Approved: February 28, 2001
Date

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 10:40 a.m. on February 20, 2001, in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Senator David Haley
Dennis Boody, Heart of America Family Services
Teresa Moreno, Independent Development Account recipient
Karen Edwards, Center for Social Development

Others attending: See attached list.

The minutes of the February 14, 2001, meeting were approved.

SB 231–An act establishing the family development account program and family development account reserve fund.

Senator David Haley, sponsor of **SB 231**, explained that a family development account, also known as an individual development account (IDA), is essentially a savings account for average to low income individuals wherein each dollar contributed by the individual/family is matched at a one-to-one up to a three-to-one ratio. Contributions from the account holder are held at a financial institution and can only be withdrawn for specific expenditures approved by a board. He went on to say that statistics prove that IDAs in other states have been successful in helping chronically dependent poor families to achieve home ownership and higher educational opportunities. In his opinion, the $4 million dollar fiscal note on the bill is erroneous; however, he suggested that the committee set a reasonable, affordable limit on potential tax credits to get the program up and running. (Attachment 1)

Dennis Boody, Heart of America Family Services, testified in support of **SB 231**. He distributed two handouts relating to his testimony. (Attachment 2 and Attachment 3) Mr. Boody informed the Committee that Heart of America Family Services, one of the oldest and largest not-for-profit organizations in the metropolitan Kansas City area, initiated a pilot IDA program called the Family Asset Building Program three years ago. The program was one of thirteen pilot programs across the country and has proved to be highly successful. Because of the initial success of that program, the federal government passed legislation called the Assets for Independence Act. Heart of America applied for funding under that act and currently is doing a replication program in Wyandotte County called the WIDA program. Ultimately, that program will have 250 account holders. Seventy-Five of the accounts are targeted for Wyandotte County high school students, 75 for family members of those students, and 100 for the general population living in the northeast area of Kansas City, Kansas. He explained that the program has several important partners, such as the University of Kansas School of Social Welfare and Firstar Bank, which help provide services to families involved in the IDA program. He noted that, by law, IDA accounts can only be used for home purchase, business training, or for post high school education and training. He emphasized that initial research and evaluation indicate that IDA assets help people move from poverty to non-poverty status. He has seen people in the program move out of poverty, acquire homes, start small businesses, and pay for a college education. He explained that 42 percent of the funding is provided by the U.S. Department of Health and Human services and 58 percent of the funding is provided by the Ewing Marion Kauffman Foundation. He noted that the Kauffman Foundation will not support the program forever; therefore, the funding base must be diversified. Heart of America hopes to use the tax credit tool to get private businesses and individuals involved in the program. In conclusion, he introduced Teresa Moreno, who is a participant in an IDA program.

Ms. Moreno said she has been a participant in the Family Asset Building Program (FAB) in Missouri for approximately three years, and when she finishes the five year program, she will have over $5,000 in her account. She explained that she joined FAB because she has four children, ten grandchildren, and two great grandchildren, and someone in the family always needed money. While the children benefitted from her financial help, she had no money left for herself. When she discovered FAB, she found she could save $33 a month, and with the addition of the two-to-one match, she could save $99 a month. More importantly, she cannot withdraw the money without losing the matching funds; therefore, she is not tempted to give money to her children when they ask. She went on to say that she learned a lot as a participant in FAB classes. For example, when she purchased a home, she discovered that she did not need to go through a realtor but instead could go to the banker herself and simply transfer the deed for $50. She noted that she is two years away from retirement, and she has learned about all the different programs available to help her when she retires. She said that the money she has saved through the program will be used to fulfill her dream of opening her own restaurant. (Attachment 4)

Karen Edwards, Project Coordinator for the Center for Social Development at Washington University in St. Louis, followed with testimony outlining IDA policy at the state and national level. (Attachment 5) She noted that the development of IDA policy has been impressive. Since the concept was first widely circulated in 1991, twenty-nine states have legislated IDA programs, and eight states have created IDA programs by administrative rule. At the federal policy level, the Assets for Independence Act (AFIA) was signed into law on October 27, 1998. A $25 million appropriation per year was approved for the AFIA program, beginning in 1999, with awards as high as $1 million per program being granted. A privately funded IDA policy demonstration called the American Dream Policy Demonstration (ADD) is taking place at thirteen sites across the nation. The Center for Social Development is running the evaluation for ADD. Analysis of the first two years of data shows that IDA programs work and are helping to build assets for the participants. For the Committee's information, Ms. Edwards distributed copies of the summary of the Center's findings on ADD. (Attachment 6) Ms. Edwards noted that Kansas' neighboring states have passed IDA legislation. In Missouri, Arkansas, and Colorado, IDA legislation includes state tax credits for contributions to IDAs. This increased potential to leverage matching funds creates more opportunity for establishing IDA programs in rural areas where there is much interest in IDAs.

In conclusion, Ms. Edwards suggested possible amendments to **SB 231**, based on what other states have learned. She suggested that, on page 1, subsection (h), the language be changed to clarify that the moneys contributed by the participant and the reserve fund are kept in separate pools and never commingled. She believes that, to ensure that there will be no problems down the line, it is important to specify that the moneys are actually designated from a family reserve development account reserve fund to match a family development account program. She pointed that on page 2, Section 3, line 9, three purposes are listed for which the participants may use IDA funds; however, on page 3, Section 4, lines 20 through 27, five purposes are listed. She suggested that Section 3 be made consistent with Section 4. She went on to point out that the term "economic literacy" is used several times in the bill. She explained that participants in IDA programs prefer the term "economic education," and most current legislation uses that terminology. Her final suggested amendment was to strike "all" before "matching moneys" on page 4, Section 6, line 13. She explained that, when participants make a withdrawal from their own funds that is not an approved withdrawal, they lose the match for those funds. However, they can either put funds back in to make up for the withdrawal or whatever funds that are retained in the account should be able to be matched. If the bill provides that they lose all the matching money in the account, that means that they are basically dropped out of the program if they have an emergency and must make a small withdrawal from their account. With regard to concerns about the fiscal note for tax credits, she agreed with Senator Haley's suggestion that a smaller tax credit be allowed if the current fiscal note would hold back the program in Kansas. She noted that tax credits in other states range from $100,000 in Arkansas to $25 million in Colorado.

Chairman Corbin informed the Committee that Deborah Page-Adams, Ph.D., with the University of Kansas School of Social Welfare, submitted one copy of her written testimony in support of IDA programs along a summary of research studies addressing the effects of home ownership and other assets on the well-being of neighborhoods, children, and families. (Attachment 7) He noted that the testimony will be filed with the minutes and will be available in his office for review. He noted that a companion bill, **SB 332**, was introduced in the Ways and Means Committee on February 19. He felt that perhaps **SB 231** could be blended with that bill. With this, the hearing on **SB 231** was closed.

Chairman Corbin turned the Committee's attention to three previously heard bills: **SB 138** concerning the exemption of farm storage and drying equipment from property taxation; **SB 92** concerning the determination of fair market value for property taxation; and **SB 233** concerning the exemption of residential sales of natural gas from local sales taxation. With regard to **SB 138**, he recalled that testimony from Farm Credit Services indicated that the use of "leased" on page 1, line 35, creates a problem as the Board of Tax Appeals (BOTA) will not allow an exemption for leased equipment.

Senator Clark moved to amend **SB 138** by striking "lease" on page 1, line 35, and inserting "lease purchase."

Don Hayward, Revisor of Statutes Office, noted that the bill addresses leasing the equipment, not the method of purchase. He suggested that the BOTA issue could be addressed by simply striking "exclusively" and deleting the new language.

Senator Clark withdrew his motion.

Senator Clark moved to amend **SB 138** by deleting "exclusively" on page 1, line 30, and deleting the new (italicized) language on page 1, lines 34 through 36, seconded by Senator Jenkins. The motion carried.

Senator Clark moved to recommend **SB 138** as amended favorable for passage, seconded by Senator Jenkins. The motion carried.

The Committee turned its attention to **SB 92**. Senator Lee moved to recommend **SB 92** as favorable for passage, seconded by Senator Donovan. The motion carried.

Senator Allen noted that, after the hearing on **SB 233**, concern about the potential cost of the fiscal note to the state with regard to the return of natural gas severance tax receipts to cities and counties was brought to her attention. To resolve the concern, Senator Allen moved to delete New Section 2 on page 1, lines 32 through 37, seconded by Senator Jenkins. The motion carried.

Senator Allen moved to recommended **SB 233** as amended favorable for passage, seconded by Senator Jenkins. The motion carried with Senators Lee and Donovan voting "No."

The meeting was adjourned at 11:30 a.m.

The next meeting is scheduled for February 27, 2001.

SENATE ASSESSMENT AND TAXATION COMMITTEE
GUEST LIST

DATE: February 20, 2001

NAME	REPRESENTING
Richard Cram	KDOR
Mike Beam	Ks. LVSTK. ASSN.
Brenda Eddy	Asst. Technology for Kansans
Karen Edwards	Center for Social Development Washington Univ. St. Louis
Dennis Boody	Heart of America Family Srs.
Shontel McGee	Heart of America Family Svs
Anita Vera	Heart of America Family Svcs
Ann Durkes	DOB
Terry Marlin	KDOC&H
Bill Acree	KDOC+H
Deborah Page-Adams	University of KS School of Social Wel
Jessica Lowry	Sen. Allen
Martha Neu Smith	KMHA
Marlee Carpenter	KCCI
Ed O'Malley	OP. Chamber of Commerce
Bernard Barn	Farmer
John Cronde	Sen. Clark
Janet Stubbs	KBIA
GEORGE PETERSEN	Ks Taxpayers Network

SENATE ASSESSMENT AND TAXATION COMMITTEE
GUEST LIST

DATE: 2/20/01

NAME	REPRESENTING
Hal Hudson	NFIB/KS
Kelley Kultala	City of Overland Park

OFFICE
CAPITOL BUILDING
ROOM 140-N
TOPEKA, KANSAS 66612-1504
(785) 296-7376
(785) 296-0103/FAX

STATE OF KANSAS

DISTRICT
CIVIC CENTER [illegible]
POST OFFICE BOX [illegible]10
KANSAS CITY, KANSAS 66117
(913) 321-3210
(913) 321-3110/FAX

SENATE CHAMBER

DAVID B. HALEY
SENATOR
DISTRICT 4
WYANDOTTE COUNTY

TESTIMONY IN SUPPORT OF SB231
An Act establishing the family development account program and family development account reserve fund

Greetings & Gratitude

INTRODUCTION

- ☐ A) What is a "family development account" (also known as an "individual development account" or "I.D.A.")?
  - Basically, an I.D.A. is a "savings account", of sorts, whereby the account "holder" is of average to low-income (200% of the federal poverty income index) and wherein each dollar contributed by the individual/family is matched at a one-to-one up to a three-to-one ratio.

    Example

- ☐ B) How does an I.D.A. work?
  - Contributions from the individual/family account holder are held at a financial institution and can only be withdrawn (and joined with the matching funds) for specific expenditures approved by a Board.

    Example

ARGUMENT

- ☐ C) Why does Kansas need family development account programs?
  - Statistics prove that few incentives are available to prevent the ever widening gap between the wealthy and the poor and I.D.A's have been successful in helping once chronically dependent poor families to achieve home ownership/higher educational opportunities in other states.

    Example

Senate Assessment & Taxation
2-20-01
Attachment 1

☐ D) <u>How</u> much will this Program cost Kansas?

