Racial Differences in Intergenerational Wealth Transfers and Access to Homeownership

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Abstract

This paper examines the extent to which intergenerational wealth transfers, in the form of gifts or inheritance, enable households to enter home ownership. Home ownership is an ideal many families aim to achieve. It remains deeply entrenched within the national conception of success and social mobility and is a primary form of capital accumulation for many American families. However, households who are unable to obtain home ownership are not privy to the associated wealth. Using the PSID, we examine transitions from rental accommodation to homeownership and assess the extent to which intergenerational wealth transfers facilitate these transitions. We find that for first-time homebuyers, access to money transfers over $5,000 significantly increase the likelihood of being able to buy a home, and that these effects are stronger for minority households than for white households. Our findings indicate complex ways intergenerational wealth transfers reinforce long term social cleavages in American society.

Introduction

Rebecca had lived in public housing for over twenty years when her mother died and left her an inheritance. While not a large sum of money, the inheritance was enough to finance the purchase of a new car and to make the down payment on a three-bedroom home in a small town outside of Seattle. "It was the best thing that could have happened to me. I've got my own home now, a safe place for my kids to live, and I'm no longer sinking my money into rent." For Rebecca, her mother's inheritance was an important factor in improving her housing status as well as her family's overall well-being. Sara and her husband Frank were also hoping to buy a home, but on their combined income of $48,000, affording a house in Seattle's "hot" real estate market didn't seem possible. Fortunately, Frank's father was able to loan them $10,000 for a down payment, enough for them to buy a house that has increased in value by more than 25% in the last four years. [1]

Stories like these are not uncommon, and it is typical for young, first-time home buyers to receive financial assistance from their parents or to use a financial windfall to make the down payment on a house (Shapiro 2001, p. 28). However, comparatively little research has focused on the implications of these intergenerational wealth transfers for the perpetuation of inequalities in the housing market as well as for long-term wealth accumulation. The majority of Americans still believe in the dream of homeownership, and owning one's home remains deeply entrenched within the national conception of success and social mobility. Homeownership also remains the primary form of wealth in the United States (Skinner 1994). Indeed, approximately 30 percent of all household wealth is invested in owner occupied housing (Wolff 2001, p. 46). Yet despite the relatively high rates of homeownership, not all social groups in the United States are equally likely to own homes. In particular, huge disparities remain between white and minority groups. In 1999, close to 74 percent of whites were homeowners, compared to only about 47 percent of African American and Hispanic households (Joint Center for Housing Studies 2001). Furthermore, despite lower interest rates,

homeownership has become less affordable for many households as falling real wages for lower skilled workers and rising real home prices have made buying a home increasingly difficult (Gyourko and Linneman 1993). Households that are not able to obtain (or maintain) homeownership are excluded from the wealth accumulation associated with owning a home. By providing some groups a little help to enter the homeownership market and not others, inheritances and intergenerational wealth transfers may be reinforcing and extending existing wealth inequality across generations (McNamee and Miller 1998).

In this paper, we focus specifically on whether intergenerational wealth transfers, in the form of inheritances and inter vivos transfers, enable households to make the transition from renting to owning. First, we explore the dynamics of intergenerational wealth transfers. Who receives intergenerational wealth transfers and what are the magnitudes of these transfers? Second, we assess the extent to which intergenerational wealth transfers enable households to access homeownership. Do parental gifts and inheritances significantly increase the likelihood of making the transition from renting to owning? We go beyond prior studies in three ways. First, we make use of data on both inheritances and inter vivos transfers in the form of lump sum payments and/or parental help. Studies have estimated that the majority (with estimates ranging from 58 to 87) of intergenerational wealth transfers occur *inter vivos*, as opposed to inheritances bequeathed at death (Menchik and Jianakoplos 1998). Second, we distinguish the importance of these transfers for first-time homebuyers versus those who are entering the homeownership market for the second or third time. Finally, by taking advantage of the longitudinal nature of the data in the Panel Study of Income Dynamics (PSID), we are able to move beyond cross-sectional studies and see how transfers affect behavior over a 5 year period, as well as collect historical information on parental tenure status.

1. Housing, Inheritance and the Reproduction of Social Classes

Housing tenure and its role in social stratification has been the focus of a longstanding debate among British and Australian housing scholars. Scholars writing from the Marxist perspective argue that differences in housing tenure largely reflect the inequalities resulting from the labor market, and that even among those who own their homes, the potential benefits of home ownership are shaped by pre-existing variations in class position, housing markets, and cultural differences (i.e., (Edel, Sclar et al. 1984; Forrest, Murie et al. 1990; Murie 1991). Those informed more by Max Weber argue that tenure has an independent role in determining economic, social and political relations, and that the potential for wealth accumulation through homeownership amplifies the economic stratification of homeowners as a property class, setting them apart in material terms from tenants (i.e., (Saunders 1990)).

Recently, researchers have become interested in the ways in which inheritance or familial gifts may be influencing the dynamic between housing and inequality (Forrest and Murie 1995). On one side, since homeownership wealth is more equally distributed than other forms of wealth—such as stocks or trusts—inheritances or gifts for down payments may actually work to distribute this wealth more evenly across the population. On the flip side, if a parental gift or inheritance becomes a necessity to enter an increasingly unaffordable housing market, the wealth advantages associated with homeownership are likely to remain confined to those who already have some wealth, while those without access are left further behind. In addition, wealthier owners of larger houses in better housing markets may see greater gains in home appreciation, further contributing to social inequalities over time. The few empirical studies that have studied this question have found that

there are strong inter-generational continuities in housing and wealth inheritance home-ownership (i.e., (Badcock 1995; Thorns 1995)). Hamnett (Hamnett 1991) also found that the incidence of housing inheritance is strongly class related, reflecting existing patterns of privilege. These studies, however, look specifically at the incidence of housing bequests, and due to a lack of individual household data, are unable to assess to what extent financial transfers may be differentially assisting the transition into homeownership using multivariate analysis. One exception is a recent study by Mulder and Smits (Mulder and Smits 1999), who with Dutch life-course data found that children from parents who were homeowners and of higher status and education were more likely to be homeowners themselves.

