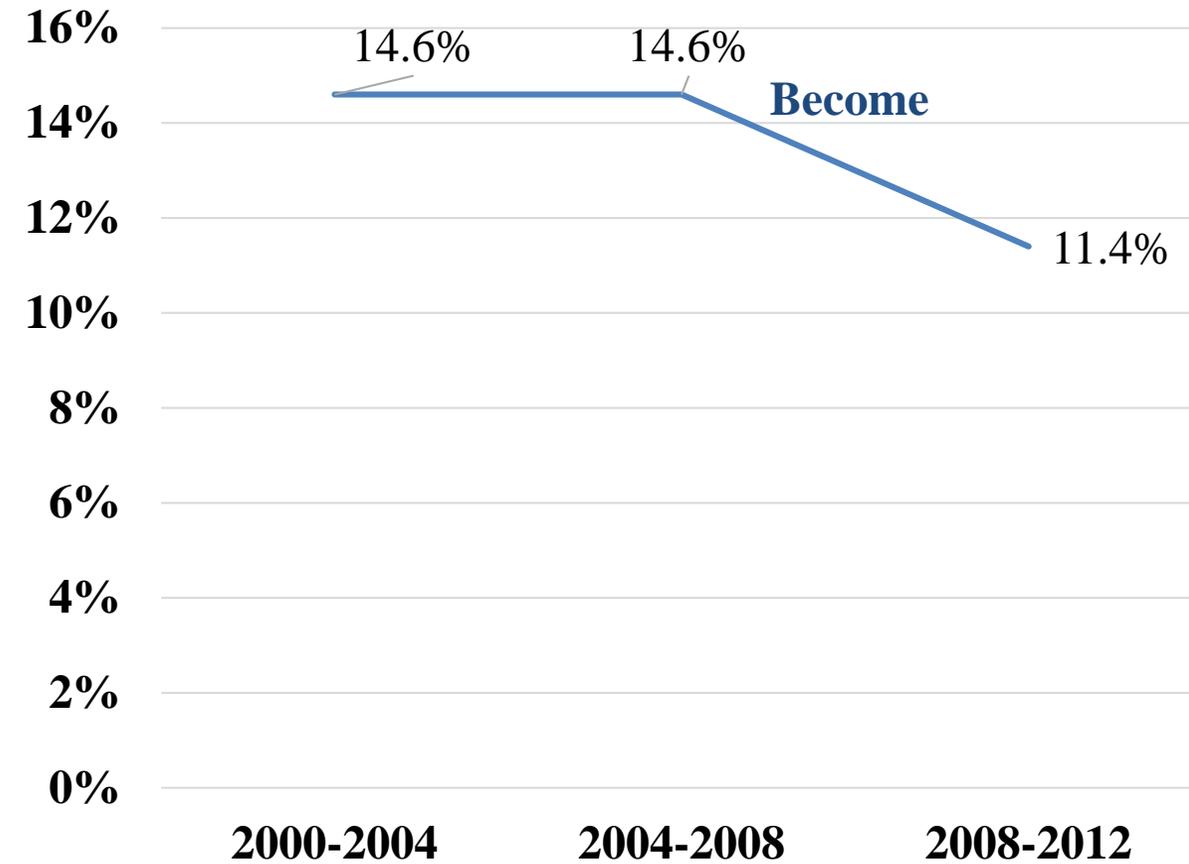


Remaining a Homeowner in HRS

Home Ownership Rates

