



Mobility and Exit From Homeownership Among Community Reinvestment Mortgage Borrowers

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How Strong is the Attachment to Homeownership?

1. Why do community reinvestment mortgage borrowers choose to move?
2. Are those who move able to sustain homeownership?
3. Do these patterns differ for low-income and minority borrowers?



Transition Studies Suggest Underserved Borrowers Benefit Less.

Low-income (Reid 2004) and minority homeowners (Boehm and Schlottman 2004; Haurin and Rosenthal 2004) are:

- more likely to return to renting
- less likely to purchase a new home



Mobility and Tenure Choice Studies Raise Methodological Concerns.

Mobility and tenure choice are joint decisions:

- Mobility is conditional on available housing stock
- Observed tenure choice is censored

The mobility and tenure choice decisions have different determinants.



*The Community Advantage Home Loan Secondary Market Program
(CAP)*

Self-Help purchased a portfolio of community reinvestment loans between 1999-2003.

- 30-year, fixed rate

- community reinvestment mortgages

Supplemented with:

- Three waves of survey data

- 2000 Census data for neighborhood characteristics

- Fannie Mae home value estimates (1st qtr 2006)



Estimation 1: Multinomial Logit Model

Outcome Variables:

Return to Renting: Move & Rent

Purchase a New Home: Move & Own

$$M_{ij} = S_i\beta_j + D_i\gamma_j + L_i\delta_j + X_i\zeta_j + \Theta(t) + \varepsilon_{ij}$$



Estimation 2: Selection Model of Mobility and Tenure Choice

Move = {0, 1}

Own = {0, 1 | Observed if Move = 1}

ML Estimation of:

$$\text{Mobility}_i = S_i\beta_1 + D_i\gamma_1 + L_i\delta_1 + X_i\zeta_1 + \Theta(t) + \varepsilon_{i1}$$

$$\text{Tenure}_i = S_i\beta_2 + D_i\gamma_2 + L_i\delta_2 + X_i\zeta_2 + \rho\lambda + \varepsilon_{i2}$$



Lower Mobility Drives Lower Own-to-Own Transitions

	Move & Own		Move & Rent	
Sample:	Full	Exclude Default	Full	Exclude Default
Above Median Income	15.2%	15.4%	4.5%	2.5%
Below Median Income	8.9%	7.8%	5.1%	2.5%
White	14.4%	14.2%	5.4%	3.3%
Black	5.6%	4.7%	4.7%	0.5%
Hispanic	10.8%	10.2%	2.2%	1.5%



Black and Hispanic Voluntary Movers More Likely to Own

	Move		Own	
Sample:	Full	Exclude Default	Full	Exclude Default
Above Median Income	19.7%	17.9%	77.1%	86.1%
Below Median Income	14.0%	10.3%	63.4%	75.9%
White	19.8%	17.5%	72.9%	81.3%
Black	10.4%	5.2%	54.5%	90.5%
Hispanic	12.9%	11.6%	83.3%	87.5%



Lower Mobility Drives Lower Own-to-Own Transitions

Sample:	Full Sample		Exclude Default	
Dependent Variable:	Move & Own	Move & Rent	Move & Own	Move & Rent
Black	-0.557*	-0.670	-0.815**	-2.347**
Hispanic	-0.169	-0.916*	-0.253	-0.801
Other Race/Ethnicity	-0.459	-0.025	-0.610	-0.200
Below Median Income	-0.247	-0.236	-0.394*	0.314
(+Covariates)				



Stronger Attachment to Homeownership?

Sample:	Full Sample		Exclude Default	
Dependent Variable:	Move	Own	Move	Own
Black	-0.307*	0.190	-0.557**	0.916 [#]
Hispanic	-0.196 [#]	0.487	-0.190	0.392
Other Race/Ethnicity	-0.218	-0.356	-0.324	-0.402
Below Median Income	-0.146 [#]	0.152	-0.208*	0.065
(+Covariates)				



Findings

1. Low-income, Black, and Hispanic homeowners in the CAP sample are not more likely to return to renting.
2. These borrowers may have stronger preferences for homeownership.
3. Voluntary and forced exit from homeownership are qualitatively different and moderate income and race/ethnicity.



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