A Comparison of Renters and Homeowners in Recent Decades

Wendy Edelberg, Sara Estep, Stephanie Lu, and Emily Moss

Technical Appendix

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This analysis examines various trends for homeowners and renters and the policies put in place to alleviate financial burdens for low-to-middle income renters and low-to-high income owners. The time period of our analysis includes data from 1989 to 2021.

Data Sources

From the Federal Reserve we utilize data from the Survey of Consumer Finances for the years 1989 to 2019, and the Survey of Household Economics and Decisionmaking in the year 2020. From the Bureau of Labor Statistics, we use the Consumer Expenditure Survey for the years 2002-2019. From the Census we utilize the Household Pulse Survey for the August 19, 2020 to January 20th, 2021 iterations—these were conducted as part of the second and third phases of the survey.

Definitions

Survey of Consumer Finances (Figure 1):

- *Home equity in primary residence*: The total value of equity in primary residence of the household in 2019 dollars.

Consumer Expenditure Survey (Figures 2–4):

We include only those respondents who answered in four consecutive quarters of the year.

We define *housing expenditures* as the sum total of the following costs:

- **Shelter**: For renters this is rent payments and for homeowners this includes mortgage interest payments plus property taxes and maintenance expenses.
- **Utilities**: For renters and owners this includes payments like electricity, gas, water, trash, and any other kind of utility payment the household might encounter.
- **Other housing expenditures**: the sum of the following categories
  - Housing Operations: This includes domestic services operations like babysitting and child care and other non-child care related services like housekeeping supplies and services.
  - House Furnishings and Equipment: Home furnishings like furniture, floor coverings, small appliances and housewares, and major appliances.
Household spending was generated in the same way as The Hamilton Project’s prior work on household expenditures. We define the following categories generated from the Consumer Expenditure Survey:

- **Housing**: defined above (housing expenditures).
- **Food**: total food expenditure in each quarter.
- **Transportation**: transportation expenditure in each quarter.
- **Healthcare**: health insurance, prescription drug, and medical service expenditure in each quarter.
- **Clothing**: apparel and services (e.g., clothing rentals, shoe repair) in each quarter.
- **Other**: everything in total expenditures that is not accounted for by the previous categories.
- **Total expenditures**: food, alcoholic beverages, housing, apparel, transportation, health, entertainment, personal care, education, tobacco, reading materials, life insurance, cash contributions, retirement, and other miscellaneous expenditures in each quarter.

Income quantile categories from the Consumer Expenditure Survey in 2019 are defined as follows:

- **Low income**: Household self-reported a total pretax family income of less than $35,000 in the last 12 months.
- **Middle income**: Household self-reported a total pretax family income of at least $35,000 and less than $85,000 in the last 12 months.
- **High income**: Households self-reported that a total pretax family income of greater than or equal to $85,000 in the last 12 months.

Survey of Household Economics and Decisionmaking (SHED) (Figure 6):

- **Renters**: Using a housing tenure variable, we keep only individuals who reported paying rent.
- **Owners with Mortgages**: Using a housing tenure variable, we keep only individuals who reported owning their home with a mortgage or a loan.

Financial security break-outs come from the following questions detailed in the SHED questionnaire.

**Finding it difficult to get by:**

- Overall, which one of the following best describes how well you are managing financially these days?
  i. Finding it difficult to get by
  ii. Just getting by
  iii. Doing okay
  iv. Living comfortably

**Unable to pay all bills:**

- Which best describes your ability to pay all of your bills in full in July?
  i. Able to pay all bills (1)
  ii. Can’t pay some bills (0)

**Unable to pay $400 emergency expense with cash:**

- Suppose that you have an emergency expense that costs $400. Based on your current financial situation, how would you pay for this expense? If you would use more than one method to cover this expense, please select all that apply.
  i. Put it on my credit card and pay it off in full at the next statement
ii. Put it on my credit card and pay it off over time

iii. With the money currently in my checking/savings account or with cash

iv. Using money from a bank loan or line of credit

v. By borrowing from a friend or family member

vi. Using a payday loan, deposit advance, or overdraft

vii. By selling something

viii. I wouldn’t be able to pay for the expense right now

- **Children under 18 in the household**: Individual answered yes to children living with them and the child was between the ages of 0-17 (inclusive).
- **No children under 18 in the household**: Individual answered no to children living with them.

References


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Our strategy calls for combining public investment, a secure social safety net, and fiscal discipline. In that framework, the Project puts forward innovative proposals from leading economic thinkers — based on credible evidence and experience, not ideology or doctrine — to introduce new and effective policy options into the national debate.

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