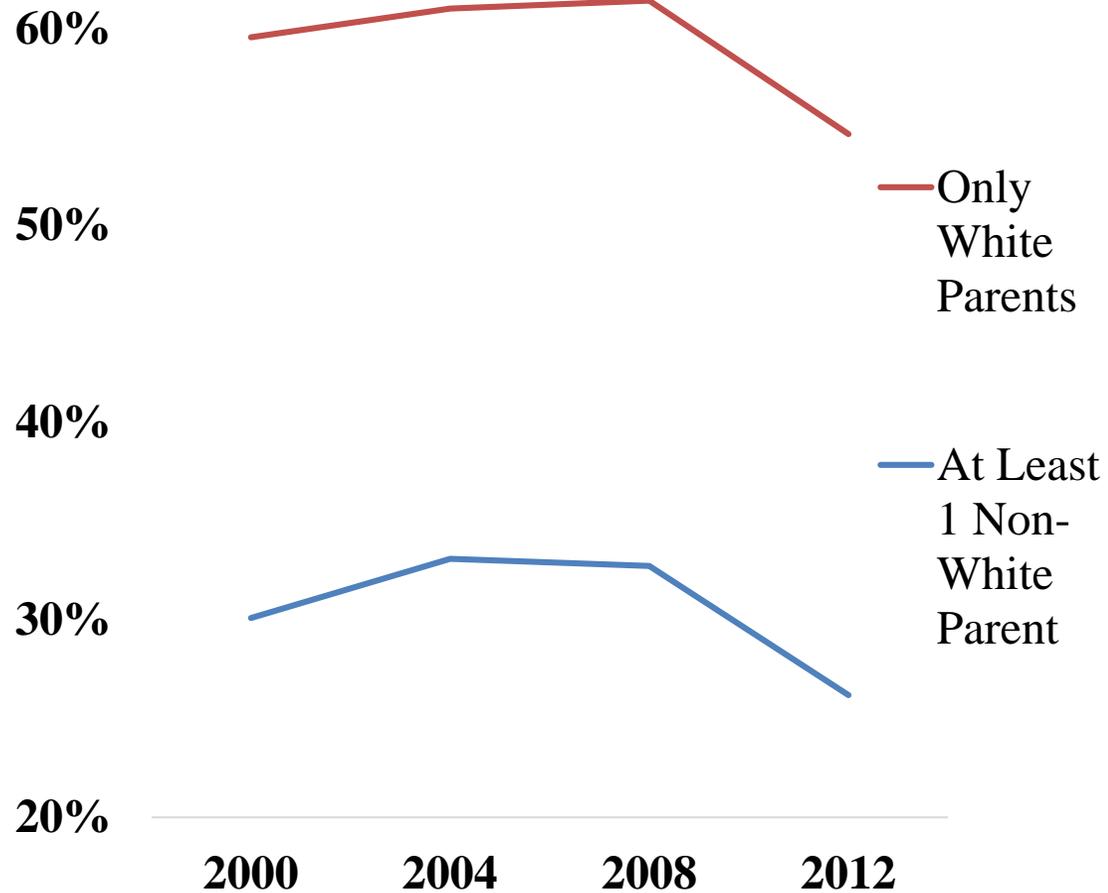


White/Non-White Gap in Becoming and Remaining a Homeowner in HRS

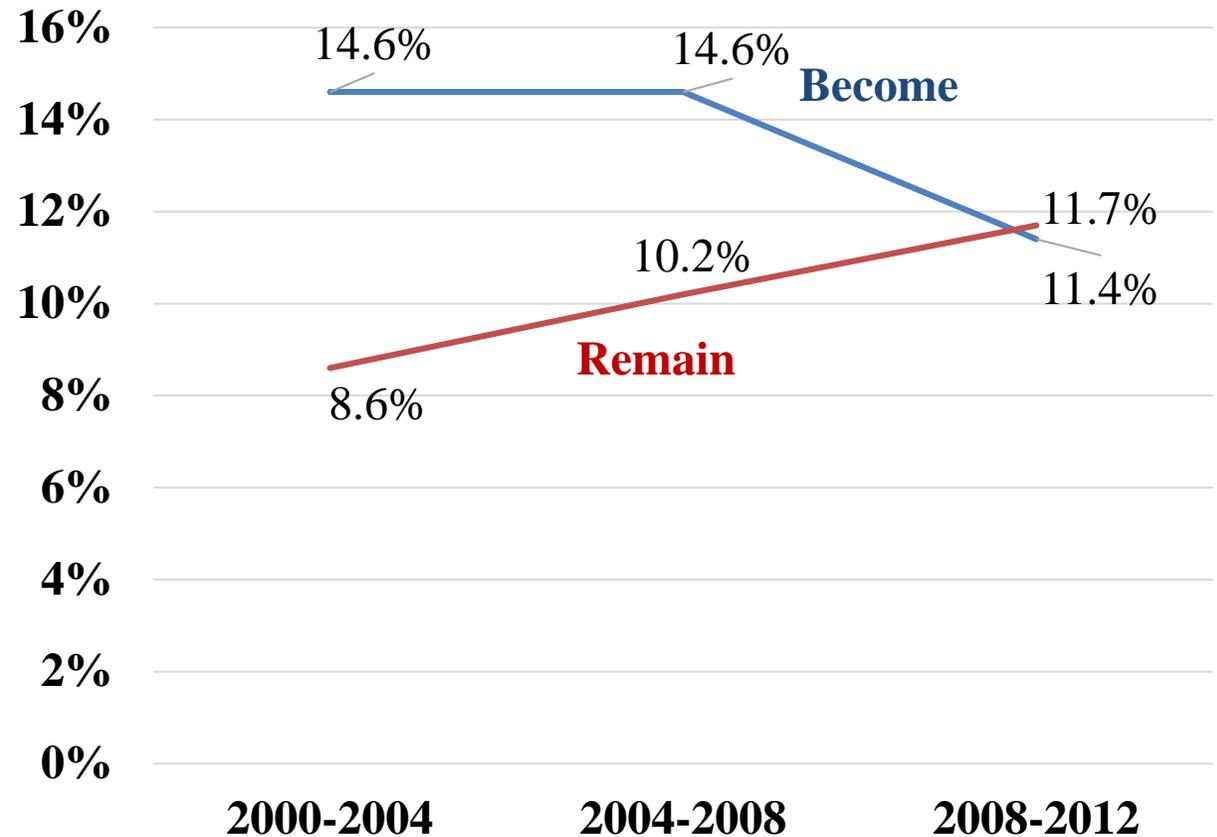