- Although this attached fiscal note is totally erroneous (based perhaps on the presumption that program contributors will reach $4 million in <u>any</u> fiscal year), this committee should set a reasonable limit to potential tax credits. *{p.5 line 8(g)}*

  <u>Example</u>

CONCLUSION

☐ E) <u>Where</u> do I.D.A.'s generate?

- With the current federal emphasis on individual wealth retention and assistance by community and/or "faith based" organizations, initiatives like I.D.A.'s will generate in Kansas, neighborhood after neighborhood, self enrichment married with private sector participation with a minute, but empowering "incentive" from state government.

  <u>Example</u>

☐ F) <u>When</u> have I.D.A.'s been successfully implemented?

- Family development accounts, according to both N.C.S.L. and A.L.E.C., have been up and running with varying degrees of success in several states (including Missouri and Indiana) but enough from me, please allow me to defer to some "experts" in this area to specifically answer this and other questions!

Any other questions?____

NOTES:____

Thank you for your consideration.

WYANDOTTE INDIVIDUAL DEVELOPMENT ACCOUNT (WIDA)
PROGRAM DESCRIPTION

In 1997, Heart of America Family Services/Family Focus Center and the University of Kansas School of Social Welfare started an Individual Development Account (IDA) program called Family Asset Building (FAB) to help lower-income people build wealth on the Westside of Kansas City, Missouri. Now the agency and University have developed a partnership with City Vision Ministries, Firstar Bank, and Wyandotte High School for a replication of the IDA program in Kansas City, Kansas. This community economic development program has been named the Wyandotte Individual Development Account (WIDA) Program.

- The WIDA program will be operated and managed by Heart of America Family Services (HAFS) and will run from January 2000 through January 2003.
- The University of Kansas School of Social Welfare (KUSSW) is responsible for the program evaluation and provides student interns that not only support and advocate for account holders, but work with them to further insure that they are able to deposit consistently.
- City Vision Ministries (CVM) provides credit checks for account holders in order to assess the feasibility of their chosen saving's goal. CVM also provides homeownership counseling and resource assistance concerning loans, lenders, etc.
- Firstar Bank is the financial institution that houses the Individual Development Accounts for this program and provides some economic education assistance.
- Wyandotte High School (WHS) has given the WIDA program access to their student body to recruit WIDA youth account holders. WHS is also where the WIDA office is located.
- WIDA will support a total of 250 IDA accounts: 75 youth account holders, 75 parents of youth account holders, and 100 general adult account holders.
- To be eligible for the program, applicants must reside in certain zip codes within the Kansas City, Kansas area and meet specific household income guidelines.
- WIDA accounts holders may use their IDA for post-secondary education, first-time homeownership, and/or small business development.
- WIDA account holders must save between $10 and $30 each month in their IDA which will be matched 2:1, so that account holders can build as much as $3240 in their IDA by 2003.
- WIDA account holders will attend at least six economic education meetings per year in order to prepare them for post-secondary education, first-time homeownership, and/or small business development.
- Funding provided by the U.S. Department of Health and Human Services [42%] and the Ewing Marion Kauffman Foundation [58%].

Your questions, ideas, and comments are important to us. Let us know what you think about the WIDA program by contacting Aishah Jackson, WIDA Coordinator, at 816-213-3102.

Senate Assessment + Taxation
2-20-01 Attachment 2

/WIDA18

What is an Individual Development Account (IDA)?

An Individual Development Account (IDA) is a restricted savings account. IDAs are set up in the name of each individual, initiated as early as birth, and restricted to high return investments such as attending college, starting a business, or buying a first home. For the poor, who cannot take advantage of tax deductions, savings would be matched on a sliding scale.

In many respects, IDAs would be similar to Individual Retirement Accounts (IRAs), but there would be important differences: IDAs would be available to everyone; they might begin much earlier in the life cycle; they would serve a wider range of purposes; and they would rely on more varied sources of deposits, including government matching funds for the poor.

Why Individual Development Accounts?

As Michael Sherraden argued in his seminal book, *Assets and the Poor: A new American Welfare Policy,* people escape poverty and achieve wealth through asset acquisition, not simply income. One of the clearest failures of current welfare policy is that it maintains consumption but does not invest in the ability of people to support themselves and their communities. Owning assets gives people a stake in their future- a reason to save, to dream, and to invest time, effort, and resources in creating a future for themselves and their children. As Sherraden notes, "Income may feed people's stomachs, but assets change their heads."

The distribution of assets in this country is much more unequal than income distribution: while 10% of Americans command 40% of national incomes, the top 1% control as many assets as the bottom 80%. Fully one-third of American households have no or negative investable assets at a time when the price of entry to the American mainstream- measured in terms of the cost of an adequate education, business capitalization or home ownership- has increased.

This pattern of asset-holding is abetted by a bifurcated national policy: we subsidize asset acquisition for the non-poor at a level of $160 billion annually at the federal level in the form of the home mortgage deduction, preferential capital gains, and pension fund exclusions. Meanwhile, we penalize asset acquisition by the poor by denying eligibility to welfare recipients who exceed the $1,000 asset limitation, and seize the homes of Medicaid recipients.

It is possible to create asset-building policies that do not discriminate against the poor. In the Homestead Act, we provided 160 acres and a mule to Americans willing to work the land. Through the GI Bill, we bought college education for a generation of people who served their country in the time of war; they, in turn, drove our post-war expansion. *What the Homestead Act was to the 19th Century and the GI Bill was to the 20th, IDAs could be to the 21st- a down payment on the American Dream for individuals and the country as a whole.*

/WIDA83

Senate Assessment + Taxation
2-20-01
Attachment 3

FAB PROGRAM PARTICIPANT STORY: TERESA MORENO

Outline of Main Points

- Why I joined the FAB program
- Things I've learned and why the program has meant so much to me
- My savings goals and how they reflect my life plans
- The incentive to save

Senate Assessment + Taxation
2-20-01
Attachment 4

My name is Karen Edwards, and I am Project Coordinator for the Center for Social Development at Washington University, in St. Louis. I am here today to testify about Individual Development Account, or IDA, state policy and program activity in the U. S. I will be outlining this on a state and national level.

The director of the Center for Social Development, Dr. Michael Sherraden, who was born and raised in Kansas, originated the concept of IDAs in the late 1980s. In 1991, he wrote a book titled: Assets and the Poor: A New American Welfare Policy, in which he defines and outlines what IDAs are and how they can be used most effectively to help low-income Americans establish greater economic security. As you have heard here today, IDAs are financial vehicles. IDAs are matched savings accounts for low-income individuals, to be used for specific purposes such as homeownership or repair, small business capitalization, and post-secondary education or job training.

The development of IDA policy has been impressive. Since 1991, when Dr. Sherraden's concept was first widely circulated, **29** states have legislated IDA programs, and **8** states have created IDA programs by administrative rule. Iowa, Texas and Tennessee were the first three states to legislate IDAs. Several state governments, that have passed IDA legislation, also appropriated funds for matching dollars and administrative costs, and forged productive collaborations with non-profit organizations and financial institutions to administer the programs within their states. States that have made this level of commitment to IDAs include Indiana, Minnesota, Iowa, North Carolina, Pennsylvania, Connecticut, and Vermont. Nine states have appropriated tax credits for IDAs, and thirteen states have allocated TANF funds to IDA programs. IDA legislation has traditionally received bipartisan sponsorship and support.

At the federal policy level, the Assets for Independence Act (or AFIA) was signed into law on October 27, 1998. This federally funded pilot IDA program is administrated by the Dept. of Health and Human Services, and was created to support tens of thousands of IDAs over five years. Monetary awards, which match non-federal funds raised on a dollar for dollar basis, are granted each year, to sites chosen by RFP. A $25 million appropriation, per year, was approved for the AFIA program, beginning in 1999, with awards as high as $1 million per program, or collaborative, being granted. The Heart of America IDA program, in Kansas City, and the United Way IDA collaborative in St. Louis are current recipients of AFIA awards. State dollars may be matched, under AFIA, and several state government are partners in collaboratives that have been awarded AFIA funds.

Kansas has an IDA program, Heart of America Family Services in Kansas City, which is also part of a national, privately funded IDA policy demonstration, called the American Dream Policy Demonstration, or ADD. ADD is taking place at 13 sites across the nation. The Center for Social Development is running the evaluation for ADD. Analysis of the first two years of data shows emphatically that IDA programs work, and are helping to build assets for the participants. It is also proving that low-income individuals and families can save money, and with matching dollars as an incentive, the amounts saved

Senate Assessment + Taxation
2-20-01
Attachment 5

can be significant. I brought a summary of these finding with me today, for distribution to the committee.

The United Way of Greater St. Louis embraced the IDA concept and is implementing a three year pilot IDA program, which began in 2000, at six sites in the St. Louis area. The United Way has committed over $850,000 to the program, to be used for match and program administration funds. Over 25 United Way organizations, across the country, are supporting, or planning to support, IDA programs. Another 29 programs have expressed interest in doing so.

Kansas neighbors: Missouri, Iowa, Oklahoma, Arkansas, Texas, Colorado, and New Mexico have passed IDA legislation. Missouri, Arkansas, and Colorado IDA legislation includes state tax credits for contributions to IDAs, to better leverage private dollars for match and program. This increased potential to leverage matching funds creates more of an opportunity for establishing IDA programs in rural areas, where there is much interest in IDAs. The federal AFIA requires that awards be made to programs that serve rural as well as urban populations.

I have assisted several state governments to develop IDA legislation and program regulations, based on our knowledge of what is working, in states with established IDA programs, and what might be problematic, operationally. I would like to address a few points in the Kansas legislation, and suggest some possible amendments to the bill, as it is written, based on what other states have learned, including Missouri.

5-3

IDA Policy in the States

Table 1. State IDA Policy and Initiatives

IDA Legislation Passed, State Supported Program Operating	IDA Legislation Passed, State Supported Program Developing	IDA Legislation Pending	Other State IDA Policy Initiatives	Other State IDA Policy Initiatives	Other State IDA Policy Initiatives
*Arizona Arkansas Hawaii Illinois Indiana Iowa Maine Michigan Minnesota North Carolina Ohio Oklahoma Oregon Pennsylvania *South Carolina Tennessee Texas Vermont Virginia *Wisconsin *no match	Colorado Connecticut Missouri **Legislation Passed, But Program Not Developed Or On Hold** *Georgia Kansas Kentucky New Mexico **Oregon Rhode Island Utah *no match **children's accounts	New Jersey District of Columbia **Previous IDA Legislation Failed, But May be Re-Proposed** Alabama Florida Kansas (new) Maryland New York	**State Supported IDA Programs (Administrative Rule)** Illinois Missouri Montana Nevada North Carolina South Carolina Vermont Washington **Other Statewide Initiatives** Delaware Rhode Island Wisconsin **Savings Accounts Included in Welfare Reform Program** *California **JOBS Programs with Savings Accounts** *Massachusetts *Oregon *no match	**Coalition Building** California Connecticut Delaware District of Columbia Georgia Idaho Illinois Iowa Kentucky Louisiana Maine Maryland Massachusetts Michigan Mississippi Missouri Montana New Hampshire New Jersey New York North Carolina Pennsylvania Rhode Island South Carolina South Dakota Tennessee Virginia Washington West Virginia	**Federal Home Loan Bank Matched Savings Programs: *Districts*:** Indianapolis New York Pittsburgh Seattle **No IDA Activity Reported** Alaska North Dakota Wyoming

January 2001
Center for Social Development
Washington University

5-4

Table 2. Public Funding Sources in States Implementing or Developing Legislated or Administrative IDA Programs

