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Homeowners and Poverty: A Literature Review

A report for the Joseph Rowntree Foundation

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The Joseph Rowntree Foundation (JRF) commissioned this paper to contribute ideas for its Housing and Poverty Programme, specifically to inform a project examining homeowners and poverty.

This paper examines:

- **The interactions between poverty and homeownership**
- **The extent of poverty among homeowners**
- **The characteristics of homeowners who experience poverty**
- **The potential and limits of homeownership for low-income homeowners, and**
- **The sustainability of homeownership.**

Foreword

The Joseph Rowntree Foundation commissioned this paper to inform a research project examining homeownership and poverty.

The overall aims of this research project are to consider the circumstances of low-income homeowners and the impacts of various issues on new and existing low-income homeowners in the near future. Cross-sectional and longitudinal analysis will be undertaken using the British Household Panel Survey/ Understanding Society data sets, supplemented with a suite of stakeholder interviews. This literature review will contribute to the analysis.

The project is part of an overarching Joseph Rowntree Foundation *Housing and Poverty Programme*, which examines the role housing plays in the lives of people experiencing poverty, as there has been relatively little evidence on how housing affects experience of poverty or of how housing can act as a potential route into or out of poverty. Interim findings from this wider programme can be found here. This Programme will in turn form part of the Foundation's commitment to developing an evidence-based UK anti-poverty strategy for all ages.

The Homeowners and Poverty research report will be published early 2017.

Contents

Summary

This paper addresses the relationship between homeownership, low-incomes and poverty and examines both the tenures' potential, and its limits. Homeownership is often assumed to have universal benefits but there are indications that it is experienced unevenly due to socio-demographic or spatial differences. In aggregate, homeowners have better outcomes than renters but as the tenure is far larger than social or private renting, a diverse range of experiences are masked.

- During 2013/ 2014, half of all poor households were in homeownership rather than renting. Taking housing costs into account, minimal housing costs for outright owners reduce the proportion of households in poverty in homeownership to around a third.
- Long term homeowners have more frequent spells of poverty but poverty for renters is a more enduring experience and associated with greater material deprivation.
- Households fall out of homeownership for similar reasons to entering poverty, and are most at risk in the earlier years of ownership, due to labour market problems, relationship breakdown, indebtedness, and lower incomes.
- Homeownership has the highest incidence of poor housing conditions due to its size, associated with low-incomes and ageing.
- Although rising base rates remain uncertain in the near future, homeowners overall are better prepared for a rate rise. There are, however, indications that a significant pool of lower income homeowners are, however, encumbered with unsecured debt and are vulnerable to further income or economic shocks.
- Homeownership is being bolstered with a range of government schemes while the sustainability of the sector is simultaneously being undermined. Reforms to safety-nets (i.e. Support for Mortgage Interest and Universal Credit) weaken the lenders' ability to forbear if borrowers struggle with mortgage payments.
- Housing wealth is the most evenly distributed form of investment across the population, but accrues unevenly, to those with higher incomes and in certain locations.
- For some homeowners, drawing on housing equity may be a cost-effective buffer to smooth incomes, but for lower-income owners is associated with higher risks of repossession and undermines the qualities they value in homeownership.
- The spatial and socio-demographic differences in homeowners' circumstances render attempts at welfare improvements arising from the use of housing equity untenable.
- Future research should disaggregate housing tenure to identify the circumstances in which the benefits of homeownership are achieved and those for whom homeownership represents an inappropriate risk.

Introduction

Why discuss poverty and homeownership when compared to social and private renters homeowners are, on average, better off? Homeownership is the 'hitherto unquestioned centrepiece of housing systems' (Wood et al., 2015, p.1). Consequently, popular discussion associates the tenure with affluence and a range of universal social and economic benefits, but there are misconceptions around the tenure. The size of homeownership compared to other housing tenures masks the incidence of homeowners with low-incomes and poor housing conditions who have limited support. While homeownership has also been a mechanism to accumulate assets these benefits flow unevenly along spatial and socio-economic lines. This paper addresses the relationship between homeownership, low-incomes and poverty and examines both the tenures' potential, and its limits. It forms part of a wider project examining the circumstances of contemporary homeowners on low-incomes and contributes to the Joseph Rowntree Foundation's Housing and Poverty Programme.