Remaining a Homeowner in HRS

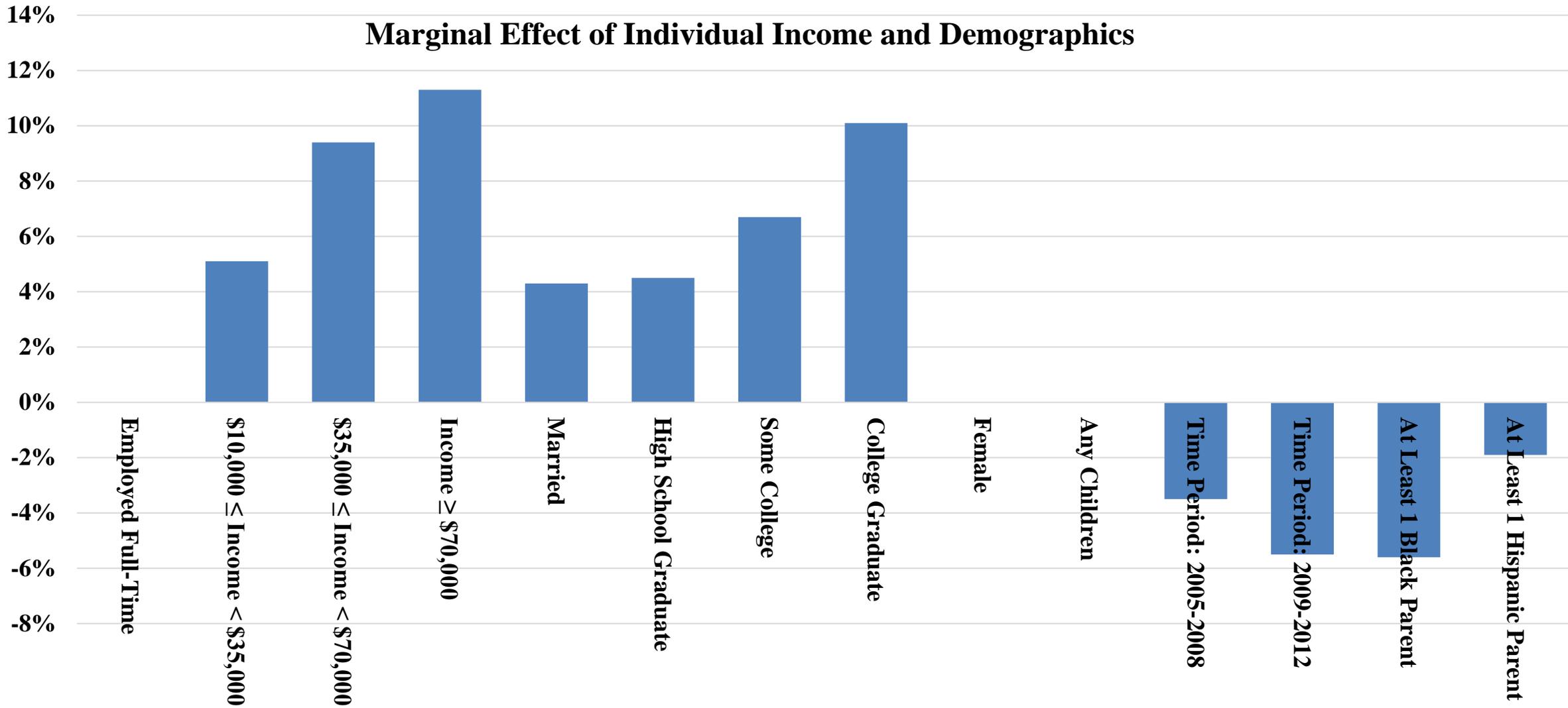
Home Ownership Rates



