

Testing the Long-Term Impacts of Individual Development Accounts on Homeownership

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Wealth Ownership in the U.S.

U.S. Population	Wealth Ownership
Bottom 40%	< 1%
Bottom 60%	<5%
Top 20%	84%

Millions of people in the United States have few or no assets

Economic Effects of Homeownership

- A home is a major asset—the largest investment most people will make over their lifetime.
- Homeownership is a significant financial milestone.
- Homeownership represents 60% of the total wealth among the American middle class (Wolff, 2002).

Towards Inclusive Policy

One program that helps low-income people save for a home is the Individual Development Account (Sherraden, 1991).

What are IDAs?

- IDAs are matched savings accounts
- Program bundle:
 - Matched savings account
 - Financial education
 - Case management
 - Peer relationships

Research on IDAs

- Most IDA research uses nonexperimental methods, e.g. surveys, in-depth interviews, and account activity
- Most studies focus on short-term outcomes
- American Dream Demonstration, Assets for Independence Act Programs, and state and local evaluations

American Dream Demonstration Experiment

- Longitudinal, randomized controlled experiment conducted in Tulsa, OK from 1998–2003
- Random assignment of 1,103 applicants to treatment and control group
- Interviews at baseline (Wave 1), 18-month follow-up (Wave 2), and 4-year follow-up (Wave 3)

Program Overview

- Study eligibility requirements
 - Individuals had to be employed, but
 - Earning less than 150% of federal poverty level at entry
- Approved uses of matching funds
 - Home purchase
 - Education
 - Home repair
 - Micro-enterprise
 - Retirement

Treatment Conditions

- Treatment Group
 - Allowed to participate in IDA Program
 - Access to financial education & case management
 - 2:1 match for home purchase, 1:1 for other uses
 - Accumulate up to \$6,750 for home purchase
- Control Group
 - Abstain from any matched saving or homeownership program at provider agency
 - Could seek services through other providers

ADD Experiment Wave 4

- Assessment of the long-term (10 year) impact of IDA programs
- Follow-up with both treatment and control group participants 10 years after random assignment (6 years post-graduation for treatment group)
- Conduct a cost-benefit analysis



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Among Low Income Families



Data Collection at Wave 4

- Conducted by RTI International August 08 – March 09
- Primarily face-to-face interviews, about 60 minutes
- Intensive tracing efforts – no differential efforts were used to track down treatment or control groups
- 855 of original 1,103 respondents

Sample Size and Response Rate

Wave	Year	Treatment	Control	Total	Response Rate
Baseline (Wave 1)	10/1998 to 12/1999	N=537	N=566	N=1103	
18-Month Follow-up (Wave 2)	5/2000 to 8/2001	N=462	N=471	N=933	84.6%
4 year follow-up (Wave 3)	1/2003 to 9/2003	N=412	N=428	N=840	76.2%
10 year follow-up (Wave 4)	8/2008 to 4/2009	N=407	N=448	N=855	80.1%

Research Methods

- Research Question
 - Do treatment group members, relative to control group members, showed increase in homeownership rate?
- Conservative Intent to Treat approach
- Difference in Differences

Baseline Sample Characteristics

- Control had higher homeownership rate at baseline
- Treatment and control not significantly different on demographic characteristics

Home Ownership Rates

Wave	Treatment HO Rate	Control HO Rate	Difference T-C	P-value (one tail)
Wave 1	21%	26%	-5%	.9814
Wave 2	31%	34%	-4%	.8743
Wave 3	46%	43%	3%	.2092
Wave 4	53%	52%	1%	.3840
Wave 4- Wave 1	31%	26%	5%	.0741

Discussion

- Access to an IDA program seems to increase rates of homeownership 10 years after baseline
- IDA programs may have a fairly immediate impact on home purchase while rates of purchase may slow in the long-term.
- Highly motivated subjects in both groups

Implications and next steps

- Look at the type of loan products
- Examine loan performances
- Explore the social, psychological, and economic impacts of low-income homeownership

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