Volume Title: Studies in the National Balance Sheet of the United States, Vol. 1

Volume Author/Editor: Raymond W. Goldsmith and Robert E. Lipsey

Volume Publisher: Princeton University Press

Volume ISBN: 0-691-04179-2

Volume URL: http://www.nber.org/books/gold63-1

Publication Date: 1963

Chapter Title: Home Ownership and Mortgage Debt in Relation to Family Characteristics

Chapter Author: Raymond W. Goldsmith, Robert E. Lipsey

Chapter URL: http://www.nber.org/chapters/c3935

Chapter pages in book: (p. 328 - 352)

CHAPTER 12

Home Ownership and Mortgage Debt in Relation to Family Characteristics

CHAPTERS 10 and 11 showed that homes account for more than half the tangible assets and roughly a quarter of the total assets of nonfarm households and that mortgages are larger than all other household liabilities combined. The acquisition and financing of housing are therefore the most important decisions most families make about the composition of their balance sheets. Despite the importance of housing in the balance sheet of the household sector as a whole, its importance to individual households varies considerably. Even in 1960, after fifteen years of increasing home ownership, almost 40 per cent of nonfarm households had no housing assets (Table A-9). The other 60 per cent included some families who owned houses but offset most of their value by mortgage debt and some who owned them outright.

The purpose of this chapter is to determine which characteristics of families are associated with different types of housing and mortgage arrangements. Several earlier studies have found that home-owners differ from renters in many respects other than the fact of home ownership.[1] Home-owners are older than renters and have higher incomes and assets, and larger families. Or, to turn the statement around, the extent of home ownership rises with increasing age, income, wealth, and family size. However, the published data show very few cross classifications of these variables. It has, therefore, been difficult to say how much of the influence of each variable was due to its correlation with other explanatory variables, especially since income, wealth, age, and family size are all correlated with each other.

New data on nonfarm families, compiled for this report from the answers to the 1950 Survey of Consumer Finances, permit a closer examination of some of these relationships.[2] They include further cross classification of explanatory variables, with a more detailed breakdown of each than is available in the published data. In addition, they pro-

[1] For example, *1950 Survey of Consumer Finances*, Part V (*Federal Reserve Bulletin*, December 1950), Table 15; *1959 Survey of Consumer Finances*, Part III (*Federal Reserve Bulletin*, September 1959), Supplementary Tables 1, 2, and 13-15; *U.S. Census of Housing: 1950*, Washington, 1953, Vol. II, Ch. 1, Table A-10; Sherman Maisel and Louis Winnick, "Family Housing Expenditures: Elusive Laws and Intrusive Variances" in *Consumption and Saving*, ed. by Irwin Friend and Robert Jones, Vol. I, Philadelphia, 1960.

[2] The data on which this chapter is based come from a retabulation of answers to the 1950 Survey of Consumer Finances by the Survey Research Center of the University of Michigan. We are deeply indebted to the Survey Research Center, and particularly to Mr. Charles Lininger, for their cooperation.

vide a breakdown of home-owners between those whose homes are mortgaged and those whose homes are debt-free. As will be seen later, this is a very important distinction, more significant for some purposes than the distinction between home-owners and renters. We refer to the breakdown of spending units into home-owners without mortgages, home-owners with mortgages, and renters as the classification by "housing status."

Gross Relationships Between Housing Status and Other Variables

1. *Income.* Owners of mortgaged homes had median incomes more than 25 per cent higher than those of renters or of home-owners without mortgages. More of them were in the highest income classes and fewer in the lowest classes. Home-owners without mortgages and renters had very similar average incomes but different distributions, the renters being more heavily concentrated in the middle of the income range while the home-owners without mortgages had a greater proportion in both the lowest and the highest income brackets.

2. *Occupation.* The most conspicuous feature of the occupational distribution is the high proportion of retired heads of households among owners of nonmortgaged homes: almost 15 per cent compared with less than 4 per cent in the other two groups. Owners of mortgaged homes were disproportionately concentrated in managerial and skilled and semiskilled occupations; and renters, in professional and semiprofessional, clerical and sales, and unskilled and service occupations.

3. *Age.* As is suggested by the occupational distribution, home-owners without mortgages were older than the other groups. More than half of them were 55 or over, compared with less than 20 per cent among other home-owners and renters. Only 6.5 per cent of them were under 35, compared with 27 per cent for other home-owners and 39 per cent among renters, the youngest group. Over 54 per cent of home-owners with mortgages were in the 35-54 age bracket, compared with 39-41 per cent of the other two groups.

4. *Wealth.* While owners of mortgaged homes were high in the income distribution and other home-owners and renters were considerably below them, the wealth criterion produces a very different order. Judged by either net worth or total assets, home-owners without mortgages were far in the lead. Their average net worth was $22,000 compared with $12,000 for owners of mortgaged homes and $4,800 for renters (Table 91). Debt was important only for home-owners with mortgages, for whom it averaged slightly over $4,000 per spending unit. The ranking of the three groups by total assets is therefore the

TABLE 90

DISTRIBUTION OF NONFARM HOME-OWNERS AND RENTERS BY FAMILY CHARACTERISTICS, 1950
(per cent)