In the UK, homeowners in general enjoy lower rates of overcrowding, enjoy higher space standards, are more likely to be in employment, have greater assets and wealth and higher incomes than renters (DCLG, 2016). But as the homeownership sector matured and expanded its reach, the tenure encompassed a greater range of households. The experience of homeownership has not, therefore, been uniform and studies found that 'half the poor' were in fact homeowners (Burrows, 2003; Burrows & Wilcox, 2001). Although previous research highlighted this stratification of the tenure (Forrest et al., 1990; Ford & Wilcox, 1994), in rising markets after the millennium, arguably the focus of this work shifted elsewhere. Concerns about divergent experience remained but arguments became about insider and outsider cleavages, and rising inequality as renters were unable to accumulate housing equity (Stephens, 2011; Thomas & Dorling, 2004). Interestingly, the early housing classifications of Rex and Moore (1967, in (Munro, 2007)) did not treat homeowner experiences as homogenous, but differentiated between outright owners and owners buying with a mortgage, deemed to be the most desirable housing tenures, and owners who had bought with short term loans and had to rent rooms to meet repayments, considered to be near the bottom in terms of desirability of their six classifications. Murie and Williams (2015) call for analysis to shift away from using housing tenure as an analytic lens to look at social and spatial variations in housing as differences within tenure can be more profound than differences between. Housing and labour markets are not unitary markets and prices and opportunities move at different rates in different locations distributing risk and reward unevenly (Malpass, 2008). This review will, therefore, inform an unbundling of the homeownership tenure and examine divergent experiences within.

Why is exploring the differential and poverty experiences of homeowners of interest now? The financial crisis of 2007-8 amplified trends of constrained entry to the tenure due to a disconnect between earnings and house prices, not aided by a more prudent mortgage market (Policis, 2010). The proportion of households in homeownership peaked around 2003 when 71 percent of households were owners, but by 2014/15 the proportion had reduced to 64 percent. The sector has aged due to fewer younger new entrants, with outright owners representing a larger proportion of households (33 percent) compared to mortgaged homeowners (30 percent) (DCLG, 2016)[1] . Government policy responses have expanded support to first time buyers to halt the recent decline of homeownership, including measures to support demand using the Help to Buy branded affordable homeownership schemes (including equity loans, mortgage guarantees, matched savings schemes and an expanded shared ownership offer), enhanced discounts via Starter Homes and the Right to Buy extended to housing associations; and thus largely indirectly, bolster the supply of new homes, with the ambition that this will also exert downward pressure on house prices (DCLG, 2011; Finlay et al., 2016). New push-factors may also influence the demand for homeownership from social housing tenants as the Housing and Planning Act 2016 will further limit long-term tenancies and institute a 'pay-to-stay' policy to move towards market rents for those households with incomes over £30,000 outside London and £40,000 in London (Shelter, 2016). Additionally, there are increased pressures on registered providers to supply homes to the low cost homeownership market to cross-subsidise other social housing activities. There are concerns that this emphasis on homeownership is misplaced and that greater tenure neutrality is required in housing policy, not least to deliver the new supply of homes required (Lyons, 2016).

Policy shifts towards greater (low- to middle-income) homeownership occur simultaneously with moves that undermine the support to existing homeowners who face income shocks. Although the payment risks associated with homeownership occur across the income spectrum, there is a social gradient to those who bear the greatest burden (DCLG, 2015). A range of policy measures weaken the already limited safety nets available to homeowners who suffer payment problems and increase the likelihood that people will fall out of ownership (Wilcox & Pawson, 2012; Ford et al., 2011) .

Awareness or acknowledgement of low-income homeownership has subsided. Previous policy support for homeownership was premised on a mass tenure, a 'property owning democracy', but is now associated with a more individualised wealth creating mechanism (Murie & Williams, 2015; Malpass, 2008). The social justice narrative of allowing lower and middle income households to build assets and foster self-reliance as more affluent households emerged under New Labour (Malpass, 2008; ODPM, 2005), has arguably been replaced simply by rhetoric around meeting assumed universal aspiration to the tenure without claims for social policy outcomes being articulated. But O'Sullivan and Gibb (2012) ask if aspiration is a sufficient basis for public policy and proposes that homeownership is subjected to similar evaluation as other policy instruments. Not least if it is the case that the benefits claimed fail to reach all households. Burrows (2003) previously studied the relationship between homeowners and poverty for the Joseph Rowntree Foundation using data collected during 1999. Since then, tumultuous events have occurred in respect of the housing markets, mortgage markets and the economy, changing the context in which we consider the experiences of and risks marginal homeowners face.

This paper therefore aims to highlight existing knowledge about the relationship between homeowners and poverty, the diversity of homeownership experiences and what the potential is

[1] Due to rounding these figures do not total the proportion of all households in homeownership.

for homeownership to support poor households The following section discusses the broad relationships between housing, homeownership and poverty; the next section examines the extent of homeowners in poverty; the characteristics of poor homeowners is then explored; followed by sections on the potential of homeownership for low-income households and the existing evidence relating to the sustainability of the tenure for low-income households. A brief note of changing trends is introduced before the concluding remarks.

Theorising the relationship between housing, homeownership and poverty

The relationship between housing and poverty is underdeveloped and more attention should be afforded to the impact of housing on material living conditions (Tunstall et al., 2013; McInnes et al., 2014). This is notably due to little overlap between those who study poverty, inequality, welfare regimes and housing systems (Stephens & van Steen, 2011).

