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

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85% of White Neighborhoods Given “Best” Rating
64% of Minority Neighborhoods Classified as Hazardous
Persistent Home Ownership Gaps

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


Source: Collinson and Margo (2001)

Source: Authors Calculations Using Current Population Survey (CPS)
Persistent Home Ownership Gaps

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

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

Source: Collinson and Margo (2001)

Source: Authors Calculations Using Current Population Survey (CPS)
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?
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
Parental Wealth and Home Ownership

Become an Owner in Next 4 Years (HRS)

Marginal Effects of Individual Income and Demographics

- Employed Full-Time
- $10,000 ≤ Income < $35,000
- $35,000 ≤ Income < $70,000
- Income ≥ $70,000
- Married
- High School Graduate
- Some College
- College Graduate
- Female
- Any Children
- Time Period: 2005-2008
- Time Period: 2009-2012
- At Least 1 Black Parent
- At Least 1 Hispanic Parent

Bond and Eriksen (2019)
Marginal Effects of Parental Wealth

- **Parental Wealth and Home Ownership**

- **Become an Owner in Next 4 Years (HRS)**

- **Bond and Eriksen (2019)**

- **Marginal Effects of Parental Wealth**

- **Financial Wealth**
  - $0 < Financial Wealth ≤ $25,000
  - $25,000 < Financial Wealth ≤ $50,000
  - $50,000 < Financial Wealth ≤ $75,000
  - Financial Wealth ≥ $75,000

- **Housing Wealth**
  - $0 < Housing Wealth ≤ $25,000
  - $25,000 < Housing Wealth ≤ $50,000
  - $50,000 < Housing Wealth ≤ $75,000
  - Housing Wealth ≥ $75,000

- **Retirement Wealth**
  - $0 < Retirement Wealth ≤ $25,000
  - $25,000 < Retirement Wealth ≤ $50,000
  - $50,000 < Retirement Wealth ≤ $75,000
  - Retirement Wealth ≥ $75,000
Parental Wealth and Home Ownership

Parental Wealth of Renters, By Race

Bond and Eriksen (2019)

Housing Wealth

Retirement Wealth

Non-Retirement Financial Wealth
Decomposition of Average Endowments

Similar Results Modeling Joint Decision to Become an Owner and Live Independently.

<table>
<thead>
<tr>
<th>Probit</th>
<th>Bivariate Probit</th>
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<tbody>
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<td>Individual Demographics</td>
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<td>Individual Income</td>
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<td>Individual Education</td>
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Remaining a Homeowner in HRS

Home Ownership Rates

- Only White Parents
- At Least 1 Non-White Parent

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

- Become

2000-2004: 14.6%
2004-2008: 14.6%
2008-2012: 11.4%

Parental Wealth and Home Ownership
Bond and Eriksen (2019)
Remaining a Homeowner in HRS

Home Ownership Rates

- Only White Parents
- At Least 1 Non-White Parent

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

- Become
  - 2000-2004: 14.6%
  - 2004-2008: 14.6%
  - 2008-2012: 11.7%

- Remain
  - 2000-2004: 11.4%
  - 2004-2008: 10.2%
  - 2008-2012: 11.4%
Maintaining Home Ownership (HRS)

Marginal Effect of Individual Income and Demographics

- Employed Full-Time
- $10,000 ≤ Income < $35,000
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- At Least 1 Black Parent
- At Least 1 Hispanic Parent

Parental Wealth and Home Ownership  Bond and Eriksen (2019)
Marginal Effects of Parental Wealth

- Financial Wealth: $0 < Financial Wealth ≤ $25,000
- Housing Wealth: $25,000 < Housing Wealth ≤ $50,000
- Retirement Wealth: $50,000 < Retirement Wealth ≤ $75,000
Decomposition of Average Endowments

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Decomposition of Average Endowments

Parental Wealth and Home Ownership

Bond and Eriksen (2019)

Probit Bivariate Probit Probit

Individual Demographics
Individual Income
Individual Education
Parental Demographics
Parental Wealth

Become a Homeowner

Probit
Bivariate Probit
Probit

Remain a Homeowner

Individual Demographics
Individual Income
Individual Education
Parental Demographics
Parental Wealth

Probit
Bivariate Probit
Probit
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