	Nonfarm Home-Owners		
	Without Mortgages	With Mortgages	Nonfarm Primary Renters
Income (dollars)[a]			
Under 1,000	16.5	4.0	8.6
1,000 - 1,999	17.4	6.1	17.3
2,000 - 2,999	18.3	19.2	21.6
3,000 - 3,999	17.4	23.2	24.1
4,000 - 4,999	9.2	19.2	13.0
5,000 - 7,499	11.9	19.2	9.9
7,500 and over	6.4	7.1	3.7
Not ascertained	0.9	1.0	1.2
Median income (thousand dollars)	2.9	3.9	3.1
Occupation			
Professional and semiprofessional	5.5	6.1	8.6
Self-employed	12.8	13.1	7.4
Managerial	3.7	8.1	3.7
Clerical and sales	8.3	13.1	14.2
Skilled and semiskilled	24.8	40.4	30.9
Unskilled and service	10.1	8.1	14.2
Retired	14.7	2.0	3.7
All other (including occupation not ascertained)	20.2	8.1	17.9
Age of Head of Household			
18 - 24	0.9	3.0	6.2
25 - 34	5.5	24.2	32.7
35 - 44	16.5	30.3	24.7
45 - 54	22.9	24.2	16.7
55 - 64	26.6	10.1	9.3
65 and over	25.7	7.1	8.6
Not ascertained	0.9	1.0	1.2
Median age	56.6	42.5	39.5
Assets (dollars)			
0			12
100 - 400	1		16
500 - 900	1		13
1,000 - 1,900	2	2	17
2,000 - 4,900	10	8	23
5,000 - 9,900	26	30	10
10,000 - 24,900	38	47	7
25,000 - 59,900	16	10	2
60,000 and over	6	2	1
Median assets (thousand dollars)	13.9	13.2	1.5
Average assets (thousand dollars)	22.3	16.1	5.1
Average net worth (thousand dollars)	22.0	11.9	4.8

[a] 1949 money income before taxes.

TABLE 91

AVERAGE ASSETS, DEBT, AND NET WORTH, BY HOUSING STATUS, 1950
(thousand dollars)

	Home-Owners		
	Without Mortgages	With Mortgages	Renters
Value of house	7.9	8.9	
Total assets	22.3	16.1	5.1
Debt	0.3	4.2	0.3
Net worth	22.0	11.9	4.8
Total assets, excl. house	14.4	7.2	5.1

same as that by net worth. But the average for home-owners with mortgages is closer to that of other home-owners in total assets than in net worth.

The greater average wealth of the owners of unencumbered homes is not explained by their larger home equity. On the basis of assets other than homes, the home-owners without mortgages are still the wealthiest group, with average assets other than homes of over $14,000. Other home-owners were far behind at $7,200 and renters lower still with $5,100.

5. *Summary*. Home-owners without mortgages appear to be older and wealthier than the other groups but with a substantial number receiving low incomes, probably because they were retired. Home-owners with mortgages had the highest incomes and tended to be in the middle of the age ranks and the wealth distribution, with much of their wealth in the form of homes. Renters were mostly young and at the bottom of the income and wealth distributions.

Some of these gross relationships among variables may turn out on further examination to represent stages in the life cycle, or they may reflect mainly the interrelationships among the explanatory variables. It will be the task of the rest of this chapter to see which of these relationships survive further cross-classification of the variables.

Age and Wealth

One possible explanation of the differences in age, income, and wealth among the three housing status groups is that age is the fundamental variable and the others are only reflections of it. This implies that the recorded data reflect not lifetime income and wealth but only the fact that families were observed at different stages of their working lives: that the poor, young renters were destined to become the middle-aged owners of mortgaged homes with some assets and peak incomes and eventually to change into the older home-owners without mortgages, with diminished incomes but relatively large assets.

If this hypothesis were correct, we would expect to find that housing status was not related to wealth within age groups but was related to age within wealth groups. Table 92 eliminates this possibility. Within age classes, the relation of housing status to wealth seems at least as strong as in the aggregate, whether wealth is measured by total assets, assets other than homes, or net worth. The relationship is not only strong but very consistent as well. Owners of nonmortgaged homes are wealthier than owners of mortgaged homes and the latter are wealthier than tenants in every total asset and net worth comparison within age groups. Only in the comparison using assets other than houses is there a single case where the renter class is wealthier than the home-owners with mortgages. The same conclusion can be drawn from Table 93 which shows the asset-size distribution by age and housing status. At almost every age more than 50 per cent of the renters had assets of less than $2,000, while these asset classes did not hold more than 8 per cent of the home-owners. And at every age but the youngest, 20 per cent or more of the home-owners without mortgages and 13 per cent or more of those with mortgages owned at least $25,000 of assets, compared with 7 per cent or less among the renters.

Differences between the two home-owner groups do not stand out as clearly as those between owners and renters but home-owners without mortgages consistently had a higher proportion in the two top asset classes. One reason the relationship is not as clear as in Table 92 is that Table 93 uses total assets instead of net worth and thus overstates the wealth of home-owners with mortgages.

Is it possible, then, that age, instead of being the primary variable, is of no importance at all, and that the apparent relationship to housing status is due only to its relationship to the wealth variable? If this were so, we would expect to find no relationship between age and housing status within wealth groups. This possibility is tested in Table 94.[8]

In every asset-size class home-owners without mortgages have higher proportions of their number in the over 65 and 55-64 age groups than either of the other housing status classes, and the lowest proportion in the 25-34 group. Between home-owners with mortgages and renters, no clear age pattern emerges. It would appear that wealth is a much more important factor than age in the choice between home rental and ownership of a mortgaged house.

[8] The lowest asset classes lack data for home-owners because there are very few home-owners whose gross assets were less than $500 or even $2,000.

TABLE 92

AVERAGE VALUE OF ASSETS AND NET WORTH, BY HOUSING STATUS AND AGE OF HEAD OF SPENDING UNIT, 1950
(thousand dollars)

	ASSETS			ASSETS OTHER THAN HOUSE			NET WORTH		
	Home-Owners			*Home-Owners*			*Home-Owners*		
AGE	Without Mortgages	With Mortgages	Renters	Without Mortgages	With Mortgages	Renters	Without Mortgages	With Mortgages	Renters
18 - 24	15.0	6.0	1.0	3.0	2.0	1.0	15.0	3.3	0.8
25 - 34	12.8	12.0	3.0	6.2	3.9	3.0	12.5	7.5	2.5
35 - 44	18.7	17.5	4.0	10.2	8.6	4.0	18.1	13.0	3.6
45 - 54	18.1	17.8	12.8	10.4	8.3	12.8	17.8	13.1	12.6
55 - 64	31.5	20.4	4.9	23.0	9.5	4.9	31.1	17.7	4.7
65 and over	22.1	17.0	5.4	14.6	7.7	5.4	21.9	14.1	5.4
Not ascertained	21.0	16.0	3.5	12.0	7.0	3.5	21.0	9.0	3.5
Total	22.3	16.1	5.1	14.1	7.2	5.1	22.0	11.9	4.8