The housing consequences of poverty are not necessarily universal and may be mediated by interactions between local labour markets, the mortgage market, the shape and characteristics of local housing markets as well as the welfare system. These factors combine to influence the extent of and risks associated with homeownership across different countries (Wilcox et al., 2010; Ford & Wallace, 2012). For example, Schelkle (2012) noted that despite greater credit bubbles in the UK - and France – it was the US that saw the biggest fallout from the financial crisis as social policies, conducted through state mechanisms or via private market regulation, shaped the outcomes observed. Furthermore, a developed literature addresses the links between low welfare regimes and homeownership, associating low housing costs for homeowners in later life with the capacity to withstand less generous pension arrangements (Kemeny, 2005; de Wilde and Raeymaeckers, 2008), identifies how the mortgage market interact with welfare systems (Schwartz & Seabrooke, 2008) and how homeownership is associated with a shift of responsibilities from collective welfare to individual self-insurance (Doling & Ronald, 2010). Generally speaking, people in poverty and with low wealth have fewer housing options available to them and less capacity to sustain any housing obtained (Tunstall et al., 2013). However, other social policy interventions such as the provision of housing benefit and social housing in the UK has historically has broken the association between poor housing conditions and poverty seen in other EU countries (Bradshaw et al., 2008; Stephens and van Steen, 2011). Indeed, across Europe, de Wilde and Raeymaeckers (2008) identify homeownership as a poverty reducing measure, although not to the same extent as social housing.

Measurements of poverty are disputed, but are largely based on household incomes relative to others, not least as material deprivation is associated with low-incomes. A poverty threshold at or below 60 percent of median household income is commonly adopted and can therefore be used comparatively (DWP, 2015). As this measure shifts with median income, meaning that a reduction in median income saw an associated reduction in poverty during the recession, there were calls for alternative measures. An absolute measure of poverty was determined using the 60 percent or below median income during 2010/11 so offering a fixed point from which to compare trends. Interestingly, the relative and absolute measures have diverged little since 2010/11 due to their being little upward movement in earnings since that time (ibid.). Other poverty measures reflect material deprivation (McInnes et al., 2014), and/or the capacity of a household to enjoy a publicly defined minimum acceptable living standard (Hirsch, 2015). Typically, measures of poverty are taken before housing costs are deducted from income (BHC) rather than after housing costs (AHC), and recent attention has highlighted how incorporating housing costs into poverty estimates is associated with increased poverty rates, notably in the private rented sector (McInnes et al., 2014).

But the calculation of housing costs are also subject to dispute which means that housing costs for homeowners may be underestimated (Stephens et al., 2014; Tunstall et al., 2013; Burrows & Wilcox, 2004). A note of caution may be made that high housing costs may also reflect choices made for higher quality, higher space standards or more desirable locations, and lower costs may reflect trade-offs in respect of these factors so using AHC and BHC is not perfect (Stephens & van Steen, 2011). Nevertheless, the AHC measure represents a simple indicator of the impact of housing expenditure on household incomes. There are, however, concerns about how housing costs and income are determined. Typically, the Households Below Average Income data uses ground rent and mortgage interest payments only, not the repayments associated with the loan principal, to calculate housing costs for homeowners (DWP, 2015). But renters also have their repairs, building insurance costs and service charges incorporated into housing costs, suggesting that the AHC calculations for homeowners who pay for these separately, are further underestimated (Stephens et al., 2014). Conversely, in addition to housing costs there may also be housing income, rental income from letting rooms, for example, but critically imputed rental income from homeownership is usually omitted[2]; although imputed rental income from sub-market rents found in social housing is also omitted (Searle & Köppe, 2014; Tunstall et al., 2013). As well as having a use value, in that occupiers obtain housing services from an owned property, homeowners' property also has an asset value, unlike a rented home, and can accumulate wealth, due to paying down a mortgage - enforced saving (Searle & Köppe, 2014) - or by capital gains due to rising markets. The use of housing equity to overcome poverty is discussed below, but suffice to note that rarely is this potential incorporated into assessments of household resources (Stephens et al., 2014).