State General Funds - Match (a) = not legislated	State General Funds - Administration or Tech. Assistance (TA) (a) = not legislated	State Tax Credits (C) or Deductions (D) for Match Contributors	TANF Funds For Match and Administration (a) = not legislated	CDBG Funds For Match (a) = not legislated	State Administered Programs That Do Not Allow for a Match
> Connecticut	> Connecticut	# Arkansas (C)	# Arkansas	# + North Carolina (a)	# + Arizona
# + Indiana	# + Indiana	> Colorado (C)	> Illinois (a)	# + Ohio	# + South Carolina
# + Iowa	# + Iowa	> Connecticut (C)	# + Iowa	# Oklahoma	# + Wisconsin
# Minnesota	# Minnesota	# Hawaii (C)	# Michigan	# Oregon	
# + Missouri (a)	# + Missouri (a)	# + Indiana (C)	> Montana (a)	# + Tennessee	
# + North Carolina	# + Ohio	# + Iowa (D)	# + Ohio	# Virginia	
# + Pennsylvania	# + Pennsylvania	# + Maine (C)	# Oklahoma		
# Vermont	# + Tennessee	> Missouri (C)	> South Carolina (a)	**Welfare to Work Funds for Match**	
	# Vermont	# + Ohio (D)	# + Tennessee	**(a) = not legislated**	
		# Oregon (C)	# Texas	# Nevada (a)	
		# + Pennsylvania (C)	# + Vermont (a)		
			# Virginia		
			# + Washington (a)		

\> Planned
\# Implemented
\+ IDAs have been open for one year or more

CENTER FOR SOCIAL DEVELOPMENT

Savings and Asset Accumulation in Individual Development Accounts

Downpayments on the American Dream Policy Demonstration

A National Demonstration of Individual Development Accounts

February 2001

Center for Social Development
George Warren Brown School of Social Work
Washington University in St. Louis

Senate Assessment + Taxation
2-20-01 Attachment 6

Savings and Asset Accumulation in Individual Development Accounts

Downpayments on the American Dream Policy Demonstration

A National Demonstration of Individual Development Accounts

Mark Schreiner
Michael Sherraden
Margaret Clancy
Lissa Johnson
Jami Curley
Michal Grinstein-Weiss
Min Zhan
Sondra Beverly

February 2001

Center for Social Development
George Warren Brown School of Social Work
Washington University in St. Louis
http://gwbweb.wustl.edu/users/csd/
(314) 935-7433

6-2

Executive Summary

Long-term improvement in well-being requires asset accumulation. While saving is not easy for anyone, it is more difficult for the poor because they have few resources relative to subsistence requirements, because they lack access to some public-policy mechanisms that subsidize saving, and because scarce resources and restricted access may push saving out of their world view.

Individual Development Accounts (IDAs) are a new policy proposal designed to address these constraints and to improve access to savings institutions for the poor. Withdrawals of deposits by the poor in IDAs are matched if used for home ownership, post-secondary education, or microenterprise. Participants also receive financial education and support from IDA staff.

Do IDAs work? Data from the American Dream Demonstration (ADD) suggests that the poor can save and accumulate assets in IDAs:

- Average monthly net deposits per participant were $25.42.
- The average participant saved 67 percent of the monthly savings target.
- The average participant made a deposit in 7 of 12 months.
- With an average match rate of 2:1, participants accumulated about $900 per year in IDAs.

The American Dream Demonstration

ADD is a demonstration of IDAs in 14 programs across the United States. It is scheduled to run for four years (1997-2001), with two more years of evaluation through 2003.

The Corporation for Enterprise Development (CFED) in Washington, D.C., designed ADD and guides it. The Center for Social Development (CSD) at Washington University in St. Louis designed the evaluation.

The evaluation of ADD is the first major study of IDAs. The *Startup Evaluation Report* (Sherraden *et al.*, 1999), monitored the start-up period through June 30, 1998. *Saving Patterns in IDA Programs* (Sherraden *et al.*, 2000) covered programs, participants, and saving patterns through June 30, 1999. This report discusses savings and asset accumulation through June 30, 2000. A final monitoring report will cover ADD through December 31, 2001.

Data come from the Management Information System for Individual Development Accounts (MIS IDA), a software package created and supported by CSD. MIS IDA offers tools for program management and evaluation (Johnson, Hinterlong, and Sherraden, 2000). Data in MIS IDA were collected by program staff and may be the best ever assembled on high-frequency saving by the poor. In particular, records of cash flows in IDAs come from bank statements and are very accurate. The report notes carefully possible effects of weaknesses in the data.

A Theory of "Asset Effects"

IDAs aim to do more than just transfer resources to the poor. Of course, resources are good to have, if only because they can be converted into consumption. IDAs, however, expect that its transfers will be saved rather than consumed. But standard welfare transfers can also be saved. How are IDAs different?

This report develops Sherraden's (1991) proposed answer in terms of institutional theory. IDAs are packaged in an institutional structure that explicitly asks and expects participants to save their transfers in forms (such as homes, human capital, or business assets) unlikely to be quickly consumed. In contrast, standard welfare is designed to support consumption.

The institutional package matters because people are not the rational, omniscient beings assumed in economic theory. People are subject to suggestion, and they respond to patterns of choices worn smooth by public policy because that takes less effort than to imagine choices and then to weigh possible chances of consequences.

Institutional theory suggests that the structure of IDAs encourages the poor to see saving as an option with positive consequences:

- The existence of IDAs forges a social pattern as it sends the message that the poor can save.
- Matches increase the return on savings, increase asset accumulation from given savings, and attract people to the program.
- IDAs are linked to financial education that provides knowledge of how to save.
- The match cap becomes a goal in the minds of participants.
- Monthly statements give feedback and show progress toward goals. Furthermore, program staff and peers provide informal encouragement. The focus on success makes saving easier.
- IDA programs ask for monthly deposits. This encourages saving to become a habit.
- IDAs give poor people access to a way to commit to save.
- Through budgets, goals, and plans, IDAs focus on the future and increase future orientation.
- IDAs point out goals (such as home ownership or post-secondary education) that people might not see (or see as worthwhile) on their own.
- Informal discouragement of unmatched withdrawals helps to curb dissaving.

Sherraden (1991) introduced the concept of *asset effects*, defined as the impacts of ownership. Humans are forward-looking, and current well-being depends in part on expected future well-being. People with more assets in the present expect to have more resources in the future. Thus—for purely economic reasons—they expect to be happier. "Asset effects" occur when ownership improves expected future well-being and thus, for psychological reasons, improves current well-being. Not only do owners think differently, but others also treat them differently. The social and political effects of ownership may matter even more than the individual effects.

Participation in ADD

Enrollment. A *participant* is defined as someone who enrolled in ADD and who had an account statement in MIS IDA. As of June 30, 2000, ADD had 2,378 participants in 14 IDA programs.

Graduation. About 13 percent of participants had taken a matched withdrawal. A fourth of these "graduated" and left the program, and three-fourths are still active.

Exit. About 16 percent of participants had exited without a matched withdrawal. The cumulative risk of exit in the first 12 months was 11 percent, and it was 16 percent for the first 24 months. As of June 30, 2000, 81 percent of participants were active. These and other outcomes will change with time.

Savings Outcomes in ADD

Gross deposits. The average participant had participated for 13.3 months and had gross deposits of $41.43 per month ($552 total).

Unmatched withdrawals. The size and frequency of unmatched withdrawals has been one of the biggest surprises in ADD. About 37 percent of participants made unmatched withdrawals from matchable balances, removing 25 percent of all matchable deposits. For participants who made unmatched withdrawals, the average number was 2.9, and the amount removed was $320. With an average match rate of 2:1, this implies a loss of potential matches for people who make unmatched withdrawals from matchable balances of about $640. The high opportunity cost of unmatched withdrawals, coupled with their size and frequency, highlights the difficulty of asset accumulation for the poor, even in the supportive institutional context of IDAs.

Net deposits. *Net deposits* are defined as gross deposits minus unmatched withdrawals minus balances in excess of the match cap. Aggregate net deposits in ADD were $838,443. Net deposits per participant were $353 ($420 for non-exits). The *average monthly net deposit* (AMND)—defined as net deposits divided by months of participation—was $25.42 (for non-exits, $30.30). Median AMND was $17.96 ($23.35 for non-exits). With an average match rate of 2:1, the average participant in ADD had accumulated about $75 per month.

The average match rate per dollar of net deposits was 1.96:1, and the match that corresponded to net deposits was $1,644,508. If all net deposits were used in matched withdrawals, total asset accumulation in IDAs would be $2,482,951. With exits included, this is $1,044 per participant; with exits excluded, it is $1,245 per participant. These figures will change as ADD progresses.

Matched withdrawals. Aggregate matched withdrawals in ADD through June 30, 2000 were $191,601. The average match rate per dollar of matched withdrawals was 1.82:1, and matches disbursed were \$348,373. The average participant with a matched withdrawal had 2.0 withdrawals for a total of \$603. Their total asset accumulation averaged \$1,698.

Matched withdrawals became more common as balances were built through time; 9 percent of participants had a matched withdrawal by their 12th month, and 27 percent had one by their 24th month.

Matched uses. As of June 30, 2000, 13 percent of participants had a matched withdrawal. About 24 percent made a home purchase, 24 percent invested in microenterprise, and 21 percent pursued post-secondary education. The rest used their matched withdrawals for home repair, retirement, or job training.

About 87 percent of participants had no matched withdrawals. Of these, 57 percent intended to buy a home, 18 percent intended to spend on microenterprise, and 15 percent planned for post-secondary education. About 10 percent planned for home repair, retirement, or job training.

Net deposits as a percentage of the pro-rated match cap. On average, participants had net deposits of 67 percent of the monthly savings target (median 49 percent). At this pace, they will use two-thirds of their total match eligibility.

Deposit frequency. On average and at the median, participants made a deposit in 7.0 months per year. Non-exits made a deposit in 7.6 months per year. Some evidence suggests that frequent depositors accumulate more than infrequent depositors.

Savings rate. On average, AMND was 2.2 percent of monthly income (median 1.3 percent). The savings rate decreased as income increased. Perhaps the institutional effects of IDAs are stronger than the economic effects of greater income, and perhaps these institutional effects are somehow stronger for poorer people.

IDAs and EITC. Net deposits increased markedly in tax season. IDA participants save some chunk of tax refunds or payments from the Earned Income Tax Credit.

Costs

Policy choices require data on both outputs and costs. Cost data in MIS IDA are measured with error and are probably overstated for many reasons (for example, due to start-up costs, provision of technical assistance to other IDA programs, and data collection for the evaluation of ADD). Average program expenses (without matches) were \$70.38 per participant-month, or \$2.77 per \$1 of net deposits. A study of the first 14 months of the experimental-design program in ADD also found costs in this range (Schreiner, 2000a). Costs in ADD did decrease with time. Average program expenses per participant-month through June 30, 1999, were \$117.58; in the next 12 months, they averaged \$43.06.

With a 2:1 match, total outlays in IDAs were thus roughly \$6 per \$1 of net deposits (\$1 savings, \$2 match, and \$3 program expenses). This is about \$2 of total outlay per \$1 of asset accumulation.

Are these costs high or low? The answer depends on the as-yet-unmeasured benefits of IDAs. A standard financial benefit-cost analysis is planned for the site of the experimental design (Schreiner, 2000b). Even without precise knowledge of benefits, however, measurement of costs highlights trade-offs and sets a benchmark that encourages efficiency.