TABLE 93

ASSET-SIZE DISTRIBUTION OF SPENDING UNITS BY AGE AND HOUSING STATUS, 1950
(per cent)

Age of Head	0	$100-$400	$500-$900	$1,000-$1,900	$2,000-$4,900	$5,000-$9,900	$10,000-$24,900	$25,000-$59,900	$60,000 and Over	Total
18-24										
Home-owners without mortgages										
Home-owners with mortgages										
Primary renters	17	34	21	20	6		2			100
25-34										
Home-owners without mortgages		3		4	12	24	49	7	1	100
Home-owners with mortgages					9	41	45	4	1	100
Primary renters	9	21	17	16	22	9	6			100
35-44										
Home-owners without mortgages		2		6	13	23	32	20	4	100
Home-owners with mortgages		1		3	8	30	45	11	2	100
Primary renters	7	15	14	17	25	10	8	3		100
45-54										
Home-owners without mortgages			2	1	10	28	38	17	3	100
Home-owners with mortgages				1	6	21	57	12	2	100
Primary renters	9	6	6	21	28	15	8	4	3	100
55-64										
Home-owners without mortgages			2	1	7	23	44	17	7	100
Home-owners with mortgages				2	7	25	53	10	3	100
Primary renters	21	9	6	16	25	12	10	1	1	100
65 and Over										
Home-owners without mortgages		1	1	2	11	28	36	14	8	100
Home-owners with mortgages		[a]	3	3	13	28	33	15	5	100
Primary renters	25	16	10	13	17	5	8	3	3	100

[a] Number of cases very small.

TABLE 94

AGE DISTRIBUTION OF SPENDING UNITS BY ASSET SIZE AND HOUSING STATUS, 1950

(per cent)

Asset-Size Class (dollars)	*Age of Head of Family* 18-24	25-34	35-44	45-54	55-64	65 and Over	Age Not Ascertained	Total
500-900[a]								
Primary renters	9.9	41.8	27.7	8.4	4.4	6.8	1.1	100.0
1,000-1,900[a]								
Primary renters	7.3	30.3	25.5	20.6	9.3	6.6	0.4	100.0
2,000-4,900								
Home-owners without mortgages	1.0	6.5	21.1	23.4	18.8	26.2	3.0	100.0
Home-owners with mortgages	7.9	26.0	28.9	18.2	8.8	10.2		100.0
Primary renters	1.8	31.2	27.7	21.0	10.5	6.6	1.2	100.0
5,000-9,900								
Home-owners without mortgages	2.8	5.0	14.7	25.5	23.5	27.0	1.5	100.0
Home-owners with mortgages	1.9	33.9	30.2	17.2	8.9	6.4	1.4	100.0
Primary renters		30.5	24.9	25.7	11.5	4.7	2.8	100.0
10,000-24,900								
Home-owners without mortgages		7.1	14.1	23.2	30.5	24.3	0.8	100.0
Home-owners with mortgages	1.0	23.4	28.6	29.6	11.7	4.6	1.1	100.0
Primary renters	2.0	27.9	27.0	19.3	13.2	9.6	1.0	100.0
25,000-59,900								
Home-owners without mortgages	1.2	2.4	20.8	25.3	27.8	21.7	0.7	100.0
Home-owners with mortgages	1.2	9.7	34.6	31.0	10.8	10.3	2.4	100.0
Primary renters		7.0	41.3	34.2	4.5	13.0		100.0
60,000 and Over								
Home-owners without mortgages		1.5	13.5	14.6	33.2	35.3	1.9	100.0
Home-owners with mortgages		12.9	34.7	25.0	12.6	14.9		100.0
Primary renters		9.9		55.3	8.9	25.8		100.0

[a] Number of home-owners in sample too small to give distribution for them.

This section can be summarized, then, by two statements: First, housing status is related to wealth (as measured by gross assets or net worth) within every age group, renters being the poorest and home-owners without mortgages the wealthiest. Secondly, housing status is related to age only to the extent that home-owners without mortgages tend to be older than members of the other two classes. There is little difference in age distribution between renters and home-owners with mortgages once wealth has been taken into account.

Income and Wealth

It was seen in Table 90 that owners of mortgaged homes had considerably higher incomes than members of the other two groups. Renters and owners of nonmortgaged homes earned about equal average incomes—the former group concentrated at the middle of the income distribution and the latter spread out more toward the extremes. Two questions immediately arise regarding the income-wealth relationships: One is whether income has any effect on housing status once wealth has been taken into account. The other is whether wealth, which successfully survived the test of the age variable, has any independent influence on housing status after income has been taken into account.

It is convenient to divide the first of these questions into two parts, one comparing home-owners with and without mortgages and the other comparing renters with owners of mortgaged homes. It is clear that the greater income of owners of mortgaged homes compared to owners of unencumbered homes cannot be ascribed to greater wealth. In fact, it is just the opposite—it is the home-owners without mortgages who are wealthier. But in comparison with renters, home-owners with mortgages have greater wealth and greater income. Therefore Table 95 investigates whether the income variable is related to housing status within wealth groups.

As might be expected, the elimination of the effect of wealth accentuates the difference in income level between owners of nonmortgaged homes and the other groups, showing them to be, within each wealth group, at lower income levels than not only owners of mortgaged homes but also renters. On the other hand, income differences between renters and mortgage debtors virtually disappear within asset size classes; renters even have higher incomes in a number of cases.

The test performed in Table 95 is reversed in Table 96, where the relation of wealth (gross assets) to housing status is examined within income classes. As in the earlier test with the age variable, wealth proves again to be very strongly associated with housing status. Within every income class except the one under $1,000, renters have the least assets, owners of mortgaged homes more, and owners of mortgage-free homes the most.[4] Only in the lowest income class did the two home-owner groups exchange places.