Other indicators of the impact of housing costs on household income adopt affordability thresholds based on household income to housing costs ratios (Bramley, 2011). This approach to determining affordability of housing is problematic. The thresholds imply that households who pay above the threshold for their housing have a problem that policy must address (Whitehead, 1991). However, high earners that pay a high proportion of their income on housing costs are likely to still have a reasonable sum remaining, a residual income, on which to have an acceptable living standard (Stone, 2006). In contrast, a high proportion of a low earners' income spent on housing costs is more likely to induce financial distress. Bramley (2011)

[2] Imputed rental income is the assumed benefit in kind obtained by homeowners paying low housing costs below market rates. Until 1963 homeowners' imputed rental income was subject to taxation.

acknowledged the debate about measuring affordability and finds composite measures using ratios and subjective payment problems are preferable, but adopting the traditional ‘rule of thumb’ of a single threshold measure of 25 percent household income to housing cost ratio is justified. Operational affordability thresholds have, notably, risen above this threshold over time as housing has become less affordable. Stone (2006) notes that appropriate thresholds were considered to be 20 percent in the 1980s and 30 percent in the 1990s in the US. In the UK, normative affordability thresholds have been further stretched upwards. The Homes and Communities Agency, for example, currently assumes household debt to income ratio for affordable homeownership programmes must lie between a 30 and 45 percent based on multiples of 2.5 to 4.5 times household income for mortgage lending purposes (HCA, n.d.). The impact of increasing mortgage debt burden on household poverty rates is, however, under-explored.

There are also arguments about whether attributes of housing and/or homeownership can help or hinder moves into and out of poverty, whether different work incentives or propensities to move towards more buoyant labour markets exist between different housing tenure (Morton, 2010; Ford et al., 1996; Fletcher, 2009). A long standing hypothesis has been that homeowners are less mobile and that the tenure can therefore increase unemployment (Oswald, 1999). But several studies have found that homeowners do move towards employment opportunities. Higher wage growth and expected capital gains can offset constraints imposed by higher house prices in more buoyant labour markets and homeowners move to contiguous areas and commute to new employment opportunities (Murphy et al., 2006; Cameron & Muellbauer, 1998; Battu et al., 2008). Whether spatially divergent housing markets after the financial crisis mean such results still hold is unclear, however. Gibb et al. (2016) also note evidence that high mortgage costs incentivise homeowners to find work more quickly than renters, although those who enter homeownership may be closer to the labour market at the outset. Moreover, homeowners can facilitate entry to self-employment more easily than renters due to having workspace in their home and being free from tenancy constraints that may prohibit home working (ibid.).

The extent of poverty and homeownership

A number of studies provide quantitative data about the characteristics of low-income homeowners a decade or more ago using a range of data sources (Burrows & Wilcox, 2001; Burrows, 2003; Meadows & Rogger, 2005; Burrows & Wilcox, 2004) and more recent data from the Family Resources Survey (including Households Below Average Income), the English Housing Survey (DCLG, 2015a; Wallace et al., 2014; DWP, 2015) and Minimum Income Standard data (Padley & Hirsch, 2015). Moreover, two studies examine the pathways into and out of poverty and homeownership using longitudinal data contained within the British Household Panel Survey (Stephens et al., 2014; Wood et al., 2015).

The headline finding of Wilcox and Burrows (Burrows & Wilcox, 2001; Burrows, 2003) that ‘half the poor’ were homeowners - regardless of poverty measure adopted - was confirmed by DWP analysis using a range of datasets (Meadows & Rogger, 2005). Burrows (2003) used the measure of poverty highlighting material deprivation and an inability to achieve a minimum acceptable standard of living from the Poverty and Social Exclusion Survey (PSE) and found homeowners made up half of those below this poverty threshold, 32 per cent mortgaged households and 18 per cent outright owners. This compares to 41 percent of households below the threshold being social housing tenants and only nine percent in private renting at the time the data were collected in 1999.

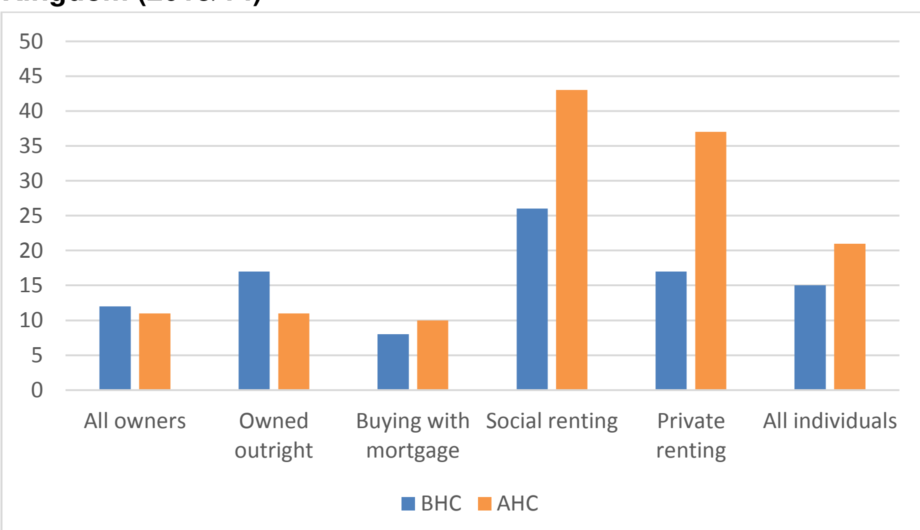
Taking a full account of housing income, resources and housing costs, the UK housing system reduces the rate of poverty created from labour markets and welfare systems to a greater extent (6.3 percentage points) than the Netherlands (3.7 percentage points) although poverty remains higher in the UK than the Netherlands (Stephens & van Steen, 2011). The main beneficiaries are poorer households with social and regulated tenancies and also outright homeowners. The proportion of households that remain poor after cash, housing income and resources are included stands at 15.3 percent in the UK and 9.6 percent in the Netherlands (ibid.). The DWP (2015) estimated that 15 percent of all UK households were in relative poverty during 2013/14 BHC, but 21 percent AHC. The corresponding DWP data for 2007 by comparison was 7.1 percent BHC and 8.7 percent AHC (DWP, 2009), illustrating that findings in relation to poverty and housing are sensitive to the methods adopted (Burrows, 2003), and has changed substantially over time.