White/Non-White Gap in Becoming and Remaining a Homeowner in HRS

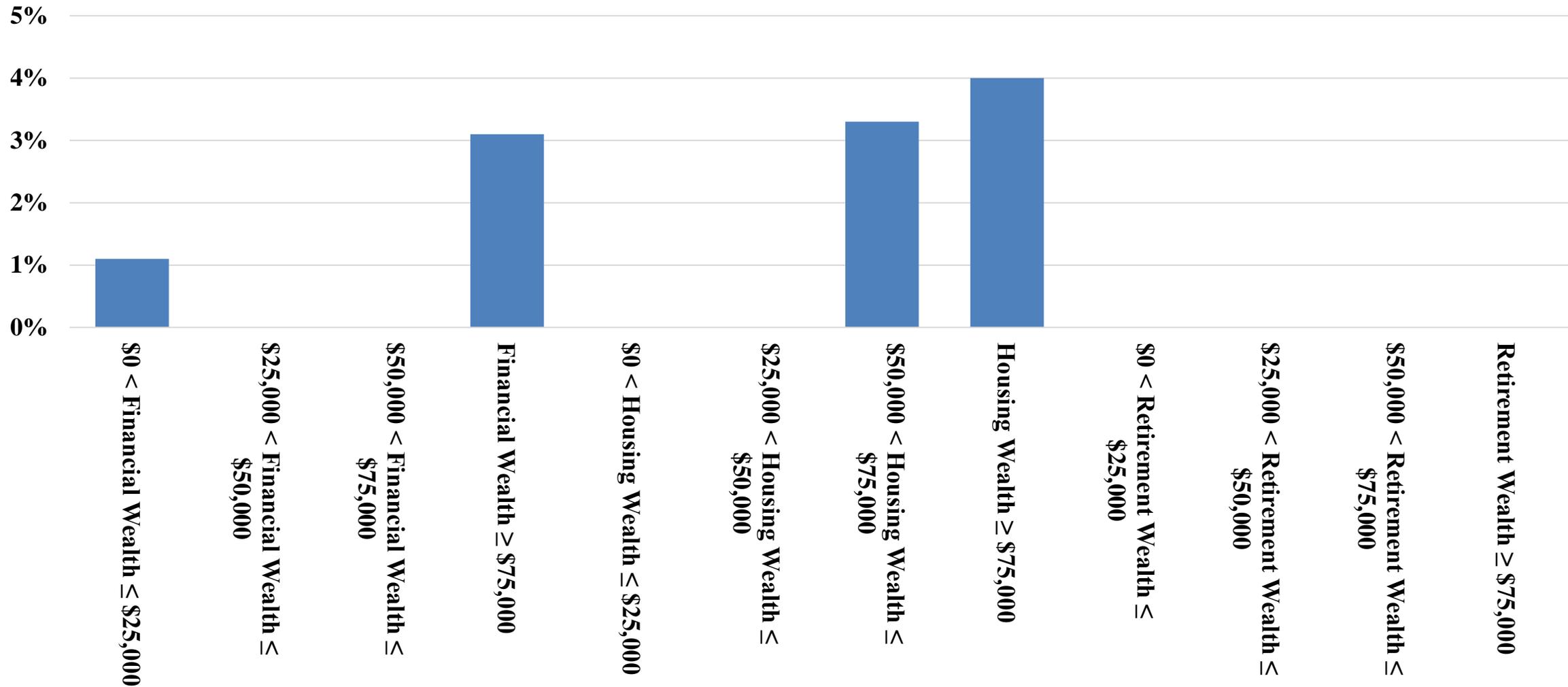