Qualitative evidence from the evaluation of ADD suggests that participants believe that intensive service is a key element of program design. A key challenge for IDA programs is then to provide such services in such a way that benefits can exceed costs. The tension between intensive service and cost structures that would allow broad access to IDAs may lead to two tiers of IDA designs, one with fewer services, lower costs, and broader outreach, and another with greater services, higher costs, and narrower targets (Sherraden, 2000).

New Savings versus Shifted Assets

IDA deposits can come from new savings or from assets converted from other forms. Even if the poor (or the non-poor) do not explicitly shift liquid assets, they can implicitly shift illiquid assets if IDAs lead to reduced investment and maintenance in non-IDA assets. High returns on IDAs may also lead savers to borrow or to repay debts slower than otherwise.

Qualitative evidence from the evaluation of ADD (Moore *et al.*, 2001 and 2000) suggests that IDA deposits came in some unknown measure from both new savings and from shifted assets.

Program Characteristics and Savings Outcomes

The association between program (institutional) characteristics and savings outcomes matters because policy can affect program design. The results below are derived from multivariate regressions that control for a wide range of program and participant characteristics.

Match rates. A central feature of IDAs is the match rate. In regressions, higher match rates have large, strong associations with reduced risk of unmatched withdrawals and with reduced risk of exit. Match rates do not, however, have a statistically significant link with AMND.

Qualitative evidence suggests that matches attract people to IDAs; quantitative evidence here suggests that higher match rates keep people in IDAs and encourage them to maintain their balances. But higher match rates do not seem to lead to greater deposits. We believe that these estimated associations result mostly from institutional factors, but economic factors, two-way causation, and censored data also matter to some unknown extent. The data from ADD do not allow a sharp test of the effect of match rates on savings outcomes.

Monthly savings target. The *monthly savings target* is the amount that, if saved each month and not removed in unmatched withdrawals, would produce net deposits equal to the total match cap. On average in ADD, AMND was 67 percent of the savings target.

Higher savings targets were strongly linked with large reductions in the risk of unmatched withdrawals and the risk of exit. Higher savings targets were also strongly linked with higher AMND.

6-7

At least three forces may drive this. First, participants may change match caps into goals, leading to greater savings effort when match caps are higher. Second, AMND is cut-off for participants at the match cap. Third, programs may have assigned higher targets to groups expected to be high savers. These last two factors may induce a spurious positive correlation between the match cap and savings.

Financial education. Required financial education is a central feature of IDAs in ADD. The average participant attended 10.5 hours of general financial education. Each hour up to 12 was linked with large increases in AMND, but hours after that had little effect.

In broad terms, AMND increases with financial education (whether general or asset-specific), but only up to a point, probably somewhere between 6 and 12 hours. The content of classes probably also matters, but we did not measure it.

Participant Characteristics and Savings Outcomes

Participants in ADD are not a random sample of people eligible for IDAs; they are program-selected and self-selected. Programs target certain people, and eligibles in the target group who expect the greatest net benefits are the most likely to enroll. Results in this report pertain only to eligibles who, if they had the choice, would enroll in IDAs.

Compared with the overall U.S. population at or below 200 percent of the poverty line, IDA participants are more disadvantaged in that they are more likely to be female, African-American, or never-married. IDA participants are less disadvantaged, however, in that they are more educated, more likely to be employed, and more likely to have a bank account. These patterns likely reflect the explicit targeting of the "working poor" by programs in ADD and the client base of the host organizations.

Gender. About 80 percent of participants were female. Gender had no link with savings.

Race/ethnicity. About 47 percent of participants in ADD were African-American, 37 percent were Caucasian, 9 percent Hispanic, 3 percent Native American, 2 percent Asian-American, and 3 percent "Other." Although average AMND for all groups was at least $19.50, differences between groups were large. For example, compared with Asian Americans, average AMND was $10.58 less for "Other," $11.62 less for Hispanics, $12.77 less for Caucasians, $20.82 less for African Americans, and $22.30 less for Native Americans.

These differences are not due to race/ethnicity *per se* but rather to a constellation of socially produced characteristics correlated with both race/ethnicity and savings. In a perfect model that controlled for everything, the estimated link between race/ethnicity and savings would be zero.

IDAs aim to increase inclusion in institutions for saving and asset accumulation. We do not know whether IDAs increase saving or whether they increase saving more for disadvantaged groups. Although IDAs in ADD did narrow relative racial/ethnic gaps, they are not a panacea.

6-8

Education and employment. Given their income, participants in ADD were highly educated: 24 percent had a college degree of some sort, and 85 percent completed high school. Education was not linked with the risk of exit. AMND was highest for people with 4-year college degrees.

Participants in ADD also had a high incidence of employment: 78 percent worked full-time or part-time. Employment status was not significantly associated with any savings outcomes.

Receipt of public assistance. About 50 percent of participants in ADD had received some form of public assistance at enrollment or before. Current receipt of public assistance was not associated with any savings outcomes.

Income. Mean income/poverty in ADD was 111 percent (median 100 percent).[1] About 21 percent were under 50 percent of the poverty line, and 12 percent were over 200 percent of the poverty line. The level of income was not associated with the risk of an unmatched withdrawal, the risk of exit, or AMND, but higher income was associated with a lower savings rate. Possible explanations include institutional factors, censored data, and measurement error, but we believe that institutional factors matter most and that they may be strongest for the poorest.

Insurance coverage. About 51 percent of participants in ADD had health insurance, and 31 percent had life insurance. Health insurance did not have a significant association with exit, unmatched withdrawals, or AMND. Life insurance was not associated with AMND, but it was correlated with reduced risk of exit and of unmatched withdrawals.

Asset ownership. Participants who owned assets likely had unobserved characteristics that predisposed them to save more in IDAs. For example, participants with a checking account were much less likely to exit, they were much less likely to take an unmatched withdrawal, and they had much higher average AMND. The same pattern holds for home owners and car owners.

Summary

These mid-way results from ADD will raise questions, spark debate, and inform policy. The goal of this discussion and of future research—in ADD and elsewhere—is to build knowledge about how programs that aim to encourage saving and asset accumulation can be more inclusive and generate greater net benefits.

[1] These data omit cases for which total income is missing and, like other descriptive statistics here, come from the most recent record in MIS IDA.

References

Johnson, E., Hinterlong, J., & Sherraden, M. (2000). *Strategies for creating MIS technology to improve social work practice and research.* Paper presented at the Fourth Annual Technology Conference for Social Work Education and Practice, Charleston, South Carolina, August, ejohnson@gwbmail.wustl.edu.

Moore, A., Beverly, S., Schreiner, M., Sherraden, M., Lombe, M., Cho, E. Y., Johnson, L., & Vonderlack, R. (2001). *Saving, IDA programs, and effects of IDAs: A survey of participants*, research report. Center for Social Development, Washington University in St. Louis, http://gwbweb.wustl.edu/users/csd/.

Moore, A., Beverly, S., Sherraden, M., Sherraden, M., Johnson, L., & Schreiner, M. (2000). *How do low-income individuals save, deposit, and maintain financial assets?* Paper presented at the Inclusion in Asset Building: Research and Policy Symposium, Center for Social Development, Washington University in St. Louis, Sept. 21-23, aam1@gwbmail.wustl.edu.

Schreiner, M. (2000a). *Resources used in 1998 and 1999 to produce Individual Development Accounts in the experimental program of the American Dream Demonstration at the Community Action Project of Tulsa County*, research report. Center for Social Development, Washington University in St. Louis, http://gwbweb.wustl.edu/users/csd/.

Schreiner, M. (2000b). *A framework for financial benefit-cost analysis of Individual Development Accounts at the experimental site of the American Dream Demonstration,* research design. Center for Social Development, Washington University in St. Louis, http://gwbweb.wustl.edu/users/csd/.

Sherraden, M. (1991). *Assets and the poor: A new American welfare policy.* Armonk, NY: M.E. Sharpe, ISBN 0-87332-618-0.

Sherraden, M. (2000). *On costs and the future of Individual Development Accounts*, comment. Center for Social Development, Washington University in St. Louis, http://gwbweb.wustl.edu/users/csd/.

Sherraden, M., Johnson, L., Clancy, M., Beverly, S., Schreiner, M., Zhan, M., & Curley, J. (2000). *Savings patterns in IDA programs—Downpayments on the American Dream Policy Demonstration, a national demonstration of Individual Development Accounts.* Center for Social Development, Washington University in St. Louis, http://gwbweb.wustl.edu/users/csd/.

Sherraden, M., Page-Adams, D., Johnson, L., Scanlon, E., Curley, J., Zhan, M., Bady, F., & Hinterlong, J. (1999). *Downpayments on the American Dream Policy Demonstration*, start-up evaluation report. Center for Social Development, Washington University in St. Louis, http://gwbweb.wustl.edu/users/csd/.

6-10

To: Kansas Senate Committee on Taxation

From: Deborah Page-Adams, Ph.D.
University of Kansas
School of Social Welfare

Date: February 20, 2001

RE: **RESEARCH ON ASSET EFFECTS FOR NEIGHBORHOODS, CHILDREN AND FAMILIES**

Thank you for your consideration of an Individual Development Account policy to help low-income and low-wealth families in Kansas. In case it is helpful to the discussion of asset building strategies to enhance the social and economic well-being of Kansas citizens, I've attached a brief summary of research studies addressing the effects of home ownership and other tangible assets on the well-being of neighborhoods, children and families. As you may know, this kind of research has served as a foundation for the rapid growth of Individual Development Account (IDA) policies and programs across the country in recent years. The tables in the center of the packet may be especially helpful to readers who want a quick review of asset effects on:

- **Children's well-being**
- **Marital stability**
- **Family health and**
- **Economic security.**

My findings from on-going research and evaluation of your IDA programs through Heart of America Family Services are parallel to those from other asset building initiatives in the United States in that: (1) low-income and low-wealth participants are saving for long term social and economic well-being through home ownership, small business development, and higher education and (2) the participants who have very low incomes are saving for these life goals at a higher rate than participants who have slightly higher incomes. When the research is completed, it will also be able to help us understand if and how asset building is associated with personal, household, and community well-being among the specific participants in two IDA programs.

Senate Assessment & Taxation
2-20-01
Attachment 7

Effects of Asset Holding on Neighborhoods, Families and Children: A Review of Research

Deborah Page-Adams, Ph.D.
University of Kansas School of Social Welfare

The idea that asset holding promotes beneficial outcomes at neighborhood, household and individual levels is gaining ground in policy and academic discussions. Social scientists are increasingly including wealth and asset variables in their studies, and are doing so in more theoretically careful ways. This chapter is an overview of asset holding effects on neighborhoods, families, and children. First, we present findings regarding effects on neighborhoods, followed by findings regarding effects on children. The research is summarized in table format in Appendix A for easy reference.

While the study of asset-holding is growing today, it has been notably neglected in most academic studies until recent years. An exception to this pattern is the study of homeownership. Homeownership has played an important role in American social life and has been evaluated more closely. This research emphasis is responsible for a somewhat larger number of studies of homeownership than of other types of assets, but this should not be interpreted to mean that the impacts of homeownership are necessarily greater than those of savings and other financial assets. The impact of savings has been a surprisingly neglected topic in social science research, and the extent to which savings lead to well-being is a more open empirical question.

Asset Effects on Neighborhoods

The Impact of Homeownership. Most research in this area concerns the impact of homeownership on neighborhood stability and functioning. Discussions of neighborhood impacts generally contend that homeownership effects neighborhoods by enhancing property values, decreasing residential mobility, increasing property maintenance and increasing social and civic involvement (Scanlon, in press; Rohe & Stewart, 1996). The following section reviews each of these possibilities.