In the United States, research on housing and inequality has been slow to engage specifically with the housing class debate. However, interest in the role of intergenerational wealth transfers and their effect on societal inequalities has also been growing. Research on intergenerational wealth transfers has focused on documenting the size and frequency of transfers (Wilhelm 2001); assessing whether transfers can help to explain part of the wealth gap between whites and blacks (Wolff 2001, p. 56); differentiating the motives underlying private transfers (Altonji, Hayashi et al. 1996; Deutsch 1997); and calculating what proportion of "wealth" is given or inherited (Miller and McNamee 1998). (For a good review of the social science literature on intergenerational wealth transfers, see (Soldo and Hill 1993).)

Again, research that focuses specifically on the links between intergenerational wealth transfers and housing in the United States has been more limited. A few studies are particularly relevant to this paper. Engelhardt and Mayer (Engelhardt and Mayer 1994; Mayer and Engelhardt 1996) have used Chicago Title and Trust Company data to explore the impacts of parental gifts on making the down payment on a first home, and its attendant impacts on the savings behavior of the household. They find that approximately one in five first-time home buyers receives some help from relatives in making the down payment, and that the average gift is approximately one-half the total down payment. Parental gifts also allow the households to purchase homes earlier than they would without a gift, and that buyers in expensive housing markets are more likely to turn to assistance to fund a larger proportion of the down payment. The data, however, are limited to a sample of people who have already bought homes, and do not shed light on how financial transfers may work as an important determinant of homeownership in the first place.

John Henretta (Henretta 1984) uses the PSID to explore how parental status affects the probability that children will own a home and its value. He finds that while parental ownership has a strong positive effect on ownership by children, parental gifts or parental income do not have a significant effect on the child's propensity to own. However, he only considers parental help and does not look at the role of inheritances or other money transfers. As we will show in our analysis, most "parental help" in the PSID reflects small amounts of money, likely given to help lower-income families make ends meet, and does not capture the larger sums of money that could usefully be used towards a down payment.

Oliver and Shapiro (1995) consider the role of inheritance in explaining the persistent gaps in homeownership between white and minority households in the United States. Oliver and Shapiro argue that housing discrimination has reduced the ability of the parental generation of blacks to accumulate wealth through home equity and pass such wealth on to their children to help them get

started in the housing markets. Supporting this argument, Charles and Hurst (Charles and Hurst 2002) found that 27% of white households who purchased a home had help with their down payment from their family, in contrast to only 7% of black households, suggesting that assistance from parents play a large role in whether or not a household acquires a mortgage.

Our objective in this paper is to contribute to this growing literature by exploring two related questions: who receives intergenerational wealth transfers and what role do these transfers play in helping the household to achieve homeownership. We improve on previous studies by looking at both inheritances as well as inter vivos transfers such as parental gifts and other lump sum payments. We also distinguish between households who were making the transition to homeownership for the first time and households who are "repeat buyers." Through this analysis, we show how transfers may be contributing to inequalities in the housing market by assisting some families and not others.

Data source and procedures

The empirical analysis uses the Panel Study of Income Dynamics (PSID) family-individual file for the period 1984-1989. Started in 1968, the PSID is nationally representative longitudinal survey of U.S. residents and their families. The study includes data on approximately 5,000 households. Each year, the PSID tracks the demographic and socio-economic characteristics of the households, including household composition, labor market participation, housing, and education. In addition, from time to time the PSID supplements the main data set with special modules. Relevant to this research, the PSID asked households extensive questions about their wealth in 1984, 1989, and 1994. Included in these modules were specific questions about whether or not the household had ever received any inheritances. Additionally, we also make use of the 1991 Parental Health Supplement which provides information on the parents of PSID respondents, including data on whether they were homeowners.[2] Because it contains information on transfers and housing status over time, the PSID is a useful data source for studying intergenerational wealth transfers and its effects on homeownership transitions.[3]

Our sample consists of PSID households who: (a) were heads of households in 1984; (b) who were renters in 1984 and still present as head of household or wife (partner) in 1989, (c) who were members of an original PSID family in 1969; and (d) who were between the ages of 18 and 65 in 1984. Throughout this paper, we distinguish our analysis between those households who have never owned a home before 1984 and those who, although they were renters in 1984, had owned for at least one year during their time as a PSID head of household. Our assumption is that entering the home ownership market for the first time is qualitatively different than purchasing a second (or third) home after a period of renting. We also checked for bias resulting from differential attrition. Roughly 20 percent of the sample is lost from attrition between 1984 and 1989, with the t-test indicating that minority respondents under the age of 35 were the most likely to be missing five years later. However, any bias from this differential attrition is offset by PSID's over-sampling of these population groups.

Despite the richness of the PSID data, the survey unfortunately does not include a variable that clearly measures the amount of both *inter vivos* transfers and inheritances from parents to their children. We therefore measure the scale of these transfers through a set of three constructed variables: *inheritance, parental help*, and *money transfers*. The *inheritance* variable is derived from the 1984, 1989, and 1994 PSID Wealth Supplement. This variable only includes inheritances

reported in these supplemental files, and represents the total value of inheritances received by the household between 1984 and 1989. *Parental help* is measured by a question asked each year of heads (and spouses after 1985), "Did you receive any income in 19__ from help from relatives?" Again, the yearly amounts are added to provide a measure of the total help received over the five year period. *Money transfers* combines three sources of information from the PSID: information on inheritances, information on help from relatives, and a third question asked annually that asks, "Did you (or anyone else in the family there) get any other money in 19__--like a big settlement from an insurance company, or an inheritance?" *Money transfers* thus represents the total amount of inheritances, gifts, or lump sum payments a household received between 1984 and 1989. (See (Flippen 2001) for a similar approach.) In constructing the *money transfer* variable, special care was taken to avoid possible duplication of amounts from respondents reporting the same gift or inheritance in two places. All figures are adjusted for inflation to 1984 dollars. Although *money transfers* could include non-familial transfers (i.e., such as an insurance settlements or a gift from friends), we ran all the models presented in this paper with and without information on the "lump sum" question, and the results were substantively similar. We also believe that, from a policy perspective, the source of money may not be as important as whether or not receiving money can help households achieve homeownership who would otherwise not have done so. In other words, if $5,000 can significantly increase the number of households who move from renting to owning, this has implications for down payment assistance programs regardless of how the household gained access to the $5,000 in the first place. Finally, the vagueness of the "lump sum" question could lead some respondents to provide information about parental loans or other familial assistance.