This overarching finding of earlier work, that half of poor households live in homeownership, remains the case today. The English Housing Survey confirms that the number of homeowners in the lowest income quintile has remained stable at around 309,000 households, but as the sector has contracted rises proportionately from 4.2 percent of all households in this income quintile during 2003/3 to 4.5 percent during 2013/14 (DCLG, 2015b). Smaller *proportions* of homeowners, especially mortgagors compared to households in other tenure, are in relative poverty with the greatest proportions of households in poverty found among social housing tenants (Fig.1) (DWP, 2015). But as homeownership is a much larger part of the housing system than other housing tenures, in terms of the absolute number of people living in relative poverty conditions, 50 percent of them still live in owner-occupation (Fig. 2). Low-income individuals comprise 30 percent outright owners and 20 percent mortgagors (BHC). (Although the data and poverty measures are inconsistent this recent DWP data reflects the growth in outright ownership, as outright homeowners now comprise the greatest proportion of homeowners in poverty, reversing the situation found by Burrows (2003) where mortgaged owners formed the largest group of homeowners in poverty.) The DWP data shows that the inclusion of housing costs reduces the proportion of individuals living in relative poverty in owner-occupied accommodation to 32 percent of all households in poverty, but this remains a similar proportion of the population who are in relative poverty who live in social housing (34 per cent) and private renting (33 percent). This equates to 4.8 million people living in poverty in owner-occupied homes (BHC) and 4.2 million (AHC).

This picture also holds when working age adults are considered. A total of 42 percent of working age adults in relative poverty (BHC) live in an owner-occupied home, compared to 32 percent in social housing and 26 percent in private renting (Figure 3). Again this proportion of poor working age homeowners falls after housing costs are included when 30 percent of poor working age adults live in owner-occupied homes, just slightly fewer than the 34 percent in social housing and 37 percent in private renting. This equates to 2.4 million working age adults in homeownership in relative poverty (AHC) compared to 2.7 million in social renting and 2.9 million in private renting.

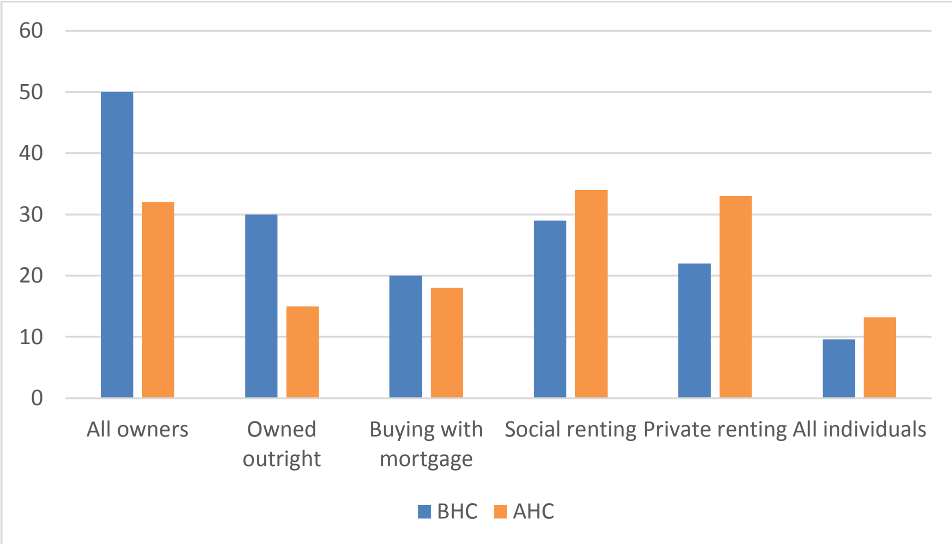
The situation is more pronounced when considering pensioners in relative poverty (Figure 4). Here 85 percent of all pensioners in relative poverty (BHC) are in homeownership falling to 60 percent (AHC) - the vast majority in outright ownership. This compares to only 10 percent in social housing (BHC) which rises to 26 percent (AHC) and six percent in private renting (BHC) which rises to 13 percent (AHC). Clearly, minimal housing costs for homeowners in later life reduce the extent of poverty, but housing costs exert an upward pressure on the number of pensioners in poverty in rented accommodation. The increase in older homeowners with minimal housing costs has made an important contribution to the lower incidence of pensioner poverty in recent years (Cribb, et al., 2012).