The relationship between housing status and asset holdings within income groups can be measured not only by wealth distributions, as in Table 96, but also by average total asset holdings or net worth within income classes (Table 97). The figures for total assets confirm the conclusions drawn from Table 96. At every income level except the lowest, home-owners without mortgages possess the most assets. Home-owners with mortgages hold less, and renters the least. The ranking was the same for net worth and in this case the under-$1,000 class is no longer an exception.

[4] The influence of age may be hidden in the wealth variable here.

TABLE 95

INCOME DISTRIBUTION OF SPENDING UNITS BY ASSET SIZE AND HOUSING STATUS, 1950
(per cent)

Asset-Size Class (dollars)	*Money Income (1949) Before Taxes*								
	Under $1,000	$1,000-$1,999	$2,000-$2,999	$3,000-$3,999	$4,000-$4,999	$5,000-$7,499	$7,500 and Over	Not Ascertained	Total
All Asset Classes									
Home-owners without mortgages	16	18	19	17	10	12	7	1	100
Home-owners with mortgages	4	6	19	23	20	19	8	1	100
Renters	9	18	21	24	13	10	4	1	100
Under 2,000									
Home-owners without mortgages	60	26	9	5					100
Home-owners with mortgages	7	15	51	27					100
Renters	14	26	26	21	9	4		1	100
2,000-4,900									
Home-owners without mortgages	37	22	28	10	2	2			100
Home-owners with mortgages	3	16	43	27	7	1		4	100
Primary renters	1	8	19	36	21	13	2	1	100
5,000-9,900									
Home-owners without mortgages	23	22	28	19	4	4		1	100
Home-owners with mortgages	5	10	25	30	20	11			100
Primary renters	2	5	11	26	17	32	6	1	100
10,000-24,900									
Home-owners without mortgages	10	18	16	24	16	15	2	1	100
Home-owners with mortgages	3	3	12	23	24	29	4	1	100
Primary renters	4	4	18	20	12	22	20	1	100
25,000 and Over									
Home-owners without mortgages	2	7	11	11	11	24	29	4	100
Home-owners with mortgages	2		5	6	14	21	49	3	100
Primary renters			2	10	15	15	50	8	100
25,000-59,900									
Home-owners without mortgages	3	9	13	14	12	27	16	5	100
Home-owners with mortgages	3		6	8	17	22	40	4	100
Primary renters[a]			2	9	19	21	40	11	100
60,000 and Over									
Home-owners without mortgages		2	7		8	16	66	1	100
Home-owners with mortgages						13	87		100
Primary renters[a]			3	13	7	3	71	3	100

[a] Number of cases very small.

TABLE 96

ASSET-SIZE DISTRIBUTION OF SPENDING UNITS BY INCOME AND HOUSING STATUS, 1950
(per cent)

	Assets (hundreds of dollars)									
Income (dollars)	0	1 to 4	5 to 9	10 to 19	20 to 49	50 to 99	100 to 249	250 to 599	600 and Over	Total
Under 1,000										
Home-owners without mortgages	1	2	6	7	23	36	22	3		100
Home-owners with mortgages				6	6	38	42	8		100
Primary renters	47	24	11	10	2	2	3			100
1,000-1,999										
Home-owners without mortgages		3	2	1	13	33	39	8	1	100
Home-owners with mortgages				7	22	48	23			100
Primary renters	28	27	15	16	10	3	2			100
2,000-2,999										
Home-owners without mortgages				2	15	38	31	11	2	100
Home-owners with mortgages			1	7	19	40	30	3		100
Primary renters	7	23	16	23	20	5	6			100
3,000-3,999										
Home-owners without mortgages				1	6	28	52	13		100
Home-owners with mortgages		1		2	10	38	46	3		100
Primary renters	2	11	16	20	34	10	6	1	1	100
4,000-4,999										
Home-owners without mortgages					2	10	62	20	5	100
Home-owners with mortgages					3	30	59	8		100
Primary renters	3	7	10	19	38	13	7	3	1	100
5,000-7,499										
Home-owners without mortgages					2	8	47	35	7	100
Home-owners with mortgages					1	16	71	11	1	100
Primary renters		4	6	10	29	31	15	4		100
7,500 and Over										
Home-owners without mortgages							9	38	53	100
Home-owners with mortgages							25	51	25	100
Primary renters			2	1	10	16	35	19	17	100

(continued)

TABLE 96 (concluded)

	Assets (hundreds of dollars)									
Income (dollars)	0	1 to 4	5 to 9	10 to 19	20 to 49	50 to 99	100 to 249	250 to 599	600 and Over	Total
All Classes										
Home-owners without mortgages		1	1	2	10	26	38	16	6	100
Home-owners with mortgages				2	8	30	47	10	2	100
Primary renters	12	16	13	17	23	10	7	2	1	100

Two other comparisons in Table 97 are of interest. The higher average house values for mortgaged houses appear to be a result of the distribution of home-owners by income—the fact that owners of mortgaged homes are concentrated in the upper income brackets. Within income classes there was no consistent relationship; mortgaged houses were of lower average value than nonmortgaged ones at four out of seven income levels.

The high wealth rank of home-owners without mortgages carries over into assets other than housing. Their average holdings are more than twice as high as those of the other groups, except at the highest and lowest incomes. But renters and home-owners with mortgages do not differ greatly in this respect. In the three lowest income classes the home-owners have larger assets, and in the two highest income groups the renters are wealthier.

To summarize our findings up to this point, the combination of wealth with either age or income differentiates owners of nonmortgaged homes from renters and owners of mortgaged homes. But the two latter groups are distinguished only by differences in wealth. They are quite similar in age and in income within levels of wealth. And, within levels of income, they are alike in holdings of assets other than homes.