We also constructed a dummy variable—*parents owned*—that is coded "1" if the respondents' parents currently own or had ever owned a house, and "0" if they were always renters.[4] We believe this variable is important because parental home ownership both sets normative standards for the next generation and may influence a parents' ability to use their own home equity as a source of their children's down payment on a house (Denton 2001).

Our other variables include *income* (below and above median income), *marital status* (currently married or cohabiting versus single), *race* (white versus minority), *education* (less than a high school degree, high school degree and/or some college, or college degree and above), and *age* (18-29, 30-39, 40-49, and over 50). To control for geographic variation in housing costs, we include a dummy variable for city size (greater than 500,000 people = 0 and less than 500,000 = 1). While house prices do vary by region, large-scale spatial variation in housing affordability is better characterized by city size, with the largest metropolitan areas having the greatest proportion of households with affordability problems (Withers 1997).

Table 1 presents the summary statistics for our sample of 1984 renters using the PSID weights. The sample, before using the PSID weights, comprises 2054 renters. Overall, most of the differences are consistent with our expectations. Our sample is skewed towards the younger age groups, largely by virtue of the selection of renters in 1984, a group who are on average younger than the overall population. By 1989, 31.7% of the families in the sample had moved into homeownership. Perhaps most striking are the clear racial differences that emerge on a number of variables. Minorities are more likely to be at the bottom end of the education distribution, are more likely to be female headed, are more likely to have children, and are more likely to have lower median incomes than whites. Minorities are also less likely to have bought a home by 1989 (15% compared with 37%),

and the median house value $35, 000 compared with $57,000. Parental ownership rates are also very different for whites than for minorities, with 86 % of white households having parents that owned their home compared with only 68 % of minority households. (However, it is worth noting the high percentage of minority households in our sample that do own.) Stratifying our sample by those who have never owned versus those who had previously owned a home doesn't reveal large differences. Approximately 24 percent of our renters had owned as an adult prior to 1984, and these were more likely to be older, married, and have children than those who hadn't owned previously. Minorities who previously owned (33.8%) were more likely to transition to homeownership by 1989 than those who had never owned (10.3%), though the rate for whites is similar (36.7% of those who hadn't owned versus 38.38% of those who had previously owned). For all households, 26% received financial parental help 9, 5% received at least one inheritance, and almost 50% received some kind of money transfer (either an inheritance, help from relatives, or a lump sum payment) between 1984 and 1989.

The Size and Distribution of Intergenerational Wealth Transfers

Table 2 considers in more detail who receives intergenerational wealth transfers and how much they receive. Turning first to *inter vivos* transfers, whites and minorities are equally likely to receive support from their parents, although whites receive a substantially larger amount conditional on having received ($3209 versus $1232). Parental gifts are more likely to go to those who are younger, single, have incomes below median, and to those who have always rented. However, those with a college degree and whose parents owned their own homes received comparatively larger amounts of help, suggesting that parental help is influenced by parental wealth.

The story for inheritances is quite different. Approximately 5% of the households in our sample received at least one inheritance between 1984 and 1989. Here, clear racial disparities emerge. While 6.3% of white households received an inheritance, only 1.3% of minority households did. Whites were also more likely to receive a larger amount of inheritance, conditional on having received ($37,000 versus $16,800). Inheritances are also concentrated among those households who earn more than median income, those whose head is over 40, those who lived in large cities, and those at the upper end of the education distribution. Households whose parents owned were slightly more likely to receive an inheritance than those whose parents didn't own.

The distribution of money transfers is reported in column 3. Approximately half of our sample received some kind of money transfer between 1984 and 1989, and the average amount conditional on having received was $10,200. Whites are both more likely to receive transfers (52.6% versus 39.3%) and are more likely to receive larger sums of money ($12,000 versus $3500). Older households, couples, and those with a college degree areas were also more likely to receive transfers as well as larger amounts.

The Effect of Intergenerational Wealth Transfers on the Transition to Homeownership

Before turning to the logit models, we first examine the general characteristics of first-time homebuyers. Figure 1 shows the percent of households who transitioned from renting to owning

between 1984 and 1989. Overall, 29.2 percent of households in our sample entered the homeownership for the first time. As is to be expected, a higher percentage of couples, heads with a college degree, households with above median income, whites, and those who came from parents who owned bought a house for the first time than their counterparts. Using odds ratios, we found that amongst those that had never owned before, whites are 5.4 times more likely than minorities to make the transition to owning, couples are 4.4 times more likely than singles, households with incomes above the median are 5.8 times more likely than below median income, those with a college degree are 2.9 times more likely than those without, and those living in cities with less than 500,000 population are 1.8 times more likely to make the transition into homeownership. Children of parents who owned their homes are 3.5 times more likely to be a first-time homebuyer than children of parents who rented.

Figure 2 summarizes the percent of households that bought a home by 1989, by various forms of intergenerational wealth transfer (irrespective of other variables.) Without any type of money transfer, 22.89 percent of households still bought a home for the first time. However, 40 percent of households with money transfers over $5,000 entered the homeownership market, as did 43 percent of those who received an inheritance. Again, calculating odds ratios, households who received any kind of money transfer were only slightly (1.2 times) more likely to buy a home than those without. However, those with money receipts over $5,000 were 2.3 times more likely than those without, and those with inheritances were 2.4 times more likely than those without. Those with parental help were actually less likely to transition to homeownership than those who received no parental help, suggesting that the majority of family gifts are small transfers that go more towards making ends meet than financing large purchases such as a home.

One concern we encountered with our research design was the question of the timing of the money receipt in relation to when the household bought a home. Because the PSID does not ask what the transfer was used for, we cannot know with certainty that the money received went towards the down payment or even the purchase of a home. Furthermore, because we are looking at transitions over a 5 year time period, we were worried that households may have actually bought homes before receiving the money transfers. Figure 3 presents the logistic regression models for the transition into homeownership for first time homebuyers. The vast majority of our sample bought a home after receiving a money transfer, confirming our hypothesis that money transfers can serve as a trigger for homeownership. Even when money receipt comes after the transition, it is possible that home purchase by the children might subsequently prompt parents to provide help.