Figure 1: Proportion of housing tenure occupied by individuals in relative poverty, United Kingdom (2013/14)



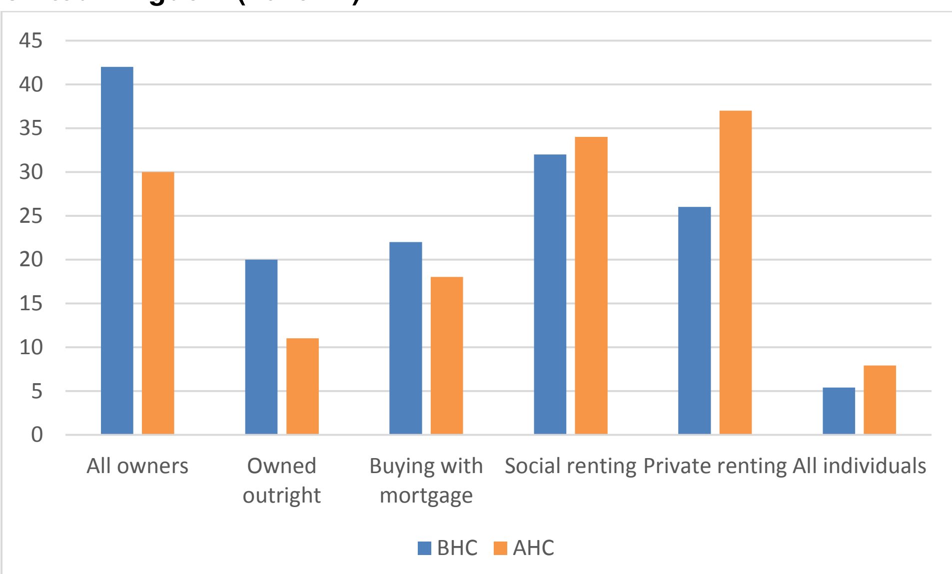
Source: Table 3.6db HBAI 2013/14 (DWP, 2015)

Figure 2: Proportion of all individuals in relative poverty by housing tenure, United Kingdom (2013/14)



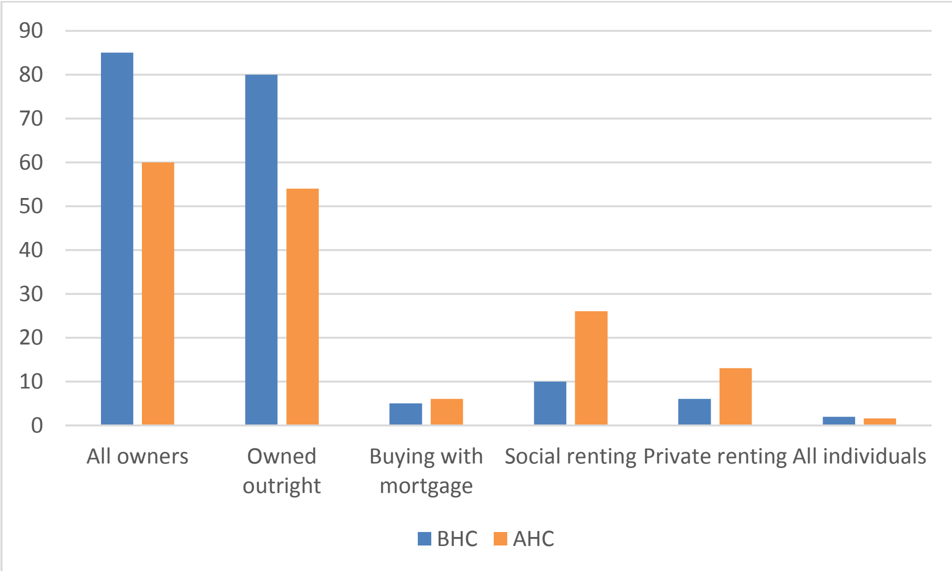
Source: Table 3.4db HBAI 2013/14 (DWP, 2015)

Figure 3: Proportion of all working age adults in relative poverty by housing tenure, United Kingdom (2013/14)



Source: Table 5.5db HBAI (DWP, 2015)

Figure 4: Proportion of all pensioners in relative poverty by housing tenure, United Kingdom (2013/14)