Income and Age

The relationship between income and housing status observed so far is that low income is associated with ownership of mortgage-free homes. This is not a very satisfactory one, particularly in view of the fact that large assets are also associated with mortgage-free home ownership. It is obvious that income is acting as a proxy for other variables—age, in particular. It would be desirable, therefore, to investigate income as a

TABLE 97

AVERAGE VALUE OF ASSETS BY INCOME AND HOUSING STATUS, 1950
(thousand dollars)

INCOME (DOLLARS)	HOUSE: Nonfarm Home-Owners: Without Mortgages	HOUSE: Nonfarm Home-Owners: With Mortgages	NET WORTH: Nonfarm Home-Owners: Without Mortgages	NET WORTH: Nonfarm Home-Owners: With Mortgages	NET WORTH: Renters	TOTAL ASSETS: Nonfarm Home-Owners: Without Mortgages	TOTAL ASSETS: Nonfarm Home-Owners: With Mortgages	TOTAL ASSETS: Renters	TOTAL ASSETS EXCEPT HOUSE: Nonfarm Home-Owners: Without Mortgages	TOTAL ASSETS EXCEPT HOUSE: Nonfarm Home-Owners: With Mortgages	TOTAL ASSETS EXCEPT HOUSE: Renters
Under 1,000	4.5	6.5	7.7	7.5	0.9	7.7	9.5	1.1	3.2	3.0	1.1
1,000-1,999	6.4	6.0	11.8	6.0	0.9	11.9	8.3	1.1	5.5	2.3	1.1
2,000-2,999	6.4	6.3	13.8	4.6	2.1	14.0	8.7	2.3	7.5	2.5	2.3
3,000-3,999	7.6	7.7	14.6	7.6	3.3	14.9	11.2	3.5	7.3	3.6	3.5
4,000-4,999	10.2	8.8	22.0	10.0	4.5	22.3	13.8	4.8	12.1	5.0	4.8
5,000-7,499	9.6	10.7	30.5	12.6	6.8	31.3	17.9	7.4	21.7	7.2	7.4
7,500 and over	20.7	20.3	118.0	57.3	52.5	119.3	65.1	54.3	98.6	44.9	54.3
Not ascertained	14.0	10.0	37.0	19.0	9.0	39.0	24.0	10.5	25.0	14.0	10.5
Total	7.9	8.9	22.0	11.9	4.8	22.3	16.1	5.1	14.4	7.2	5.1

variable within age groups. Unfortunately the Survey Research Center data on which this chapter is based do not permit such an analysis. However, data from the Consumers Union panel, collected for Part Two of this volume, can be made use of here, even though they apply to 1958 instead of 1950 and are not a random sample of the population. They do have the advantage of extending into much higher income levels than the SRC data.[5]

One suspicion mentioned earlier—that the low income of owners of nonmortgaged homes was a reflection of age and retirement—is confirmed by these data (Table 98). Low-income home-owners without mortgages are heavily concentrated in the age group of 65 and over, much more so than upper-income home-owners or other groups. Renters within all but the highest-income classes are heavily concentrated in the age group of below 35, home-owners with mortgages in the 30-49 age group, and mortgage-free families in the 45 and over group. Thus age, which did not differentiate renters from owners of mortgaged homes within wealth classes, does appear to be significant within income classes.

Within age groups the association of unencumbered home ownership with low income largely disappears (Table 99). Owners of mortgage-free homes appear in the $25,000 and over income class far more frequently than any other group, at most ages. They also, however, appear in the low-income classes more frequently than do the owners of mortgaged homes who show the smallest proportion at the bottom of the income scale.

The most consistent feature of this table is the almost complete absence of owners of mortgaged homes with incomes over $25,000. There are only eighteen of them, all under 35 years old, out of 471 families in the sample in this income class. In the sample as a whole more than half of the families owned mortgaged homes.

We can summarize the CU survey data by saying that the age variable was responsible for most of the association of debt-free ownership with low income. Taking age into account, debt-free home ownership was typical of the highest-income classes. However, families with low incomes were more frequent among home-owners without mortgages than among those with mortgages even within age classes, although the former group had higher assets. This suggests the presence of a group whose current income was below their customary income—perhaps a group with highly fluctuating incomes—who shunned debt on that account. This possibility is reinforced by the occupation data in Table 90 which show that the self-employed have a higher proportion of mortgage-free homes than most of the other occupational groups.

[5] Some of the characteristics of the Consumers Union sample are discussed in Part Two.

TABLE 98

AGE DISTRIBUTION OF FAMILIES BY INCOME AND HOUSING STATUS, 1958 CONSUMERS UNION SURVEY DATA
(per cent)

	Age of Head of Family										
Income (dollars)	Under 25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65 and Over	Total
Under 3,000											
Home-owners without mortgages		9.1	6.8		4.5	6.8	15.9	6.8	4.5	45.4	100.0
Home-owners with mortgages	6.2	9.4	18.8	15.6	18.8	12.5	6.2		9.4	3.1	100.0
Renters	11.4	35.4	15.2	7.6	3.8	8.9	3.8	1.3	2.5	10.1	100.0
3,000-3,999											
Home-owners without mortgages	1.4	8.2	6.8	15.1	6.8	11.0	6.8	13.7	4.1	26.0	100.0
Home-owners with mortgages	3.9	9.1	24.7	15.6	13.0	9.1	6.5	3.9	5.2	9.1	100.0
Renters	8.8	35.1	20.3	13.5	7.4	3.4	4.7	2.7	2.7	1.4	100.0
4,000-4,999											
Home-owners without mortgages	0.7	6.8	8.8	4.8	10.2	14.3	12.9	14.3	6.1	21.1	100.0
Home-owners with mortgages	5.1	20.5	21.4	14.5	14.1	8.1	4.7	4.3	3.8	3.4	100.0
Renters	5.0	36.7	27.0	10.3	7.8	6.3	1.6	2.8	0.6	1.9	100.0
5,000-7,499											
Home-owners without mortgages	0.3	3.6	8.0	15.2	13.6	12.1	15.0	10.4	9.1	12.7	100.0
Home-owners with mortgages	1.4	14.8	28.5	23.8	12.8	8.0	5.4	3.3	1.2	0.7	100.0
Renters	3.0	29.4	30.1	14.7	7.7	5.9	4.5	2.2	1.3	1.2	100.0