Logistic Regression Models to Determine the Likelihood of Transition to Homeownership

The question that remains is whether intergenerational wealth transfers are significant in assisting households in the transition from renting to owning relative to other factors that influence homeownership. We next constructed a series of multivariate logit models to assess the relative contribution of money transfers to the propensity to own. The dependent variable, home ownership in 1989, is coded one for owners and zero for non-owners. For these models, *money transfers* and *inheritances* were both converted to dummy variables with one signifying that the household did receive financial help and zero if they did not.

Table 3 presents logistic regression models for those households who made the transition into homeownership for the first time. The first series includes three model specifications: (1) receiving any money transfer, (2) receiving money transfers over $5,000, and (3) receiving an inheritance. Model 1 assesses whether or not the receipt of any kind of money transfer affected the transition to homeownership for first-time homebuyers. Income, couple status, race, college degree, and living in a city less than 500,000 population all significantly increased the likelihood of homeownership. Parental homeownership also has a significant positive effect, with households whose parents owned being 2.26 times more likely to enter the homeownership market than those that didn't. The coefficient for the receipt of money transfers, however, is not significant. This suggests that parental housing status has an effect on their children's tenure—through socialization and tenure expectations—that goes beyond financial assistance.

Model 2 considers the effect of receiving money transfers over $5,000. Many intergenerational wealth transfers are smaller gifts, perhaps intended to help in a crisis or for small scale purchase, that would not be enough to trigger homeownership on their own. In this model, we find that the all the coefficients from Model 1 remain significant, and that above median income, being married, being white, having a college degree, and living in a city less than 500,000 population all significantly increased the likelihood of homeownership. However, in this model, the receipt of a money transfer over $5,000 has a significant positive effect on the propensity to own. Households who received large money transfers were twice as likely to buy a home as those who did not. Parental ownership status also continues to have a strong positive effect on ownership by children, above and beyond the financial help.

Model 3 looks solely at the effect of inheritances. This model does not differ significantly from Model 2. Like with money transfers over $5,000, inheritances had a significant, positive effect on the propensity to own. Households that had received an inheritance between 1984 and 1989 are 2.3 times more likely to buy a home than those who do not receive an inheritance.

Table 4 presents the same three models for households who had previously owned their own home, although they were renting in 1984. Contrary to the models for first-time homebuyers, we find no evidence that either money transfers or inheritances increase the likelihood of moving back into homeownership by 1989 for households who had previously owned. In fact, receiving a money transfer has a slightly significant negative effect on the propensity to own. Neither parental ownership status, receiving a money transfer more than $5,000, nor receiving an inheritance have a significant effect on the likelihood to move back into homeownership. Moreover, the only coefficient that has a positive, significant effect is marital status, with those who were couples in 1989 having a 3.3-3.5 times more likely chance of moving into ownership than those who were single. For model 1 and 3, being between 30 and 39 had a slight negative effect on homeownership, relative to those household heads who were over 50. These results suggest that intergenerational wealth transfers, as well as parental tenure status, are much more important for first-time home buyers than for repeat buyers. Once a household has entered the homeownership market, the factors that influence future transitions are more likely to be related to life course or labor market factors, such as divorce, retirement or residential mobility for a new job (Dieleman, Clark et al. 1995; Clark and Withers 1999). Money transfers have a negative effect on the propensity to own, perhaps because family help is being extended to help through rough times rather than towards purchasing a home. In contrast, for first-time homebuyers, the hurdles of making a down payment are often the

biggest financial constraint (Engelhardt and Mayer 1998), and therefore receiving an inheritance or a large money transfer can significantly increase the likelihood that a household can afford to buy a home.

In Table 5, we present the results of a model for first time homebuyers, looking at the effects of receiving money transfers over $5,000 stratified by whites versus minorities. Some significant differences emerge. For both whites and minorities, above median income, couple status, and parental home ownership have a significant, positive effect on the transition from renting to owning. However, the effect of education for minorities is positive and significant at the high school and/or some college level, while for whites, a positive significant effect is only visible at a college degree and above. Receiving a money transfer over $5,000 also significantly increases the likelihood of entering the homeownership market for both white and minority households. But, the coefficients suggest that money transfers are more important for minority families than white families. Minority families who receive a large money transfers are 2.8 times more likely to move into homeownership than those who did not, while white families with a large transfer are 1.7 times more likely than white families without. In contrast, parental ownership status appears to be more important for whites than for minorities. The findings from this model specification reflect the importance of financial assistance for minorities in making the transition from renting to owning for the first time.

Conclusions

The research reported in this paper adds to our knowledge of how intergenerational wealth transfers may be contributing to inequalities in the housing market. First, we document the real differences in the incidence and magnitude of money received from relatives on the basis of race. Half of all white households received some sort of money transfers, compared with only 40 percent of minority households. More importantly, whites are more likely to received sizable wealth transfers whereas minorities are more likely to have received smaller amounts, akin to making ends meet. While low-income and minority households do inherit or receive financial assistance from their parents—sometimes substantial amounts—the reality is that the majority of sizable intergenerational wealth transfers go to those of already privileged backgrounds.

Second, we show that intergenerational wealth transfers, whether large money receipts (over $5,000) or inheritances, significantly influence the transition into homeownership for first-time homebuyers. Since whites are 4.3 times more likely to receive large money transfers, and 4 times more likely to receive inheritances than minority families, these patterns reinforce differences in home buying power, adding to the advantages of white households in the housing market. Clearly both parental wealth accumulation and wealth transfers are facilitating homeownership for some families. In addition, the importance of receiving a money transfer is especially pronounced for minority households, suggesting that there continues to be a role for government down payment assistance in helping low-income and minority households achieve homeownership. Otherwise, the continued pattern of inheritance and inter vivos giving will only reinforce the existing disparities in homeownership rates. Our study also shows how the profile is quite different for those households who have owned before. Intergenerational wealth transfers do not have a significant effect on repeat home buyers, suggesting that that these are mainly people who have experienced other life course events.