Source: Table 6.3db HBAI (DWP, 2015)

Similarly, the majority of poor children live in owner-occupied homes (56 percent), predominantly in mortgaged accommodation (Table 1). The proportion of all children living in relative poverty (BHC) in homeownership is similar at 37 percent to the proportion living in social housing (38 percent) and above that in private renting (26 percent). However, measuring relative poverty after housing costs are deducted (AHC) the proportion of children in poverty in homeownership reduces to 26 percent. Housing costs have little impact on the proportion of poor children living in social renting (again 38 percent AHC) but increase the proportion of poor children in private renting to 36 percent). The nature of material deprivation and severe low-income is, also much lower for children living in owner-occupied homes (18 percent), compared to 55 percent in social housing.

Meadows and Rogger (2005) identified the largest groups of low-income homeowners to be lone parents, 69 percent of lone parents and 62 percent of couples with dependent children in homeownership had incomes below 60 percent of median income AHC.

Using different indicators of poverty shows that tenants are at greater risk of having incomes that preclude an acceptable standard of living, with more than half (52.4 percent) of social housing tenants having an income below MIS and 44.3 per cent of private tenants (Padley & Hirsch, 2015). The risk of homeowners having an income below MIS is much lower, 12.6 percent for mortgaged households and 10.6 percent for outright owners. However, in absolute numbers homeowners below MIS are likely to again form a significantly large group.

Table 1: Proportion of all children in relative poverty by housing tenure, United Kingdom (2013/14)

	Material Deprivation		Relative poverty		All children
	and low-income[1]	and severe low-income[2]	BHC	AHC	
All Owners	17	18	37	26	56
- Owned outright	3	5	10	5	9
- Buying with mortgage	14	13	27	21	48
Social rented sector tenants	55	54	38	38	22
All rented privately	27	28	25	36	22
All children (millions=100%)[6]	1.7	0.5	2.3	3.7	13.4

Source: Table 4.4db HBAI 2013/14 (DWP, 2015) [1] A family is in low-income and material deprivation if materially deprived and a household income below 70 per cent of median income, Before Housing Costs. [2] A family is in severe low-income and material deprivation if they are materially deprived and score of 25 or more and a household income below 50 per cent of contemporary median income, Before Housing Costs.

Marginal homeownership may be less prevalent today but remains significant. Corlett et al. (2016) show that while the most benefit reliant households are significantly represented among social housing, over half of low- to middle-income households (defined as households below average incomes but without substantial benefit income) live in homeownership (55 percent). This figure has diminished since 1998 when around 70 percent of low- to middle-income households were homeowners. Indeed, mortgagors form the largest groups of people falling into to poverty especially prior to the financial crisis when around 62 percent of new entrants to poverty were mortgaged homeowners, compared to 45 percent by 2010 (Gibb et al., 2016).

These data are presented with the caveats mentioned above that housing costs may be underestimated for homeowners and that the asset value potential of the tenure is omitted. The data does, nevertheless, present a consistent picture with research undertaken a decade or more ago, and shows that significant and often overlooked proportions of people living in relative poverty reside in owner-occupied as well as rented homes.

Characteristics of homeowners who experience poverty

The purpose of the overarching research, that this literature review informs, is to determine the present circumstances of homeowners who experience poverty as limited analysis exists that describes or furthers our current understanding of their position. This section reviews existing evidence into their circumstances, poverty transitions, spatial variations and the consequences of being a poor homeowner.

Characteristics of lower-income homeowners

The contraction of homeownership since 2003 has been uneven. Contemporary data show that there have been slight shifts across the housing market cycle in the proportions of homeowners drawn from professional and managerial occupations at the expense of those from routine or manual occupations (Wallace et al., 2014) (Table 2).