7,500-9,999											
Home-owners without mortgages	0.6	2.6	7.1	11.7	15.6	17.3	14.9	12.7	10.1	7.4	100.0
Home-owners with mortgages	0.1	10.7	27.6	24.8	16.0	9.9	6.5	2.6	1.0	0.8	100.0
Renters	1.6	24.0	27.5	20.4	9.5	5.5	3.5	5.1	1.5	1.4	100.0
10,000-14,999											
Home-owners without mortgages	0.4	1.8	7.8	10.3	13.7	16.5	16.7	14.1	9.6	9.1	100.0
Home-owners with mortgages	0.1	4.9	22.4	25.1	19.9	13.0	8.2	3.9	1.9	0.6	100.0
Renters	1.4	12.6	27.9	17.8	15.3	9.8	6.6	4.3	3.0	1.4	100.0
15,000-24,999											
Home-owners without mortgages	0.3	1.6	5.9	6.5	13.1	13.1	22.2	15.0	11.4	10.8	100.0
Home-owners with mortgages	0.1	2.6	14.8	26.2	20.1	15.5	9.8	7.1	2.3	1.5	100.0
Renters		6.0	17.9	14.6	15.9	13.2	15.2	8.6	4.6	4.0	100.0
25,000 and Over											
Home-owners without mortgages		0.5	6.3	18.7	21.0	16.7	14.6	11.4	5.3	5.6	100.0
Home-owners with mortgages		27.8	72.2								100.0
Renters		3.5	8.8	22.8	10.5	15.8	7.0	8.8	14.0	8.8	100.0

TABLE 99

INCOME DISTRIBUTION OF FAMILIES BY AGE AND HOUSING STATUS, 1958 CONSUMERS UNION SURVEY DATA
(per cent)

	Income of Family (dollars)								
Age	Under 3,000	3,000-3,999	4,000-4,999	5,000-7,499	7,500-9,999	10,000-14,999	15,000-24,999	25,000 and Over	Total
Under 25									
Home-owners without mortgage	[a]	10.0[a]	10.0[a]	20.0[a]	30.0[a]	20.0[a]	10.0[a]		100.0
Home-owners with mortgages	3.9	5.9	23.5	52.9	5.9	5.9	2.0		100.0
Renters	9.3	13.4	16.5	37.1	14.4	9.3			100.0
25-29									
Home-owners without mortgages	5.4	8.1	13.5	31.1	18.9	13.5	6.8	2.7	100.0
Home-owners with mortgages	0.4	1.0	6.7	39.4	33.5	15.7	2.7	0.7	100.0
Renters	3.3	6.1	13.8	41.7	24.2	9.5	1.1	0.2	100.0
30-34									
Home-owners without mortgages	1.5	2.5	6.6	26.3	19.2	22.2	9.1	12.6	100.0
Home-owners with mortgages	0.3	1.0	2.7	29.1	33.0	27.4	5.8	0.7	100.0
Renters	1.3	3.2	9.2	38.7	25.2	19.0	2.9	0.5	100.0
35-39									
Home-owners without mortgages		3.3	2.1	29.6	19.0	17.5	6.0	22.4	100.0
Home-owners with mortgages	0.3	0.7	1.9	24.9	30.4	31.3	10.6		100.0
Renters	1.1	3.6	5.9	31.6	31.2	20.3	3.9	2.3	100.0
40-44									
Home-owners without mortgages	0.5	1.3	3.8	22.3	21.3	19.5	10.2	21.1	100.0
Home-owners with mortgages	0.5	0.8	2.6	19.4	28.5	36.3	11.8		100.0
Renters	0.9	3.2	7.4	27.4	23.8	28.5	7.1	1.8	100.0

(continued)

Occupation and Wealth

It is not surprising that the relationship between wealth and housing status survives the breakdown of spending units by occupation as it did the differentiation by age and income. We have not, therefore, reproduced the occupational breakdown in detail, although it would be of considerable interest if there were further cross classification by income

	Income of Family (dollars)								
Age	Under 3,000	3,000-3,999	4,000-4,999	5,000-7,499	7,500-9,999	10,000-14,999	15,000-24,999	25,000 and Over	Total
45-49									
Home-owners without mortgages	0.7	2.0	5.2	19.4	23.1	23.1	10.0	16.4	100.0
Home-owners with mortgages	0.5	0.9	2.3	18.8	27.2	36.3	14.0		100.0
Renters	2.9	2.1	8.3	29.5	19.5	25.7	8.3	3.7	100.0
50-54									
Home-owners without mortgages	1.6	1.2	4.4	22.7	18.7	22.0	15.9	13.6	100.0
Home-owners with mortgages	0.4	1.0	2.1	19.7	27.7	35.5	13.7		100.0
Renters	1.8	4.2	3.0	32.1	17.9	25.0	13.7	2.4	100.0
55-59									
Home-owners without mortgages	0.9	2.9	6.2	19.8	20.1	23.3	13.6	13.3	100.0
Home-owners with mortgages		1.1	3.6	23.0	21.2	32.1	19.0		100.0
Renters	0.8	3.1	6.9	20.8	33.8	20.8	10.0	3.8	100.0
60-64									
Home-owners without mortgages	0.8	1.3	3.8	24.9	22.8	22.8	14.8	8.9	100.0
Home-owners with mortgages	2.5	3.3	7.4	18.9	18.0	36.1	13.9		100.0
Renters	2.8	5.6	2.8	22.5	18.3	26.8	9.9	11.3	100.0
65 and Over									
Home-owners without mortgages	6.7	6.4	10.4	27.5	13.4	17.1	11.1	7.4	100.0
Home-owners with mortgages	1.4	9.7	11.1	19.4	23.6	19.4	15.3		100.0
Renters	12.9	3.2	9.7	22.6	19.4	14.5	9.7	8.1	100.0

[a] Based on a very small number of observations.

or age. We do show in Table 100, however, one aspect of the occupational distribution—the distinction between the retired and the employed.