The findings presented here have serious implications for the ways in which access to homeownership contributes to long term social cleavages in American society. The findings in this paper also suggest several compelling avenues for further research. First, the finding that money transfers over $5,000 are more significant than money transfers in general suggests that there might be a tipping point at which money received clearly makes a difference in assisting households in buying their first home. Specifying this tipping point has important implications for down payment assistance programs. How much of a money transfer is needed to assist households buy a home who would otherwise remain in rental accommodation? Second, the timing of money receipt is likely to be an important factor. How does when the money received influence the likelihood that a household is able to buy a home? At what life course stage can a money transfer have the greatest influence on helping to make the transition from renting to owning? Third, to what extent are intergenerational wealth transfers helping households to buy homes of greater value than they could otherwise afford? Finally, how does geographic variation in housing markets affect the importance of a money transfer in making a home affordable?

Figure 1: Percent Making the Transition to First-time Homeownership

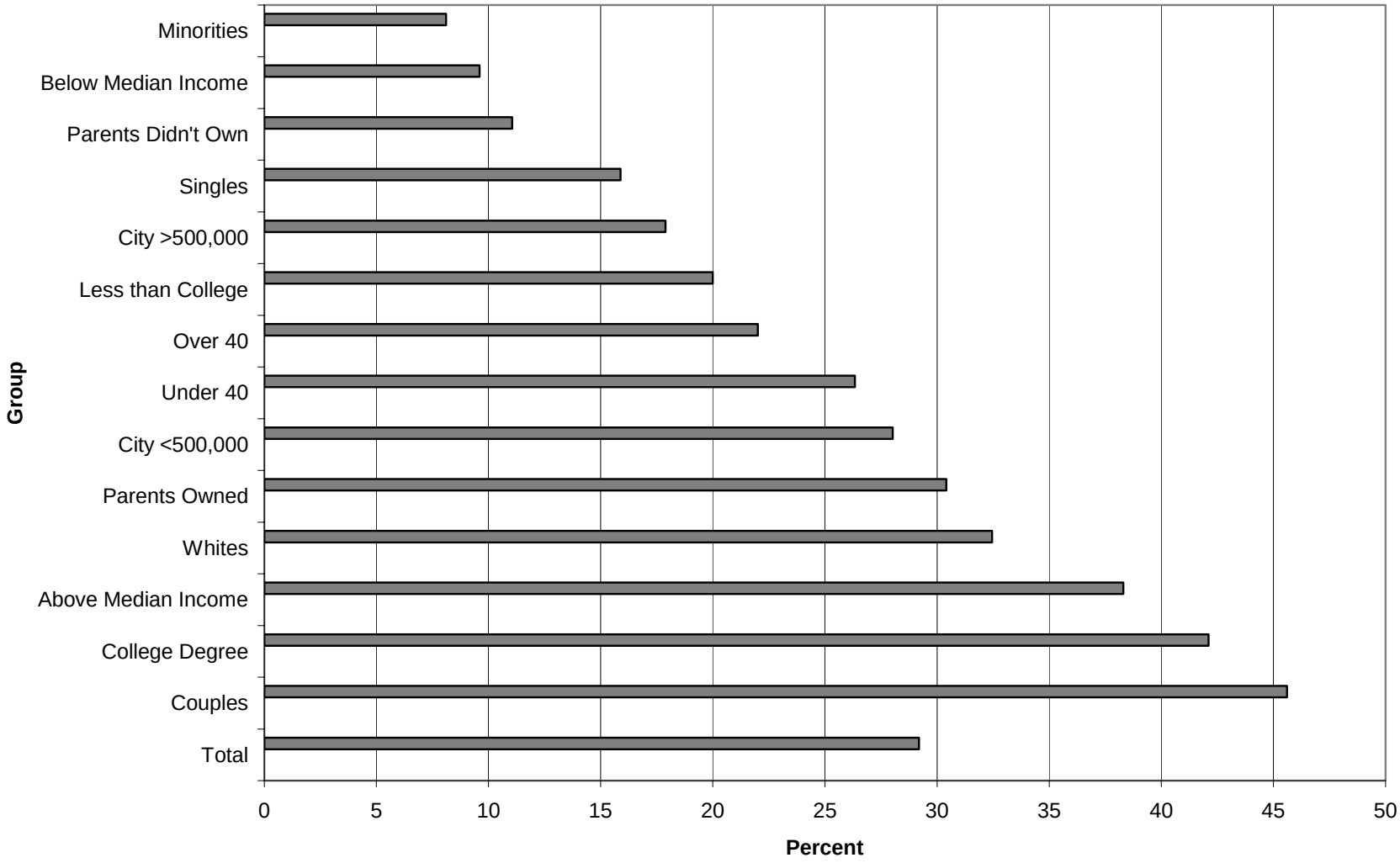

Figure 2: Percent Making the Transition to First-time Homeownership by Money Transfers