Property value effects. Table 1 provides an overview of property value effects. Economic studies indicate that homeownership is a good investment for households in the United States. Between 1960 and 1989, the median priced home increased in value by a total of 41%, and even the lowest priced homes increased by almost 30% (U.S. Department of Housing and Urban Development, 1995). A study of 1980 and 1990 census data finds that homeownership has modest effects (e.g., an increase of tract level homeownership rates increased the property value of a single-family home by $800) on neighborhood property values), but these effects are not as great as the effects of initial housing values, city-wide value changes, or changes in tract level income (Rohe & Stewart, 1996). A recent study of housing affordability using the Annual Housing Survey concurred that homeownership is a positive investment, finding that homes across the price distribution increased on average (Gyourko & Linneman, 1993).

However, for minority homeowners, these gains are not as great. One study found that for the period 1967-1988, housing values increased $52,000 for whites and $31,000 for African-Americans (Oliver & Shapiro, 1995). This finding has been confirmed by other studies which have noted differences in housing wealth accumulation by race (Long & Caudill, 1992; Parcel, 1982). These authors note that residential segregation and poor neighborhood conditions can lower housing values and decrease wealth accumulation for the poor and minorities.

However, despite these inequities, homeownership plays a crucial role in wealth accumulation for U.S. households. In 1995, median net worth for homeowners was $78,000 while for renters it was $2,300. For minority homeowners, home equity represents almost three-quarters of their median net worth of $48,300, compared to a median net worth of $500 for minority renters (U.S. Department of Housing and Urban Development, 1995). A secondary analysis of a survey of 11,257 U.S. households during 1987-1989 finds that home equity accounted for 43.3% of white household wealth and 62.5% African-American household wealth (Oliver & Shapiro, 1995). Clearly, housing equity matters — without it U.S. households would have greatly reduced assets.

A related finding is that homeowners are less likely to experience a subjective sense of economic strain. A study of 193 laid off auto-workers reports that homeownership, controlling for income and education, significantly reduced subjects' perceived economic strain (Page-Adams & Vosler, 1997). This finding is consistent with the idea that assets provide a source of financial support when income streams are disrupted (Sherraden, 1991).

Residential mobility impacts. Residential mobility impacts are summarized in Table 2. Homeownership is one of the strongest predictors of residential permanence. Simply put, homeowners tend to stay in one location longer than renters, even controlling for family size, marital status, age, race or income. Rohe and Stewart's (1996) analysis of 1980 and 1990 census data indicates that homeownership is a significant predictor of residential permanence. These researchers estimate that a 10% increase in owner-occupied units in a tract would be associated with a 3.6% increase in households that stay in their homes five or more years. Another study of 1,476 households finds that renters and central city dwellers are more likely to change residence (Butler & Kaiser, 1971). According to studies by Forrest (1987) and Pickvance (1973), movers are more likely to be younger, single and renters. McHugh's (1985) study of 167 households in two metropolitan areas reveals that homeowning is negatively associated with residential turnover. Rohe and Stewart's (1996) thorough review of research concludes among ten studies of residential mobility, only one (Varady, 1986) finds that owners more likely to move, and these are residents of neighborhoods in rapid racial transition.

Residential stability is not invariably positive. Buckhauser, Butrica and Wasylenko (1995) raise a cautionary note, warning that elderly homeowners are three times more likely than young homeowners to remain in crime-ridden, distressed communities, raising a potential concern about negative effects of homeowning on residential permanence. But causality is unclear. Rohe and Stewart (1996) note that lower income people are less likely to move, suggesting that lower housing values, rather than homeownership, may prevent moving.

Property maintenance impacts. Another consistent finding is that homeowners are more likely than renters or landlords to maintain and repair housing (Rohe & Stewart, 1996). These findings are summarized in Table 3. Theoretically, this has been suggested by a variety of scholars who posit that homeowners are attempting to enhance their financial investments (Saunders, 1990; Butler, 1985) or are demonstrating improved future orientation (Sherraden, 1991). Several studies find that homeowners are more likely to engage in housing upkeep (Galster, 1987; Galster, 1983; Mayer, 1981), although these factors are lessened by longer length of residence and concern about racial change in the neighborhood (Varady, 1986).

Social and civic involvement. Homeowners are often thought to be more involved civically, with theorists suggesting that such involvement will result from an increased sense of stakeholding and efforts to protect property values (Saunders, 1990; Sherraden, 1991). Empirical findings indicate that homeowners are somewhat more involved in neighborhood associations and local politics, but are not necessarily better neighbors or more involved politically beyond local levels (Rohe & Stegman, 1994b). Table 4 provides a summary of these studies. The proportion of homeowners on a block is found to increase local civic involvement (Perkins, et al, 1990). Other studies confirm this, finding homeowners to be more involved in neighborhood civic organizations and to vote locally (Rossi & Weber, 1996; Guest & Oropesa, 1986; Baum & Kingston, 1984; Ditkovsky & Van Vliet, 1984; Cox, 1982, Steinberger, 1981).

Findings regarding neighboring behaviors are contradictory. Studies of 50 localities in Northern California report that homeowners are more likely than renters to be involved in neighboring behaviors (Fischer, et al, 1982; Baum & Kingston, 1984). A study of homeowners in Rochester, NY, also finds positive correlations between homeowning and neighboring. On the other hand, Rossi and Weber's (1996) analysis of several data sets finds fewer ties among homeowners to their neighbors, and Saunders (1990) finds in his study of residents of British towns that homeowners were less likely to be involved with neighbors. Other studies of national U.S. samples report that homeowners and renters are not different in terms of likelihood to be involved with neighbors (Kingston & Fries, 1994; Fischer, 1977).

In sum, we can say the following about the impact of homeowning on neighborhoods:

* Homeownership promotes increased property values at the neighborhood level and plays a major role in wealth building at the household level.

* Homeownership promotes residential stability, although caution must be taken in interpreting this finding in the context of distressed neighborhoods, where it may reflect blocked mobility.

* Homeownership promotes increased property investment, maintenance and upkeep.

* Homeownership promotes increased social and political involvement at the local and neighborhood level.

The Impact of Savings and Financial Assets. No research is available on the impact of household savings on neighborhood functioning. A variety of methodological problems makes such research difficult and problematic. Future research should attempt to gather savings information and incorporate average household savings rates as a predictive variable in neighborhood research and studies, along with such traditional variables as housing values, median incomes, unemployment rates and crime statistics.

Asset Effects on Families

Some of the research in this area addresses the effects of homeownership on families, while other studies focus on assets in the form of savings, net worth, or small business ownership. Despite the variety of asset measures used in this literature, financial and property assets appear to have effects on: (1) marital stability (2) family health and (3) economic security. The following section reviews research on these three outcomes for families and households.

Marital stability effects. Married couples with assets appear to be less likely to divorce than couples without assets. Galligan and Bahr (1978) find that assets, rather than income, have significant effects on marital dissolution among a representative sample of married women in the U.S.. In this study, the effect of net worth on marital stability is strong even when controlling for income, race/ethnicity, and education. Galligan and Bahr's findings are consistent with earlier theoretical and empirical work by Cutright (1971), Cherlin (1977), and Ross and Sawhill (1975) on the significance of assets in explaining marital stability. In a more recent study using PSID data from a sample of 575 married couples, Hampton (1982) finds that property and financial assets are negatively associated with marital disruption for African American couples.

Bracher and his colleagues (1993) find that paying off a mortgage or owning a home outright reduces the risk of marital dissolution in Australia. The effect of homeownership on marital stability is significant even when controlling for the effects of a number of other social and economic factors. The researchers note that homeownership may increase stability by increasing the rewards within marriage or by creating financial or emotional disincentives to divorce. Alternately, couples who are experiencing marital distress may avoid making a joint investment in a home. If this is the case, homeownership may simply demonstrate that marital stability already exists.

A similar caution in interpretation is noted by Page-Adams (1995) whose findings suggest that homeownership has an effect on marital stability through its negative association with conflict and violence between spouses. It may be that homeowning makes couples reticent to put their marriages, and their marital homes, at risk by arguing and using violence. Alternately, serious marital conflict and physical violence may preclude homeownership for many couples.

In any case, a negative relationship between assets and marital violence has also been found in a random sample study of married women in the U.S. (Petersen, 1980) and in a control group study of rural married women in a developing county (Schuler & Hashemi, 1994). The latter follows

Levinson's (1989) conclusion from a study of ethnographic data that wealth and property ownership patterns in marriage are causally related to domestic violence. Given the strong association between domestic violence and marital dissolution in the U.S., such a relationship between assets and violence would have important implications for marital stability in this country.

To summarize, assets may increase marital stability by reducing divorce and by decreasing domestic violence. Table 5 provides an overview of studies on assets and marital stability.

Family health effects. As summarized in Table 6, studies from both the U.S. and from Europe indicate a positive relationship between asset holding and physical health. In a review of health research, Joshi and Macran (1991) note that assets are related to lower mortality and that these effects are partially independent of other socio-economic resources. This is consistent with findings from the Office of Population Censuses and Surveys Longitudinal Study in England showing positive, independent effects of assets on men's and women's physical health (Goldblatt, 1990; Moser, Pugh & Goldblatt, 1990).

Some studies in this literature point to homeownership as a particularly strong socioeconomic measure in health research. For example, Baker and Taylor (1997) find that, of seven measures of socioeconomic status, homeownership is the most consistently related to health among mothers of infants in England. Homeownership is significantly related, sometimes positively and sometimes negatively, to five of the six common ailments studied. The finding of some negative relationships between assets and health parallels that of Johnston, Grufferman, Bourguet, Delzell, Delong and Cohen (1985) who find that, of seven SES measures, only homeownership is significantly associated with multiple myeloma and the association is positive.

However, most of the research reviewed not only points to the strength of homeownership as a health related socioeconomic measure, but also shows a positive relationship between homeownership and health. For example, a study in the Netherlands controls for occupation, education, and employment status and finds that male homeowners report fewer chronic conditions and better general health and that female homeowners perceive themselves to be in better general health than those without homes (Stronks, van de Mheen, van den Bos & Mackenbach, 1997). Hahn (1993) finds that, controlling for income and education, homeownership is modestly but significantly associated with women's health in the U.S.. Further, homeownership helps to explain the generally positive relationship between marriage and physical health for women.

In research from England, asset holding is a better predictor of lung cancer mortality for married women than occupational measures of socio-economic status (Pugh, Power, Goldblatt & Arber, 1991). For example, married women living in owner occupied housing with access to a car are two and a half times less likely to die from lung cancer as those living in rented housing without access to a car. Pugh and her colleagues also find that there are substantial differences in the percentage of women who smoke based on occupational status, but much larger differences based on homeownership. Fifty seven percent of women who rent are smokers compared with 31 percent of women who own homes. Turning to smoking uptake and cessation, Pugh and her colleagues (1991, pp. 1106-1107) find that "... among women in rented accommodation the rate of uptake was 23% while the cessation rate was 12%; among owner occupiers these percentages were reversed (12% and 24% respectively)." These findings are consistent with research by Yadama and Sherraden (1996) showing that assets in the form of savings have a positive effect on prudence as measured, in part, by smoking habits.

Turning to research on older family members, Robert and House (1996) find that financial assets have positive health effects on U.S. adults when controlling for the effects of income and education. While assets and health are always positively related, the effects of assets on health are particularly strong for older adults between the ages of 65 and 84. In a study of relatively frail older adults, Greene and Ondrich (1990) control for income and education and find that homeownership is negatively associated with nursing home admission and positively associated with successful nursing home exit back to the community. In this study, neither income nor education significantly affect the likelihood of either nursing home admission or discharge when controlling for the effects of homeownership.