The retired group does not, as might be supposed, coincide with the 65-and-over age class. Most of its members are probably in that age group but the total number retired, surely including some under 65, is less than half as large as the over-65 age group. The retired have greater

TABLE 100

Asset-Size Distribution and Average Assets and Net Worth Per Spending Unit, by Housing and Employment Status, 1950
(per cent)

Asset Class (dollars)	*All Occupations*			*Retired*			*All Occupations Except Retired*		
	Home-Owners Without Mortgages	Home-Owners with Mortgages	Renters	Home-Owners Without Mortgages	Home-Owners with Mortgages	Renters	Home-Owners Without Mortgages	Home-Owners with Mortgages	Renters
All classes	100	100	100	100	100	100			
0			12	1	[a]	47			
100-400	1		16		[a]	13			
500-900	1		13	1	[a]	6			
1,000-1,900	2	2	17	1	[a]	6			
2,000-4,900	10	8	23	8	[a]	11			
5,000-9,900	26	30	10	15	[a]	2			
10,000-24,900	38	47	7	43	[a]	5			
25,000-59,900	16	10	2	19	[a]	5			
60,000 and over	6	2	1	11	[a]	4			
Total assets per spending unit (thousand dollars)	22.3	16.1	5.1	29.4	16.0	6.0	21.1	16.1	5.1
Net worth per spending unit (thousand dollars)	22.0	11.9	4.8	29.1	13.0	5.8	20.8	11.9	4.8

[a] Number of cases too small to give distribution for them.

assets and net worth in every housing status group, except that retired and working owners of mortgaged homes hold equal total assets.

In the retired class the outstanding feature of the wealth distribution is the fact that almost half of the renters reported no assets at all, compared to perhaps 10 per cent among the employed and 25 per cent of all those 65 and over (Table 93).[6] Despite this fact, retired renters as a class held larger assets and net worth, on the average, than either the employed or the whole 65-and-over age group.

Retired home-owners without mortgages also had higher assets than either of the other two groups. There were too few retired owners of mortgaged houses to compute a wealth distribution, but in this case there was little difference in average assets or net worth compared with the other two groups.

Savings and Wealth

Home ownership without mortgage debt showed, in the SRC data, a positive relationship to wealth and age and a negative one to income. These relationships suggested the influence of the life cycle. This was particularly plausible since the repayment of mortgage debt in the progression from mortgaged to debt-free status increases net worth.

The importance of the life cycle was attested to by the CU survey data, but since these covered a different year, were not a random sample of the population, and may not be comparable to the SRC data, there is some advantage in searching for confirmation within the original data. For this purpose the information on saving, by asset-size class, can be used, although the conclusions may be affected by the fact that total assets are a biased representation of wealth. Owners of mortgaged homes are ranked higher, relative to the other two groups, in an asset-size classification than in a net worth classification.

Wealth levels, except possibly for younger-age groups, probably represent lifetime income more accurately than current incomes do. We can therefore consider the home-owners without mortgages as a group whose current incomes are low compared with lifetime incomes, and we might expect to find that they contain a higher proportion of dissavers and a lower proportion of savers than those with mortgages.

This supposition is confirmed by the savings data in Table 101. At every asset level except the highest, home-owners without mortgages had a lower proportion of positive savers and a higher proportion of negative savers than home-owners with mortgages. In most cases they

[6] This depressing picture of the asset holdings of retired renters might be considerably improved if rights to Old Age and Survivors Insurance payments were included as assets.

TABLE 101

SAVINGS-SIZE DISTRIBUTION OF SPENDING UNITS BY ASSET SIZE AND HOUSING STATUS, 1950
(per cent)

Total Asset Class (dollars)	Positive Saving (dollars)							Zero Saving	Negative Saving (dollars)			
	2,000 and Over	1,000-1,999	500-999	200-499	100-199	1-99	Total		Total	1-99	100-499	500 and Over
Under 2,000												
Home-owners without mortgages		5		5		39	49	16	35	12	23	
Home-owners with mortgages		7	14	48	15	7	91		7		7	
Primary renters		1	3	7	11	24	46	11	43	13	19	11
2,000-4,900												
Home-owners without mortgages			2	8	14	18	42	11	46	13	17	16
Home-owners with mortgages	3	4	15	36	11	11	80	1	19	4	13	2
Primary renters	1	4	10	23	12	9	59		41	7	16	18
5,000-9,900												
Home-owners without mortgages	1	1	8	14	9	18	51	10	39	10	17	12
Home-owners with mortgages		10	22	26	8	10	76	1	23	5	10	8
Primary renters	3	13	14	21	5	5	61		39	3	7	29
10,000-24,900												
Home-owners without mortgages	1	15	19	13	7	13	68	3	29	2	9	18
Home-owners with mortgages	5	17	30	19	5	4	80		21	2	6	13
Primary renters	12	16	14	20	3	7	72		29	3	5	21

25,000 and Over												
Home-owners without mortgages	27	21	7	10	6	6	77	1	22	1	7	14
Home-owners with mortgages	38	14	12	8	3	2	77	1	22	2	7	13
Primary renters	36	9	8	14	7	1	75		25		8	17
25,000-59,900												
Home-owners without mortgages	19	19	8	13	6	6	71	1	26	1	8	17
Home-owners with mortgages	31	15	14	10	4	3	77	1	22	2	8	12
Primary renters[a]	20	14	11	17	11		73		28		5	23
60,000 and Over												
Home-owners without mortgages	49	24	4	1	4	6	88		11		5	6
Home-owners with mortgages[a]	70	12	2				84		16			16
Primary renters[a]	65		3	7		3	78		22		16	6

[a] Number of cases very small.

had a higher proportion of zero savers as well. It does not seem possible that the bias stemming from the use of assets rather than wealth could have accounted for this relationship. It would hold even if each group of owners of mortgaged homes were moved down to the next asset-size class to offset the bias.