Maintaining Home Ownership (HRS)



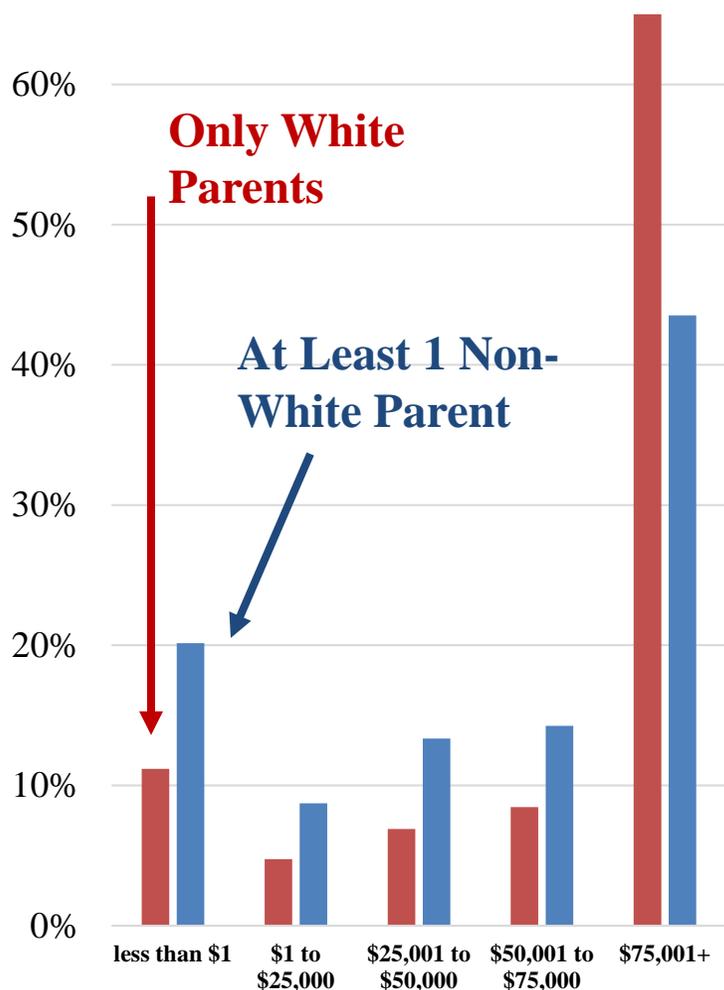
Maintaining Home Ownership (HRS)