While this review has focused on research from the U.S. and Europe, findings of positive asset effects on health are consistent with results of studies from developing countries linking assets to increased childhood immunization (Amin & Li, 1997), improved nutritional status of women and children (Quanine, 1989) and decreased infant and child mortality (Amin & Li, 1997; Lee & Amin, 1981). Further, findings of asset effects on physical health parallel those from studies demonstrating relationships between assets and positive mental health outcomes for family members including reduced stress (Berger, Powell & Cook, 1988), increased life satisfaction (Potter & Coshall, 1987; Rohe & Stegman, 1994; Rossi & Weber, 1996), and reduced neurosis (Rodgers, 1991).

Economic security effects. In an earlier review, Page-Adams and Sherraden (1997) noted that assets appear to increase the economic security of families on public assistance (Raheim & Alter, 1995), female headed families (Cheng, 1995), as well as other families in the U.S. and in other countries (Krumm & Kelly, 1989; Massey & Basem, 1992; Sherraden, Nair, Vasoo, Liang & Sherraden, 1995). Table 7 provides an overview of additional studies linking assets to economic security for families in the U.S..

Three of the studies in this review that address family economic security use homeownership as the measure of assets. While Rossi and Weber (1996) find limited differences between homeowners and renters, one important difference between the two groups has to do with asset holding. Controlling for age and socioeconomic status, homeowners have about $6,000 more in savings and about $5,000 more invested in mutual funds than renters. Homeowners are more likely to carry debt on credit cards, installment purchases, and personal bank loans, but less likely to have unpaid educational loans and overdue bills than renters.

Other studies addressing homeownership also control for a number of social and economic factors and find that homeowning reduces the length of joblessness for unemployed workers by a minimum of 11.6 weeks (Goss & Phillips, 1997) and increases high school graduation and college entry rates for African American youths (Kane, 1994). Kane's findings are consistent with those of Green and White (1997) who find that children of homeowners are less likely to drop out of school or to have children before the age of 18 than children of renters.

In studies using asset measures other than homeownership, wealth is positively associated with financial transfers to both adult children and parents in their older years (McGarry & Schoeni, 1995) and with the ability of single mothers to maintain their families above the federal poverty level (Rocha, 1997). Rocha controls for age, education, number of weeks worked during the past year, and a number of other socioeconomic factors and finds that single mothers with money in a savings account are significantly more likely to have incomes above the poverty line than those without savings. Neither homeownership nor child support payments were strongly associated with living above the poverty level for female-headed families in this study.

While this review has focused on research from the U.S., findings of positive asset effects on family economic security are consistent with results of studies from developing countries, especially those linking mother's assets to enhanced material conditions of families (Quanine, 1989; Noponen, 1992; Schuler & Hashemi, 1994).

To summarize, assets appear to positively affect family economic security by increasing educational attainment of children, leading to financial transfers to adult children and to elderly parents, and reducing the length of unemployment. In addition, homeowners save and invest more, though they also carry more consumer debt in some forms, than renters.
Consistent with the findings from earlier studies, single mothers with assets are more likely to maintain their families above the federal poverty level than those without assets.

In sum, we can say the following about asset effects on families.

* Asset holding reduces marital dissolution.

* Asset holding promotes improved physical and mental health of family members.

* Asset holding promotes the economic stability of families.

* Asset holding promotes household savings and investment.

Asset Effects on Children

The Impact of Homeownership. Impacts of homeownership on neighborhood and personal well-being have been thoroughly researched. Scholars argue that homeownership produces beneficial outcomes through enhanced social status (Perin, 1977; Rakoff, 1977), behavioral changes designed to protect investments (Saunders, 1990; 1978; Butler, 1985), and changes in cognitive schema that result when people accumulate assets (Sherraden, 1991). Theoretical and empirical studies have examined claims that homeownership promotes family and personal well-being (Page-Adams, 1995; Rohe & Stegman, 1994). This includes intergenerational impacts of homeowning.

Children appear to benefit from living in households where parents are homeowners. A summary of this research appears in Table 8. Green and White (1997), in an impressive analysis of four large, national data sets, find that controlling for education and income, 17-18 year old children of homeowners are less likely than the children of renters to drop out of school and to have children out of wedlock. Other research has also correlated homeowning with school attainment (Essen, Fogelman & Head, 1977). These are promising findings, particularly in light of the research results, noted above, that savings and investment income correlate with educational outcomes. These findings are also consistent with theoretical statements that asset holding may have intergenerational effects (Sherraden, 1991). The stability associated with homeowning may also provide an explanation of the correlation between housing tenure and educational outcomes (Scanlon, 1997).

In addition to educational outcomes, homeownership, like financial wealth holding, appears to promote improved intergenerational economic outcomes. Henretta (1984) finds that parental homeowning is predictive of adult children's likelihood to own homes, even controlling for income and parental gifts. Again, Sherraden's (1991) theoretical statement regarding the impact of asset holding upon intergenerational poverty transmission and increased future orientation may explain this finding.

We would be remiss not to mention the benefits of homeowning on adult and family well-being, as these may have benefits for children. Homeowning appears to hold promise for enhancing adult well-being in a variety of ways. Homeowners appear to have higher levels of life satisfaction (Rossi & Weber, 1996; Rohe & Stegman, 1994; Potter & Coshall, 1987), physical and emotional well-being (Page-Adams & Vosler, 1997; Vitt, 1994; Pugh, et al, 1991; Rodgers, 1991; Greene & Ondrich, 1990) and future orientation and self-efficacy (Clark, 1997). It would seem likely that children benefit from living in homes with parents who are healthier and more satisfied with their lives.

In sum, research indicates that homeowning may impact children's well-being in the following ways:

* Homeownership promotes educational attainment among children.

* Homeownership decreases intergenerational poverty transmission.

* Homeownership promotes more healthy and satisfied parents, which very likely benefits children.

The Impact of Savings and Financial Assets. Household financial wealth and investment income are emerging as variables for study in the well-being of children. These findings are summarized in Table 9. For example, Mayer (1997) reports that investment income and inherited wealth have greater statistical significance than income on educational test scores and educational attainment. Similarly, an evaluation of Panel Study of Income Dynamics data demonstrates that income from assets (which can be taken as a proxy measure for the assets themselves) positively impacts children's educational attainment (Hill & Duncan, 1987). A study concerned about the intergenerational effects of poverty reveals that parental assets in female-headed families predicts adult daughters' likelihood of remaining in poverty in adulthood and this is true even controlling for education and socio-economic status (Cheng, 1995). Another study of factors associated with teen-agers' savings and consumption patterns reveals that parental savings, particularly for college, is predictive of teen savings behavior (Pritchard, Myers & Cassidy, 1989). Altogether, while the number of studies is fairly limited, the findings are consistently positive and meaningful.

We should also mention studies which report that savings have beneficial impacts for adults and families, since parental well-being and family stability are widely considered important for child well-being. One study demonstrates that savings are positively associated with physical health, especially for older adults (Roberts & House, 1996). Savings also lead to positive effects on self-efficacy, future orientation and risk avoidance among adults (Yadama & Sherraden, 1996). In a study of recently relocated households, savings are inversely related to stress among women (Berger, Powell, & Cook, 1988).

In sum, while somewhat sparse, studies of the impacts of savings and financial assets in children suggest that:

* Savings and investment income promote educational attainment and outcomes among children.

* Savings and investment income, above and beyond earned income, reduce intergenerational poverty transmission.

* Savings have psycho-social benefits for adults, which are likely to be beneficial for the well-being of children.

* * * * *

In conclusion, this review brings us to several policy and research suggestions. Foremost, it is apparent that asset effects occur at individual and neighborhood levels. In general, we have growing evidence that assets:

* Promote economic household stability.
* Decrease economic strain on households.
* Promote educational attainment.
* Decrease marital dissolution.
* Decrease the risk of intergenerational poverty transmission.

* Increase health and satisfaction among adults.
* Increase property values.
* Decrease residential mobility.
* Increase property maintenance.
* Increase local civic involvement.

Such impacts are notable and should be of great interest to those concerned with finding effective ways of promoting individual, family and neighborhood well-being and development. However, much remains to be done to elaborate the mechanisms by which the holding of different assets results in various outcomes. Also, future research should begin to pinpoint the circumstances under which asset holding is likely to provide benefits for different populations, so that asset based policy and community development strategies can be designed to maximize the likelihood of positive impacts.

Bibliography

Amin, R. & Li, Y. (1997). NGO-promoted women's credit program, immunization coverage, and child mortality in rural Bangladesh. *Women & Health*, *25*, 71-87.

Baker, D. & Taylor, H. (1997). Inequality in health and health service use for mothers of young children in south west England. *Journal of Epidemiology and Community Health*, *51*, 74-79.

Baum, T. & Kingston, P. (1984). Homeownership and social attachment. Sociological Perspectives, 27, 2, 159-180.

Berger, P., Powell, J., Cook, A. (1988). The relation of economic factors to perceived stress in mobile families. Lifestyles, 9, 4, 297-313.

Bracher, M., Santow, G., Morgan, J. & Trussell, J. (1993). Marital dissolution in Australia: Models and explanations. Population Studies, 47, 3, 403-425.

Buckhauser, R., Butrica, B. & Wasylenko, M. (1995). Mobility patterns of older homeowners: Are older homeowners trapped in distressed neighborhoods? Research on Aging, 17, 4, 363-384.

Butler, E. & Kaiser, E. (1971). Prediction of residential movement and spatial allocation. Urban Affairs Quarterly, 6, 4, 477-494.

Butler, S. (1985). Privatizing federal spending. New York: Universe Books.

Cheng, L. (1995, April). Asset holding and intergenerational poverty vulnerability in

Galster, G. (1987). Homeownership and neighborhood reinvestment. Durham, NC: Duke University Press.

Goldblatt, P. (1990). Mortality and alternative social classifications. In Goldblatt, P. (Ed.) *Longitudinal study: Mortality and social organisation.* OPCS, Series LS, no. 6. London: HMSO.

Goss, E.P. & Phillips, J.M. (1997). The impact of homeownership on the duration of unemployment. *The Review of Regional Studies, 27*, 9-27.

Green, R. & White, M. (1997). Measuring the benefits of homeowning: Effects on children. Journal of Urban Economics, 41, 441-461.

Greene, V. & Ondrich, J. (1990). Risk factors for nursing home admissions and exits: A discrete-time hazard function approach. Journal of Gerontology, 45, 6, S250-S258.

Guest, A. & Oropesa, R. (1986). Informal social ties and political activity in the metropolis. Urban Affairs Quarterly, 21, 4, 550-574.

Gyourko, J. & Linneman, P. (1993). Affordability of the American dream: An examination of the last 30 years. Journal of Housing Research, 4, 1, 39-72.

Hahn, B.A. (1993). Marital status and women's health: The effect of economic marital acquisitions. *Journal of Marriage and the Family, 55*, 495-504.

Hampton, R. L. (1982). Family life cycle, economic well-being and marital disruption in black families. *California Sociologist, 5*, 16-32.

Henretta, J. (1984). Parental status and child's homeownership. American Sociological Review, 49, 131-140.

Hill, M. & Duncan, G. (1987). Parental family income and the socioeconomic attainment of children. Social Science Research, 16, 39-73.

Hunter, A. (1975). The loss of community: An empirical test through replication. American Sociological Review, 36, 2, 537-552.

Johnston, J.M., Grufferman, S., Bourguet, C.C., Delzell, E., DeLong, E.R. & Cohen, H.J. (1985). Socioeconomic status and risk of multiple myeloma. *Journal of Epidemiology and Community Health, 39*, 175-178.