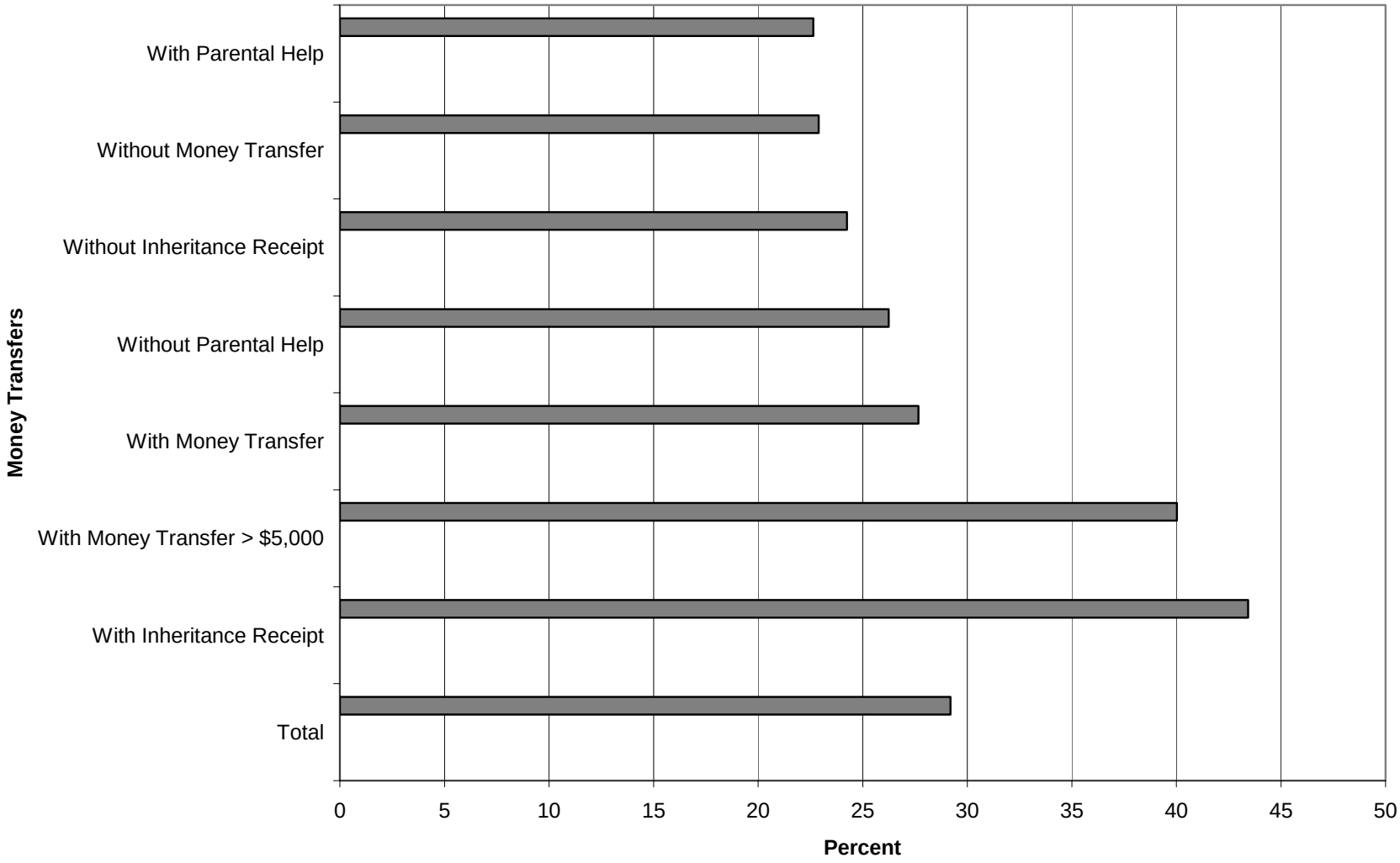

Figure 3: Timing of Transition into Homeownership Relative to Money Receipt

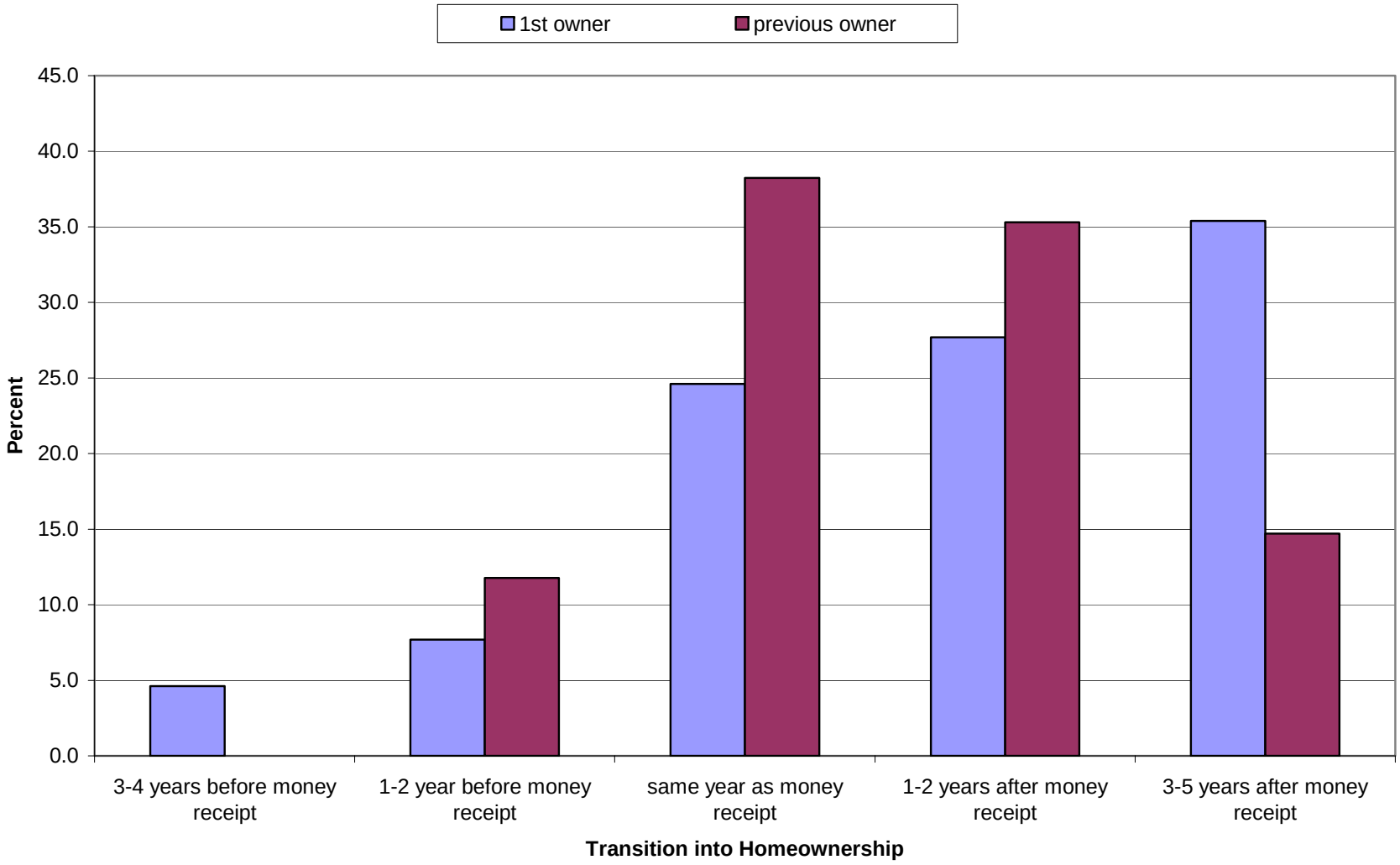

Table 1: Descriptive Statistics for 1984 PSID Renters

	TOTAL			NEVER OWNED			PREVIOUSLY OWNED		
Variables	All	White	Minority	All	White	Minority	All	White	Minority
N	2054	898	1156	1569	612	957	485	286	199
% of Sample		43.7	56.3	76.4	68.2	82.8	23.6	31.9	17.1
N (using PSID weights)	31314	23489	7825	22079	15818	6261	9235	7671	1564
% of Weighted Sample		75.0	25.0	70.5	67.3	80.0	29.5	32.7	20.0
% Making Transition to Home Ownership	31.7	37.3	15.0	29.2	36.7	10.3	37.6	38.4	33.8
% Age between 18-29	45.3	46.4	42.1	57.5	60.8	49.3	16.2	16.8	13.4
% Age between 30 - 39	29.3	28.8	30.5	25.0	24.3	26.6	39.5	38.1	46.1
% Age between 40 - 49	10.8	10.2	12.7	7.7	6.6	10.5	18.4	17.7	21.8
% Over 50	14.6	14.6	14.7	9.9	8.4	13.6	25.9	27.3	18.7
% No High School Degree	25.4	20.2	40.9	24.0	17.4	40.8	28.7	26.1	41.3
% High School Degree and/or Some College	56.2	58.3	49.8	56.5	59.2	49.4	55.5	56.4	51.3
% College Degree	18.0	21.2	8.7	19.0	22.9	9.0	15.8	17.5	7.2
% in a Couple	20.9	23.2	14.1	18.1	19.9	13.7	27.6	30.0	15.9
% With Children	37.1	31.3	54.7	34.3	26.5	54.1	43.9	41.2	57.2
% Female Head	51.4	46.6	65.7	48.7	45.9	65.0	48.6	48.0	68.4
% Living in Cities < 500,000	76.4	79.7	66.5	73.3	77.0	63.8	83.9	85.2	77.3
Median Rent Paid 1984	225	240	200	220	225	200	270	275	192
Median Income 1984	13980	15543	10230	13561	14187	10431	15647	18777	9676
Median Income 1989 (adj. 1984$)	23169	26000	14000	23087	25930	14000	23782	26423	13174
Median House Value 1989 (adj. 1984$)	57087	57087	35131	61479	63235	50061	48305	52696	35131
% Parent's Owned	81.1	85.9	67.6	81.3	86.5	67.8	80.6	84.2	66.9
% Received Parental Help	26.0	25.9	26.5	28.0	29.1	25.2	21.2	18.8	31.9
% Received Inheritances	5.0	6.3	1.3	5.1	6.7	1.6	4.7	5.6	0.4
% Received Money Transfers	49.1	52.6	39.3	49.1	54.3	36.7	49.1	48.9	50.2

Table 2: Distribution of Intergenerational Wealth Transfers

	All	Parental Help			Inheritances			Money Transfers		