Marginal Effects of Parental Wealth

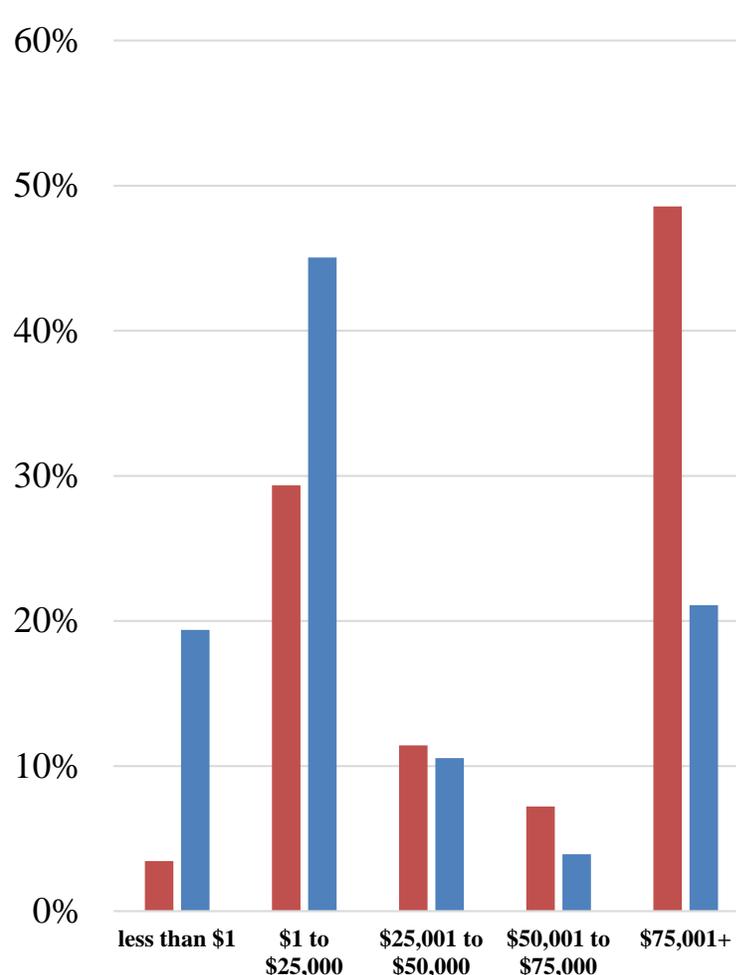


Parental Wealth of Owners, By Race

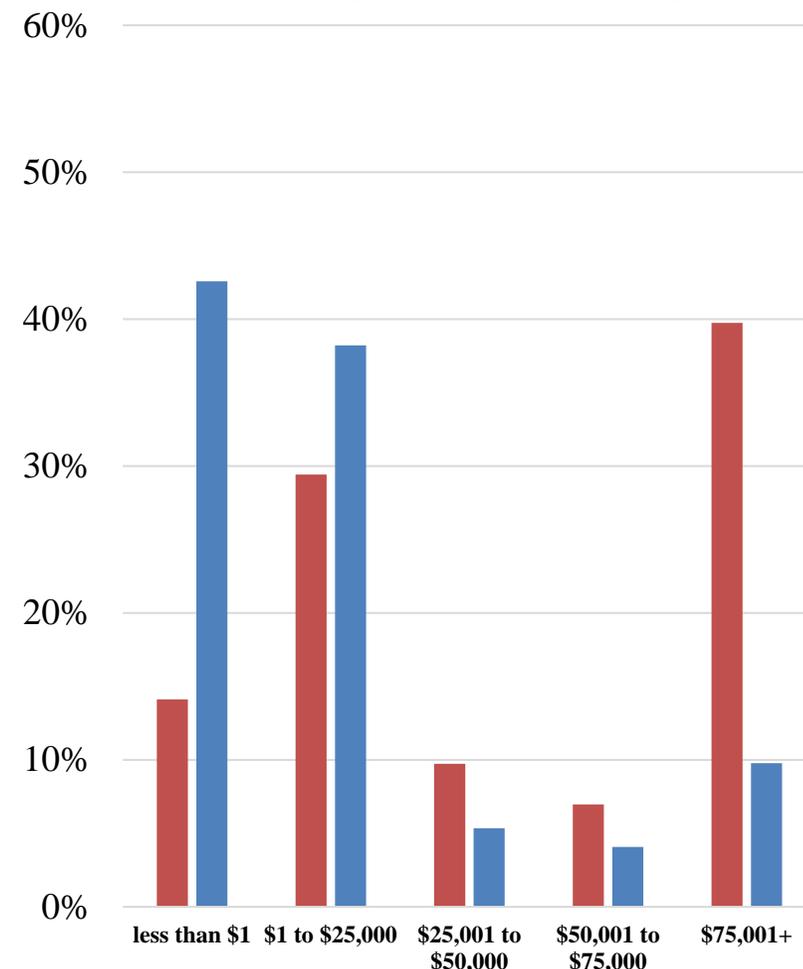
Housing Wealth



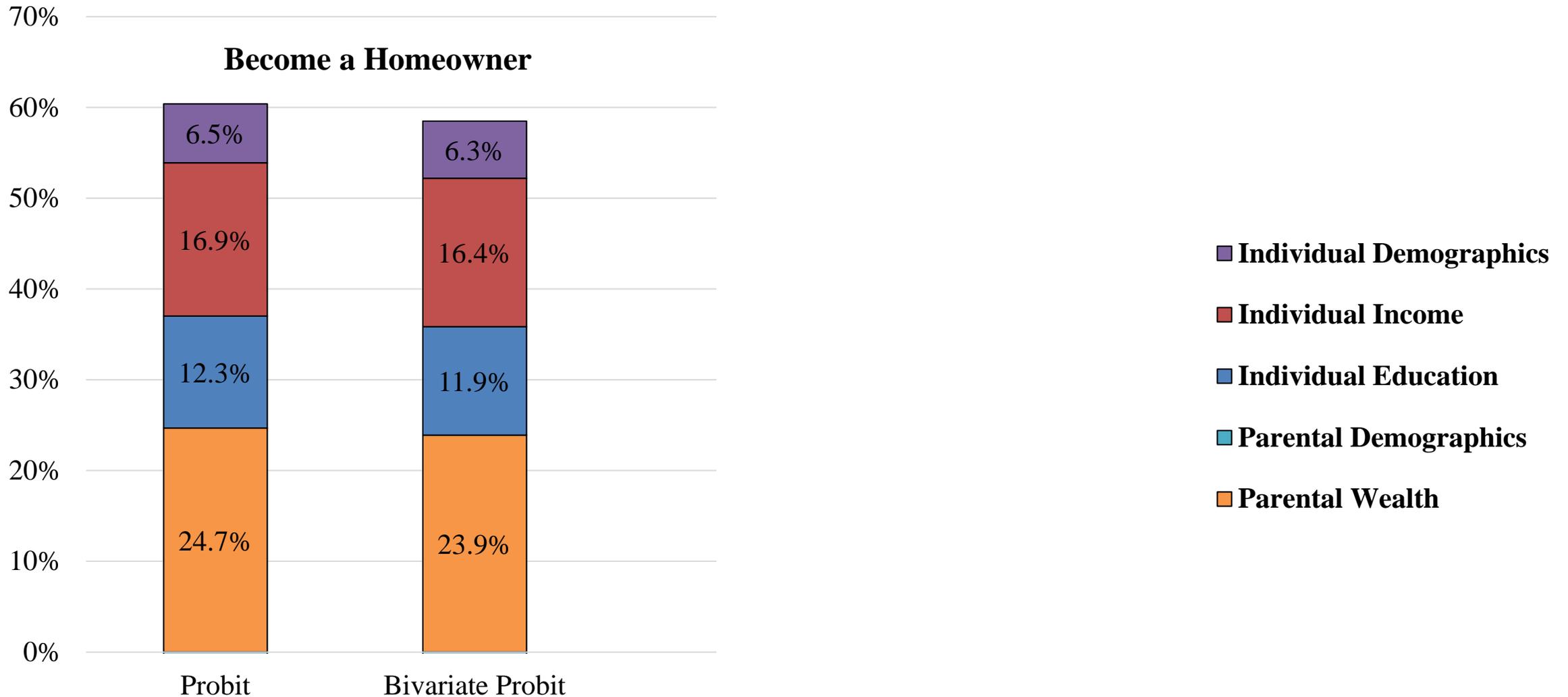
Retirement Wealth



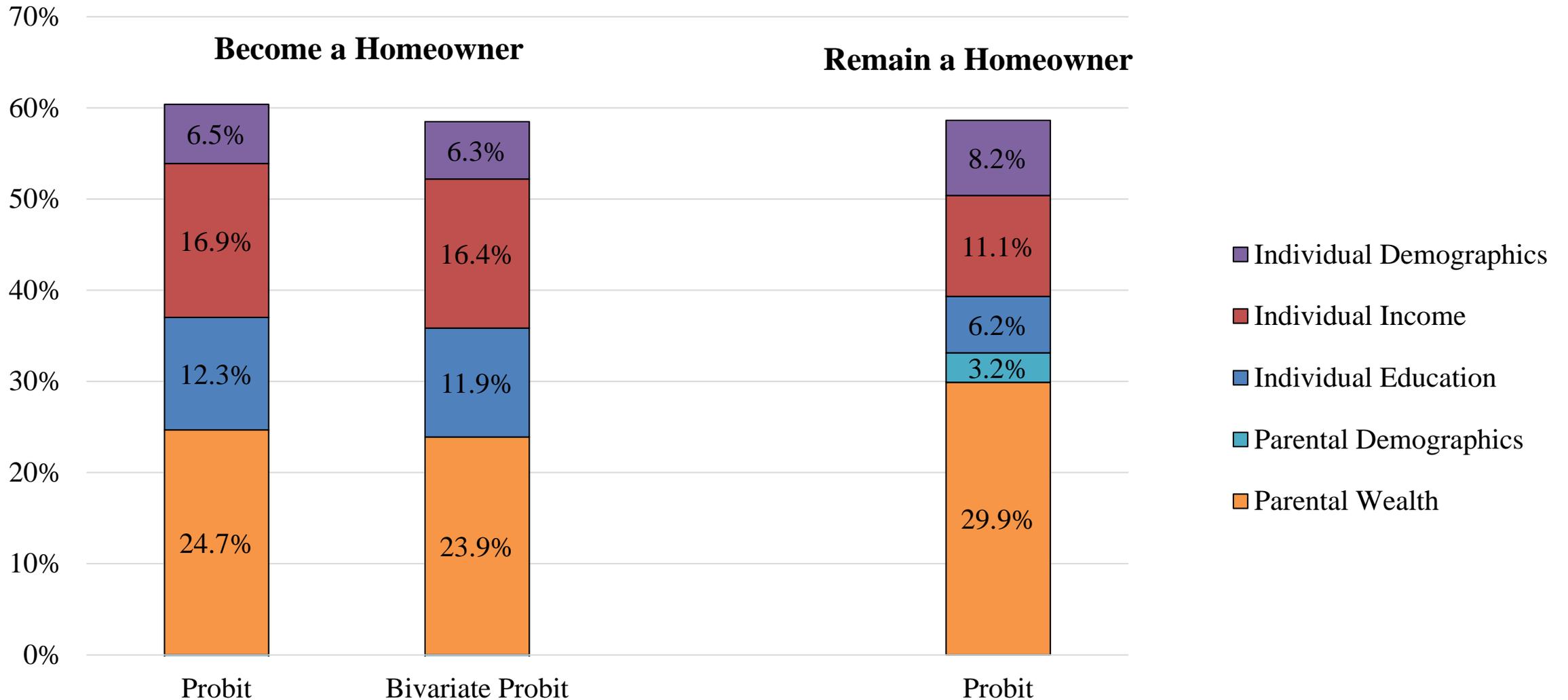
Non-Retirement Financial Wealth



Decomposition of Average Endowments



Decomposition of Average Endowments



Summary of Results & Implications

Summary of Results

1. 12% White/Non-White Gap in Becoming and Remaining a Homeowner between 2000-2012
2. Importance of Parental Wealth on Ability of Adult Children to Become and Remain a Homeowner
3. Differences in Parental Wealth Explain Largest Share of White/Non-White Ownership Gap

Implications

- Parental Wealth More Important than Home Ownership
- Legacy of Past Discrimination May Still Affect Current Generations