Joshi, H. & Macran, S. (1991). Work, gender, and health. *Work, Employment & Society, 5*, 451-469.

female-headed families. Paper presented at the Seventh International Conference of the Society for the Advancement of Socio-Economics, Washington, DC.

Cherlin, A. (1977). *Social and economic determinants of marital separation.* Unpublished doctoral dissertation. University of California.

Clark, H. (1997). A structural equation model of the effects of homeownership on self-efficacy, self-esteem, political involvement, and community involvement in African-Americans. Doctoral dissertation, University of Texas at Arlington, School of Social Work.

Cox, K. (1982). Housing tenure and neighborhood activism. Urban Affairs Quarterly, 18, 1, 107-129.

Curley, J. and Sherraden, M. (1998). The History and Status of Children's Allowances: Policy Background For Children's Savings Accounts. Policy Report, St. Louis: Center for Social Development, Washington University.

Cutright, P. (1971). Income and family events: Marital stability. *Journal of Marriage and the Family, 33*, 291-306.

Ditkovsky, O. & van Vliet, W. (1984). Housing tenure and community participation. Ekistics, 307, 345-348.

Edwards, Karen (1997). Individual Development Accounts. Policy Report, St. Louis: Center for Social Development, Washington University.

Essen, J., Fogelman, K., & Head, J. (1977). Childhood housing experiences and school attainment. Child Care, Health and Development, 4, 41-58.

Fischer, C., Jackson, R., Stueve, C., Gerson, K & Jones, L. (1977). Networks and places: Social relations in the urban setting. New York: Free Press.

Fischer, C. (1982). To dwell among friends: Personal networks in town and country. Chicago: University of Chicago Press.

Forrest, R. (1987). Spatial mobility, tenure mobility, and emerging social divisions in the UK housing market. Environment and Planning A, 19, 1611-1630.

Galligan, R.J. & Bahr, S.J. (1978). Economic well-being and marital stability: Implications for income maintenance programs. *Journal of Marriage and the Family*, 283-290.

Galster, G. (1983). Empirical evidence on cross-tenure differences and community satisfaction. Land Economics, 59, 107-113.

Kane, T.J. (1994). College entry by blacks since 1970: The role of college costs, family background, and the returns to education. *Journal of Political Economy, 102*, 878-907.

Kingston, P. & Fries, J. (1994). Having a stake in the system: The socio-political ramifications of business and homeownership. Social Science Quarterly, 75, 3, 679-686.

Krumm, R. & Kelly, A. (1989). Effects of homeownership on household savings. *Journal of Urban Economics, 26*, 281-294.

Lee, C. & Amin, R. (1981). Socioeconomic factors, intermediate variables, and fertility in Bangladesh. *Journal of Biosocial Science, 13*, 179-188.

Levinson, D. (1989). *Family violence in cross-cultural perspective*. Newbury Park, CA: Sage.

Long, J. & Caudill, S. (1992). Racial differences in homeownership and housing wealth, 1970-1986. Economic Inquiry, 30, 83-100.

Massey, D.S. & Basem, L.C. (1992). Determinants of savings, remittances, and spending patterns among U.S. migrants in four Mexican communities. *Sociological Inquiry, 62*, 185-207.

Mayer, N. (1981). Rehabilitation decisions in rental housing. Journal of Urban Economics, 10, 76-94.

Mayer, S. (1997). What money can't buy: Family income and children's life chances. Cambridge: Harvard University Press.

McGarry, K. & Schoeni, R.F. (1995). Transfer behavior in the Health and Retirement Study. *The Journal of Human Resources, Supplement*, S184-S226.

McHugh, K. (1985). Reasons for migrating or not. Sociology and Sociological Research, 69, 4, 585-589.

Moser, K., Pugh, H. & Goldblatt, P. (1990). Mortality and the social classification of women. In Goldblatt, P. (Ed.) *Longitudinal study: Mortality and social organisation.* OPCS, Series LS, no. 9. London: HMSO.

Noponen, H. (1992). Loans to the working poor: A longitudinal study of credit, gender and the household economy. *International Journal of Urban and Regional Research, 16,* 234-251.

Oliver, M. & Shapiro, T. (1995). Black wealth/white wealth. New York: Routledge.

Page-Adams, D. & Sherraden, M. (1997). Asset building as a community revitalization strategy. *Social Work, 42*, 423-434.

Page-Adams, D. (1995). Homeownership and marital violence. Doctoral dissertation, Washington University in St. Louis, George Warren Brown School of Social Work.

Page-Adams, D. & Vosler, N. (1997). Homeownership and well-being among blue-collar workers. (Working Paper No. 97-5) St. Louis, MO: Washington University in St. Louis, George Warren Brown School of Social Work, Center for Social Development.

Parcel, T. (1982). Wealth accumulation of black and white men: The case of housing equity. Social Problems, 30, 2, 199-211.

Perin, C. (1977). Everything in its place. Princeton: Princeton University Press.

Perkins, D., Florin, P., Rich, R. Wandersman, A. & Chavis, D. (1990). Participation and the social and physical environment of residential blocks: Crime and community context. American Journal of Community Psychology, 18, 83-115.

Petersen, R. (1980). Social class, social learning, and wife abuse. Social Service Review, 54, 390-406.

Pickvance, C. G. (1973). Life cycle, housing tenure, and residential mobility: A path analytic approach. Urban Studies, 11, 171-188.

Potter, R. & Coshall, J. (1987). Socio-economic variations in perceived life domain satisfactions: A South West Wales case study. Journal of Social Psychology, 127, 1, 77-82.

Pritchard, M., Myers, B. & Cassidy, D. (1989). Factors associated with adolescent saving and spending patterns. Adolescence, 24, 711-723.

Raheim, S. & Alter, C. F. (1995). Self-employment investment demonstration final evaluation report. Iowa City, IA: University of Iowa School of Social Work.

Robert, S. & House, J. (1996). SES differentials in health by age and alternative indicators of SES. Journal of Aging and Health, 8, 359-388.

Pugh, H., Power, C., Goldblatt, P. & Arber, S. (1991). Women's lung cancer mortality, socio-economic status and changing smoking patterns. Social Science and Medicine, 32, 10, 1105-1110.

Quanine, J. (1989). Women and nutrition: The Grameen Bank experience. *Food and Nutrition Bulletin*, *11*, 64-66.

Rakoff, R. (1977). Ideology in everyday life: The meaning of the house. Politics and

Society, 7, 85-104.

Rocha, C.J. (1997). Factors that contribute to economic well-being in female-headed households. *Journal of Social Service Research, 23*, 1-17.

Rodgers, B. (1991). Socio-economic status, employment and neurosis. Social Psychiatry and Psychiatric Epidemiology, 26, 104-114.

Rohe, W. & Stegman, W. (1994a). The effects of homeownership on the self-esteem, perceived control, and life satisfaction of low-income people. Journal of the American Planning Association, 60, 2, 173-184.

Rohe, W. & Stegman, W. (1994b). The impact of homeownership on the social and political involvement of low-income people. Urban Affairs Quarterly, 30, 28-50.

Rohe, W. & Stewart, L. (1996). Homeownership and neighborhood stability. Housing Policy Debate, 7, 1, 37-81.

Ross, H.L. & Sawhill, I.V. (1975). *Time of transition: The growth of families headed by women*. Washington, DC: The Urban Institute.

Rossi, P. & Weber, E. (1996). The social benefits of homeownership: Empirical evidence from national surveys. Housing Policy Debate, 7, 11-35.

Saunders, P. (1978). Beyond housing classes: The sociological significance of private property rights in means of consumption. International Journal of Urban and Regional Research, 18, 2, 202-227.

Saunders, P. (1990). A nation of homeowners. London: Unwin Hyman.

Scanlon, E. (1997). The economic, psychological and social effects of homeownership on individuals and households. Area of Specialization Statement. Washington University in St. Louis, George Warren Brown School of Social Work, Doctoral Program.

Scanlon, E. (in press). Low-income homeownership as a community development strategy. Journal of Community Practice, 5, 2.

Schuler, S.R. & Hashemi, S.M. (1994) Credit programs, women's empowerment, and contraceptive use in rural Bangladesh. *Studies in Family Planning, 25*, 65-76.

Sherraden, M. (1997, draft). Building Assets Among African-American Males, in Larry E. Davis, ed., African American Males: A Practice Guide. Sage.

Sherraden, M. (1996). Social Security in the 21st Century. Perspective, St. Louis: Center for Social Development, Washington University.

Sherraden, M., Nair, S., Vasoo, S., Liang, N.T., Sherraden, M.S. (1995). Social policy based on assets: The impact of Singapore's Central Provident Fund. *Asian Journal of Political Science, 3(2),* 112-133.

Sherraden, M. and Page-Adams, D. (1995). Asset Based Alternatives in Social Policy. Paper presented at the 1995 National Public Policy Education Conference in Kansas City. St. Louis: Center for Social Development, Washington University.

Sherraden, M. (1991). Assets and the poor: A new American welfare policy. Armonk, NY: Sharpe.

Steinberger, P. (1981). Political participation and communality: A cultural/interpersonal approach. Rural Sociology, 46, 1, 7-19.

Stronks, K., van de Mheen, H., van den Bos, J. & Mackenbach, J.P. (1997). The interrelationship between income, health, and employment. *International Journal of Epidemiology, 26*, 592-600.

U.S. Department of Housing and Urban Development. (1995). Urban policy brief, 2. Washington, DC: U.S. Department of Housing and Urban Development.

Varady, D. (1986). Neighborhood confidence: A critical factor in neighborhood revitalization? Environment and Behavior, 18, 480-501.

Vitt, L. (1993). Homeownership, well-being, class and politics: Perceptions of American homeowners and renters. Doctoral dissertation, American University, Department of Sociology.

Wolfe, Edward N. (1995). Top Heavy: A Study of the Increased Inequality of Wealth in America. New York: Twentieth Century Fund.

Yadama, G. & Sherraden, M. (1996). Effects of assets on attitudes and behaviors: A Advance test of a social policy proposal. Social Work Research, 20, 1, 3-12.

Yelin, E. (1997). The earnings, income, and assets of persons aged 51-61 with and without musculoskeletal conditions. *The Journal of Rheumatology, 24*, 2024-2030.

Appendix A: Summary of Research on Effects of Assets on Neighborhoods, Families and Children

Table 1: Effects of Homeownership on Property Values

Study	Description	Findings
Page-Adams & Vosler (1997)	Study of 193 laid off UAW members to test the effects of homeowning on four measures of well-being including economic strain.	Finds that homeowning reduces subjective sense of economic strain.
Rohe & Stewart (1996)	Examines 1980 and 1990 census data to determine what social factors influence housing price increases over that ten-year period.	Finds that census tract level homeownership rate does have significant impact on property value increases—a 1% increase in tract homeownership rates increases increase homeownership values by $800.
HUD (1995)	Examines findings of general trend data in the area of housing valuation as followed by HUD. Examines housing priced from 1960-1989.	Reports that between 1960-1989, median home price increased by a total of 41% and lowest price homes increased 30% on average.
Gyourko & Linneman (1993)	Economic analysis of the Annual Housing Survey, 1960-1989. Attempts to determine price changes to determine whether homes quality remained affordable for low to moderate-income workers.	Finds that housing values increased on average across the price distribution, and outpaced wages.
Oliver & Shapiro (1995)	Study of 11,257 households to determine sources of household wealth equity and differences by race.	Finds that home equity accounts for 43.3% of white household wealth and 62.5% of African-American household wealth.