Variables	% of Sample	% Received	Mean	Amount Received Median	% Received	Mean	Amount Received Median	% Received	Mean	Amount Received Median
All	100.0	26.0	2,680	965	5.0	35,800	16,690	49.1	10,177.00	2,297.00
Race										
White	73.7	25.9	3,209	1,232	6.3	37,222	17,565	52.6	11,961.00	2,816.00
Minority	26.3	26.5	1,232	563	1.3	16,764	9,656	39.3	3,502.00	1,217.00
Income										
Below Median Income	46.2	28.0	2,512	789	3.6	26,226	21,956	46.0	7,764.00	1,931.00
Above Median Income	53.8	24.3	2,845	1,288	6.3	40,488	16,690	51.8	12,016.00	2,692.00
Age										
23-29	19.6	41.2	2,529	1,043	3.2	28,235	9,656	58.9	5,498.00	1,664.00
30-39	43.2	27.7	2,267	786	4.5	46,884	18,523	50.4	9,263.00	1,954.00
40-49	16.3	24.0	4,446	2,000	7.3	28,740	13,640	51.3	12,165.00	3,201.00
Over 50	20.9	10.0	2,313	1,469	5.9	28,978	16,690	35.4	17,902.00	4,528.00
Household Composition										
Single	64.8	27.4	2,822	1,082	4.8	30,367	16,690	47.8	8,676.00	2,198.00
Couple	35.2	23.5	2,375	878	5.5	44,546	19,312	51.5	12,743.00	2,674.00
Education										
% No High School Degree	25.9	19.4	833	457	2.5	23,635	28,592	35.8	5,799.00	1,284.00
% High School Degree and/or Some College	52.8	26.4	2,296	951	3.8	40,705	21,956	51.0	9,655.00	2,124.00
% College Degree	21.8	33.1	4,714	1,829	11.1	35,149	10,431	60.3	14,462.00	4,372.00
Housing Market										
Living in Cities < 500,000	76.1	26.5	2,916	1,043	4.5	36,059	16,690	50.0	9,824.00	2,347.00
Living in Cities > 500,000	23.9	24.6	1,871	720	6.7	35,252	17,565	46.2	11,390.00	2,283.00
Tenure History										
Always Rented	71.4	28.0	2,619	876	5.1	39,230	16,690	49.1	8,889.00	2,000.00
Previously Owned	28.6	21.2	2,880	1,343	4.7	26,436	18,959	49.1	13,390.00	3,047.00
Parental Tenure History										
Parents Never Owned	18.9	21.9	1,560	521	4.9	35,938	18,959	53.2	11,310.00	1,877.00
Parents Owned	81.1	30.6	2,972	1,043	6.0	37,071	13,640	44.0	9,571.00	2,399.00

Table 3: **Logistic Regression Models to Determine the Likelihood of Transition to Homeownership Among First-time Homebuyers**