Renters did not differ substantially from owners of mortgaged homes in age, income, or asset holdings other than homes, but the latter group did possess considerably greater total assets and net worth. One could set up two contradictory hypotheses about the differences between these two groups whose implications could be refuted by the savings data.

One hypothesis would assume that the two groups were substantially similar in lifetime as well as current income. It would further assume that home-owners were thriftier than renters, saved more, and thereby accumulated greater wealth *or* that they had been induced by some other factor, such as size of family, to buy a house and thus commit themselves to save more.

The other hypothesis would assume that the home-owner's greater wealth was a sign of greater lifetime income, despite the similarity of current incomes and should, therefore, be associated not with higher but with lower savings than renters. The second hypothesis is quite clearly rejected by the savings data. Owners of mortgaged homes were more often positive savers and renters more frequently dissavers.[7] In this case also, the differences appear too large to be accounted for by the use of assets in place of net worth.

For choosing between the two possibilities included in the first hypothesis, it seems significant that the houses themselves accounted for the greater wealth of the home-owners. This suggests that it was home ownership or some factor closely related to it that led to higher saving. If a greater preference for saving, or thriftiness, had been responsible for the higher assets, one would expect that it would have spread out over various types of assets instead of being confined to the home itself.

Asset Portfolios and Housing Status

The distribution of asset portfolios could have two possible uses in this study. It might reveal the response of families to investment in homes: the rearrangement of their holdings of other assets, if any, that accompanies the decision to own rather than to rent. Or it might reveal more than we have yet learned about the determinants of this choice among methods of financing housing consumption.

[7] It is conceivable that the forced saving involved in mortgage amortization accounted for the difference. Another factor is the overestimate of mortgagors' saving due to the inclusion of mortgage repayment in saving without any deduction for depreciation.

Unfortunately, these asset distributions are available by only one variable at a time—income, age, or occupation—but no combinations of them. Taken this way, they show little consistent pattern and a great deal of variation.

The only fairly regular pattern is that described by Table 102. Owners of mortgaged homes held a smaller proportion of their non-housing assets in liquid form than either of the other two groups. There are several possible explanations for this behavior. One is that families carrying mortgage debt do so deliberately as a hedge against inflation, since the same fear would argue against holding liquid assets. However, this possibility is not confirmed by the rest of the asset distribution which was very erratic. Another explanation is that families with steady incomes and assured future earning power are more likely to undertake mortgage debt and at the same time have less need for liquid assets than those whose future is more uncertain.

TABLE 102

LIQUID ASSETS AS A PERCENTAGE OF ASSETS OTHER THAN HOME, BY INCOME, AGE, AND OCCUPATION, 1950

	Home-Owners		
	Without Mortgages	With Mortgages	Renters
Income (dollars)			
Under 1,000	39.7	16.7	46.7
1,000 - 1,999	36.2	14.3	43.3
2,000 - 2,999	40.7	21.3	32.9
3,000 - 3,999	27.3	18.3	25.4
4,000 - 4,999	37.2	18.9	26.0
5,000 - 7,499	29.4	14.6	36.4
7,500 and over	14.3	11.5	21.2
Age of Head of Household			
18 - 24	66.7	16.7	30.0
25 - 34	40.5	11.7	29.6
35 - 44	26.1	13.5	27.8
45 - 54	31.3	15.0	24.3
55 - 64	15.4	18.9	26.0
65 and over	35.2	11.1	27.6
Occupation			
Professional and semiprofessional	25.0	15.5	31.5
Self-employed	11.9	7.7	16.4
Managerial	28.9	14.3	34.0
Clerical and sales	32.6	23.0	39.6
Skilled and semiskilled	40.7	23.7	34.0
Unskilled and service	45.2	15.8	34.4
Retired	34.6	28.6	16.7

Summary

The family characteristic most closely related to housing status appears to be wealth, measured by total assets or net worth. At almost every age and at almost every income level, renters were the poorest (in terms of assets) and owners of mortgage-free homes the richest of the three housing-status groups.

Once wealth had been taken account of, age served only to differentiate owners of nonmortgaged homes from the other two groups, who were considerably younger. However, in comparisons within income classes, when the influence of wealth was not eliminated, renters were youngest and owners of debt-free homes the oldest. The relation to age was particularly prominent in the lowest-income groups.

The income variable is more complex. Within wealth classes there were no significant income differences between renters and owners of mortgaged homes. But owners of nonmortgaged homes, the wealthiest group in terms of assets, had the lowest incomes. Hiding behind the income variable, of course, is the age distribution. The relationships are reversed when we examine income within age groups; mortgage-free home-owners had the highest incomes of all. In particular, they showed the largest proportion of families in the over-$25,000 income class.

Wealth, then, perhaps as a proxy for lifetime income, was the main variable associated with housing status. Age was significant only in accounting for some of the difference between owners of mortgaged and nonmortgaged homes. Older families shifted toward debt-free home ownership, perhaps as an automatic consequence of mortgage amortization, perhaps in preparation for future declines in income.

The data gave some slight support to the suggestion that variability of income may be a factor favoring debt-free home ownership. And the association of mortgage indebtedness with low liquid asset levels suggests that steadiness of income or fear of inflation may have encouraged the assumption of mortgage debt.

One defect of our analysis is that it is limited to two variables at a time. It would be desirable to examine at least age, income, and wealth simultaneously, and perhaps to add occupation, size of family, and other variables. A possible source of such data is the 1959 survey of Consumers Union members which was conducted by Albert Hart of Columbia University. We have made some use of the 1958 survey here and extensive use of it in Part Two of this volume, but the 1959 survey contains far more information on household assets and liabilities which permits more adequate net worth estimates. With such data, some of the questions raised here could be answered more conclusively.