7-14

Table 2: Effects of Homeownership on Residential Mobility

Study	Description	Findings
Rohe & Stewart (1996)	Literature review of all major studies of residential mobility.	Of 11 articles reviewed, ten find homeowners are less likely to be movers than are renters.
Rohe & Stewart (1996)	Study of 1980 and 1990 census data to determine whether homeowning predicts residential permanence controlling for family size, age, marital status, housing values and other factors.	Finds that homeownership at the census tract level predicts that residents will remain in an area. Estimates that a 10% increase in owner-occupied units will result in a 3.6% increase in households who stay in their homes five or more years.
Buckhauser, Butrica & Wasylenko (1995)	Using PSID multiyear data, (1970-1980) authors study whether differences exist in elderly and non-elderly mobility rates from distressed neighborhoods.	Finds that younger homeowners are three times more likely to leave distressed neighborhoods than are elderly homeowners are.
Forrest (1987)	Examines general trend data in Britain to study relationships between homeownership, residential mobility and labor market participation.	Finds homeowners less likely to move than renters, single people and younger people.
McHugh (1985)	Using survey methods studies 167 households in two metropolitan areas to determine reasons for moving and not moving.	Finds that homeownership, employment and school attendance reduced desire to move.
Pickvance (1973)	Uses path analysis methodology to study factors associated with residential mobility in five communities in Manchester, England. Examines housing characteristics, life cycle stages, and tenure, among other factors.	Finds homeownership to be the strongest predictor of tenure mobility.
Butler & Kaiser (1971)	Study of a national survey of 1,476 households' residential preferences and moving behavior to determine factors important in residential mobility.	Finds that ownership reduces residential mobility.

7-20

Table 3: Effects of Homeownership on Property Maintenance

Study	Description	Findings
Galster (1987)	Study of factors related to successful neighborhood revitalization.	Finds that homeowners are more likely to invest in maintenance upkeep and property repair, and that such effects are particularly strong in low-income neighborhoods.
Varady (1986)	Examines the Urban Homesteading Neighborhood Residents Data Set to determine factors related to revitalization. Also examines census data and windshield surveys.	Finds property maintenance correlates with homeownership, but found that effects were lessened by lack of confidence in the future of the neighborhood.
Galster (1983)	Study of factors related to housing reinvestment decisions, controlling for household characteristics, characteristics of the property and neighborhood and tenure.	Reports that homeowners are more likely to reinvest.
Mayer (1981)	Econometric model tested with 1028 Berkeley, California housing structures to determine factors impacting property investment and upkeep decisions.	Finds that owner-occupation positively impacts rehabilitation decisions.

7-21

Table 4: Effects of Homeownership on Social and Civic Participation

Study	Description	Findings
Rossi & Weber (1996)	Examines 500 questions across 3 different data sets-the General Social Survey, the National Survey of Families and Households and the American National Election Studies.	Finds little difference in level of friendship but does find differences in involvement in community involvement.
Kingston & Fries (1994)	Examines 1987 NORC General Social Survey data to determine whether business and homeowners differs in terms of sociopolitical involvements.	Finds significant differences in community or neighboring involvements.
Rohe & Stegman (1994)	Study of civic participation of 171 low-income home buyers in a Baltimore homeownership program. Examines neighboring and participation in community organizations.	Finds that homebuyers are less likely to "neighbor" but more likely to participate in neighborhood organizations.
Perkins, et al (1990)	Tests a model of community participation. Sample is of 48 blocks in an urban area, with 1081 respondents and 469 block association members also surveyed. Examines demographic, built environment, crime, and other factors.	Finds proportion of homeowners on a block increases block level participation.
Saunders (1990)	Study of homeowners in three British working class towns.	Bivariate analysis finds that renters had closer ties to neighbors and were more likely to provide informal aid.
Guest & Oropesa (1986)	Examines hypotheses that friendship networks and homeowning increase civic involvement by interviewing 1642 respondents in 20 areas of Seattle.	Finds a relationship between level of investment in a home and participation in individual and collective political action.
Ditkovsky & van Vliet (1984)	Study of 817 dwellings in five low-income neighborhoods in Tel Aviv. Examines the participation in building committees and neighborhood committees.	Finds that owners are significantly more likely than renters to be involved at both building and neighborhood participation levels.

7-22

Table 4: Effects of Homeownership on Social and Civic Participation, con't

Study	Description	Findings
Baum & Kingston (1984)	Study of survey data from 50 localities in Northern California. Attempts to examine relationship between homeowning and sense of attachment to place.	Finds homeowners more likely to participate in voluntary organizations.
Cox (1982)	Studies hypotheses that homeownership and a desire to protect property lead to increased civic involvement. Sample of 400 residents, including 100 renters, in Columbus, Ohio, during 1978-1979.	Finds that homeowners are more likely to be involved with local organizations, but they attribute involvement to higher transaction costs associated with moving rather than a desire to protect property.
Fischer (1982)	Study of 1,050 adult residents in Northern California during 1977 to determine what factors influence the size and nature of personal networks.	Finds homeowners—particularly people living in single family dwellings—have larger personal networks than those in apartments.
Steinberger (1981)	Study of survey data from 248 residents in three cities to determine factors related to political participation.	Reports that homeowners are more likely to participate in voluntary organizations.
Fischer et al (1977)	Examines a national sample of households to determine what factors increase likelihood of community and neighborhood involvement—includes home value, length of residence and presence of children.	Inclusion of control variables leads to conclusion that renters and owners are not different in terms of neighboring.

7-23

Table 5: Effects of Assets on Marital Stability

Study	Description	Findings
Bracher, Santow, Morgan & Trussell (1993)	Examines marriage dissolution using data from a representative sample of 2,547 Australian women aged 20 to 59 years.	Controlling for a number of other social and economic factors, homeownership reduces the risk of marital dissolution.
Galligan & Bahr (1978)	Longitudinal study of marital stability among 1,349 married U.S. women using data from the National Longitudinal Survey of Labor and Market Experience.	Income has little effect on marital stability, but assets as measured on the basis of net worth have a substantial effect even when controlling for income, race and education.
Hampton (1982)	Study of marital disruption among African Americans using PSID data with a sample of 575 married couples in the U.S..	Controlling for income, property and financial assets have a significant negative effect on marital disruption.
Page-Adams (1995)	Examines domestic violence using data from 2,827 married women and their husbands who responded to the National Survey of Families and Households.	Homeownership has significant negative effects on marital conflict and on domestic violence controlling for income and women's independent economic resources.
Petersen (1980)	Exploration of several measures of socio-economic status and wife abuse among a random sample of 602 married women.	Homeownership has a stronger negative relationship with wife abuse than other SES measures including income and education.

7-24

Table 6: Effects of Assets on Family Health

Study	Description	Findings
Baker & Taylor (1997)	Examines socioeconomic status and health among 11,040 mothers of infants in southwest England.	Of seven measures of socioeconomic status, homeownership had the strongest and most consistent relationship to health.
Greene & Ondrich (1990)	Study of nursing home admissions and exits among 3,332 frail older adults in the U.S. who were enrolled in The National Long Term Care Channeling Demonstration.	Homeownership, but not income or education, is negatively associated with nursing home admission and positively associated with nursing home discharge.
Hahn (1993)	Using National Medical Expenditure Survey data from 9,356 U.S. women, this study examines relationships between marriage, assets and women's health.	Controlling for income and education, homeownership has a positive effect on women's health and helps explain the relationship between marriage and health.
Pugh, Power, Goldblatt & Arber (1991)	Study of SES and lung cancer mortality among 10,212 married women in England using data from the Office of Population Censuses and Surveys Longitudinal Study.	Assets explain lung cancer mortality better than other SES measures. Women with assets are 2.5 times less likely than those without assets to die from lung cancer.
Robert & House (1996)	Explores health effects of assets using data from 3,617 U.S. adult participants in the Americans' Changing Lives Study.	Controlling for income and education, assets have positive effects on health especially for adults ages 65 to 84.
Stronks, van de Mheen, van den Bos & Mackenbach (1997)	Examines relationships between various socioeconomic measures and health among 13,391 men and women in the Netherlands who participated in the Longitudinal Study on Socio-Economic Health Differences.	Controlling for the effects of occupation, education, and employment status, an SES measure that includes homeownership is positively related to health (fewer chronic conditions and better perceived health).

7-25

Table 7: Effects of Assets on Economic Security

Study	Description	Findings
Goss & Phillips (1997)	Using a sample of 1,134 unemployment workers from the PSID, the authors examine the effect of homeownership on the duration of unemployment.	Homeownership reduces the duration of unemployment, controlling for education, occupation, race, gender, home equity, and many other social and economic variables.
Kane (1994)	Examines the role of family background, college costs, and local economic conditions on college entry using Current Population Survey data for 18 and 19 year old African American youths.	Homeownership is significantly and positively associated with high school graduation and with college entry for African Americans, controlling for other resources.
McGarry & Schoeni (1995)	Using data from the PSID and the Health and Retirement Study, the authors examined intergenerational transfers.	Controlling for a number of social and economic factors, wealth is significantly associated with financial gifts to both adult children and to parents in their older years.
Rocha (1997)	Study of economic well-being among 670 female-headed households using data from the National Survey of Families and Households (NSFH).	Single mothers with savings are significantly more likely to maintain their families above the federal poverty level than other single mothers, controlling for many social and economic factors.
Rossi & Weber (1996)	Using data from the General Social Survey and the NSFH, this study explores the social and economic benefits of homeownership.	Controlling for age and other measures of socioeconomic status, homeowners have about $11,000 more in financial assets and more debt than renters.

7-26

Table 8: Effects of Homeownership on Children's Well-Being

Study	Description	Finding
Green & White (1997)	Examines four large data sets-Panel Survey of Income Dynamics, High School and Beyond Survey, 1980 Census and the National Bureau of Economic Research-Boston Youth-to determine whether homeownership affects drop out, arrest and childbirth rates of 17 and 18 year olds.	Finds that children of homeowners are less likely to drop out or to have children than children from renter households.
Henretta (1984)	Examines Panel Study of Income Dynamics to determine whether children of homeowners, controlling for parental income and gifts, are more likely than children of renters to become homeowners.	Reports that children of homeowners are more likely to become homeowners, controlling for income and gifts.
Essen, Fogelman & Head (1977)	Study of 16,000 British youth to determine whether housing conditions impact school attainment and completion from years 11 to 16. Housing experiences evaluated at age 7, 11, and 16.	Finds that 16 year old children of homeowners are statistically more likely to have higher math and reading scores than those in council (public housing) homes.

7-28

Table 9: Effects of Financial Assets on Children's Well-Being

Study	Description	Findings
Mayer (1997)	Study of two large national data sets (PSID and the NLSY) to determine the relative impact of factors other than income on well-being outcomes of parents and children.	Finds that investment income and inherited income explain more variance in educational attainment and outcomes than did income measures.
Cheng (1995)	Studies effects of parental SES, education and asset holding on poverty among adult children with daughters. Examines 836 female heads of household using NSFH data.	Controlling for SES and education, assets have a negative relationship to likelihood of adult daughters living in poverty.
Pritchard, Myers & Cassidy (1989)	Study of 1,619 teens and parents in the 1982 cohort of the High School and Beyond Survey to determine the impact of family factors on saving and spending patterns of teens.	Finds that parental savings, particularly for college, predicted teens savings patterns.
Hill & Duncan (1987)	Study of 845 PSID cases to test effects of asset income on children's educational attainment, controlling for other factors.	Finds parental income from assets impacts education but not wages of adult children.