	MODEL 1			MODEL 2			MODEL 3		
Variables	**Parameter Estimates**	**p-value**	**Odds Ratios**	**Parameter Estimates**	**p-value**	**Odds Ratios**	**Parameter Estimates**	**p-value**	**Odds Ratios**
Intercept	-4.1121	<.0001		-4.1245	<.0001		-4.1716	<.0001	
Income	1.3428	<.0001	3.83	1.3377	<.0001	3.81	1.3394	<.0001	3.82
Couple Status	1.1973	<.0001	3.31	1.2392	<.0001	3.45	1.2096	<.0001	3.35
Race	0.5377	0.0013	1.71	0.4832	0.0041	1.62	0.5198	0.0019	1.72
Cities < 500,000	0.5315	0.0025	1.70	0.5336	0.0025	1.71	0.5433	0.0021	1.72
Education (vs. No High School Degree)									
High School Degree and/or Some College	0.3361	0.1075	1.40	0.3192	0.1286	1.38	0.3550	0.0904	1.40
College Degree and Above	0.6883	0.0058	1.99	0.6101	0.0154	1.84	0.6759	0.0068	1.97
Age (vs. over 50)									
23-29	-0.6044	0.1208	0.55	-0.6009	0.1227	0.55	-0.5343	0.1693	0.59
30-39	-0.1621	0.6635	0.85	-0.1653	0.6572	0.85	-0.1112	0.7649	0.90
40-49	0.1975	0.2019	1.22	0.1375	0.7562	1.15	0.1955	0.6575	1.22
Parents Owned	0.8154	0.0001	2.26	0.8186	0.0001	2.27	0.8168	0.0001	2.26
Intergenerational Wealth Transfers									
Any Money Transfers	0.0821	0.5867	1.09						
Money Transfers > $5,000				0.6691	0.0020	1.95			
Inheritance							0.8474	0.0166	2.33
Model chi-square	356.0748			365.1831			361.4347		
Degrees of freedom	11			11			11		
P-value	<.0001			<.0001			<.0001		

Table 4: **Logistic Regression Models to Determine the Likelihood of Transition to Homeownership Among Previous Home Owners**

Variables	MODEL 1 Parameter Estimates	p-value	Odds Ratios	MODEL 2 Parameter Estimates	p-value	Odds Ratios	MODEL 3 Parameter Estimates	p-value	Odds Ratios
Intercept	-1.9389	<.0001		-2.1031	<.0001		-2.0792	<.0001	
Income	0.3498	0.2151	1.42	0.3839	0.1698	1.47	0.3928	0.1608	1.48
Couple Status	1.2624	<.0001	3.53	1.2203	<.0001	3.39	1.2321	<.0001	3.43
Race	0.2095	0.4704	1.23	0.1803	0.5352	1.20	0.1842	0.5252	1.20
Cities < 500,000	0.3366	0.3109	1.40	0.3060	0.3510	1.36	0.2934	0.3718	1.34
Education (vs. No High School Degree)									
High School Degree and/or Some College	0.5190	0.0805	1.68	0.4466	0.1287	1.56	0.4422	0.1326	1.56
College Degree and Above	0.3049	0.4599	1.36	0.1208	0.7678	1.13	0.1264	0.7562	1.14
Age (vs. over 50)									
23-29	0.2046	0.6822	1.23	0.1086	0.8363	1.12	0.0906	0.8535	1.10
30-39	-0.5823	0.0869	0.56	-0.5599	0.1045	0.57	-0.5843	0.0856	0.56
40-49	-0.1772	0.6332	0.84	-0.2003	0.5900	0.82	-0.2083	0.5745	0.81
Parents Owned	0.3869	0.2194	1.47	0.3909	0.2146	1.48	0.3980	0.2071	1.49
Intergenerational Wealth Transfers									
Any Money Transfers	-0.4935	0.0481	0.61						
Money Transfers > $5,000				0.2104	0.5201	1.23			
Inheritance							0.4215	0.4621	1.52
Model chi-square	58.6766			55.1294			55.2593		
Degrees of freedom	11			11			11		
P-value	<.0001			<.0001			<.0001		

Table 5: **Logistic Regression Models to Determine the Likelihood of Transition to First-Time Homeownership for Whites and Minorities**

	WHITES			MINORITIES		
Variables	Parameter Estimates	p-value	Odds Ratios	Parameter Estimates	p-value	Odds Ratios
Intercept	-3.8425	<.0001		-3.9460	<.0001	
Income	1.0897	<.0001	2.97	1.5498	<.0001	3.41
Couple Status	1.1730	<.0001	3.23	1.3854	<.0001	3.78
Cities < 500,000	0.3757	0.1211	1.46	0.7553	0.0052	1.78
Education (vs. No High School Degree)						
High School Degree and/or Some College	0.0730	0.7960	1.08	0.7690	0.0219	2.16
College Degree and Above	0.5261	0.0933	1.69	0.6852	0.1458	1.98
Age (vs. over 50)						
23-29	-0.1086	0.8373	0.90	-1.5643	0.0098	0.21
30-39	0.1976	0.7003	1.22	-0.8512	0.1218	0.43
40-49	0.2396	0.6936	1.27	-0.0981	0.8784	0.91
Parents Owned	1.2405	0.0004	3.46	0.5019	0.0736	1.65
Intergenerational Wealth Transfers						
Money Transfers > $5,000	0.5513	0.0269	1.74	1.0322	0.0156	2.81
Model chi-square	117.9567			144.0842		
Degrees of freedom	11			10		
P-value	<.0001			<.0001		

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[1] The interviews cited in this paper were conducted as part of Carolina Reid's dissertation research. For additional information about methodology and content, please contact this author directly.

[2] In 1988, the PSID also conducted a Time and Money Transfer Supplement that collects data regarding transfers, in the form of time and money, between a PSID family unit and other persons during the 1987 calendar year. We chose not to use this supplement for our analysis, since it includes only transfers during 1987.

[3] Data on intergenerational wealth transfers and wealth remain sparse. Two other important sources of wealth and transfers include the Survey of Consumer Finances (SCF), the National Longitudinal Surveys, and the Health and Retirement Study. The advantages of using the PSID are its data on both parents and children and its relatively long history Altonji, J. G. (1994). The Use of the Panel Study of Income Dynamics for Research on Intergenerational Transfers, Institute for Social Research.. However, because its original design was to study the dynamics of poverty and therefore over-sampled low-income households, PSID wealth estimates tend to be lower than the SCF Wolff, E. N. (2001). Recent Trends in Wealth Ownership, from 1983 to 1998. Assets for the Poor: the benefits of spreading asset ownership. T. M. Shapiro and E. N. Wolff. New York, Russell Sage Foundation**:** 34-73..

[4] We were able to construct this information for 1662 out of our sample of 2054 households. It is possible that the respondents' parents owned at some previous time not captured by the survey, since no question asks whether or not the parents "ever" owned.