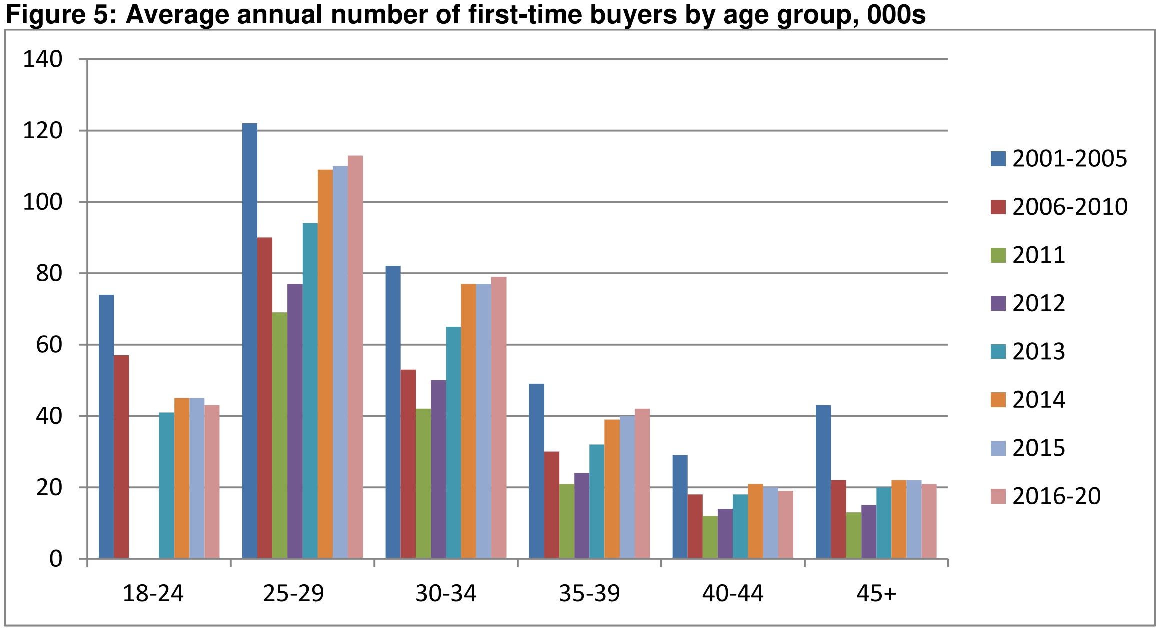
Moreover, fewer younger age groups have been accessing homeownership (Figure 5). CML (2015) estimates show that older first time buyers have not returned to the market at the same rate as younger cohorts, who themselves remain below that of the rising market of 2001-2005. If first time buyers were to return in to the housing market in the same volumes the homeownership rate for 25 year olds would be ten percentage points higher (ibid.). As discussed below, younger aged homeowners are at greater risk of poverty and default.

Table 2: Occupational classes of UK homeowners through market cycle

	UK Homeowners		
HRP NS-Sec 5 class	**2002/3- 2004/5**	**2005/6- 2007/8**	**2008/9-2010/11**
Managerial/ Professional	49.7%	51.4%	52.9%
Intermediate	9.0%	8.5%	9.0%
Small employers/ own account	10.3%	10.4%	10.1%
Lower supervisory/ technical	11.0%	10.0%	9.4%
Semi-routine/ routine	18.5%	17.4%	16.5%
Never worked	1.5%	2.2%	2.1%

Source: Taken from Analysis of Family Resources Survey in Wallace et al. (2014)

Figure 5: Average annual number of first-time buyers by age group, 000s



*Source: CML estimates from CML (2015) *2015 and 2016-2020 estimated based on 2014 propensity to own data*

Affordability constraints, stagnant wage income and the more prudent lending environment after the financial crisis are likely to have contributed to this sea change in the composition of homeowners. Plausibly, this change has the potential to limit future incidence of homeowners in poverty by excluding those most at risk. But in truth we know little about the current circumstances of homeowners who experience poverty or the risks they face, a gap the wider project will fill.

However, unpublished analysis of pooled Family Resources Survey data, drawn from Wallace et al. (2014) shown in Table 3 shows differences between homeowners and poor or non-poor households across all housing tenure. Table 3 shows that low-income homeowners have smaller homes than homeowners not in poverty, but their homes remain larger than other poor households. A higher proportion of poor homeowners have no children than other poor households, which is likely to be a function of homeowners' older age profile. More single people are represented among low-income homeowners than more affluent homeowners, and especially more single pensioner households compared to other poor households. Household reference persons who are female, separated or divorced are more represented among poor homeowners, but not to the same extent as among other poor households. There are a greater proportion of widows among poor homeowners than among other poor households, again reflecting the age profile of the tenure. There are also fewer unemployed households in low-income homeownership than other low-income households across all tenure. Lastly, there are more routine occupations or reference persons who have never worked among homeowners in poverty compared to homeowners not in poverty, and a greater proportion of self-employed households among poor homeowners than found among other homeowners or even among other poor households across all tenure.

Earlier work indicated that certain homeowners were more at risk of poverty than others. Meadows and Rogger (2005) showed that the composition of poor homeowners differed from that of poor tenants. For example, a quarter of low-income tenants were lone parent households without employment compared to only five per cent of poor homeowners. In addition, poorer homeowners were found to be older than the population of homeowners overall, reflecting the incidence of lower incomes among older people, perhaps at that time when pensioner poverty was higher. Indeed, 60 percent of poor homeowners were over 60 years old. But the risk of being a poor homeowner was greater amongst younger age groups (Burrows, 2003).

Burrows used multivariate analysis to show that the mortgagors most likely to be below the PSE poverty threshold were those:

- with no work (a third of mortgagor households living in poverty), while those with work were the least likely to be in poverty (13 percent);
- lone parent households;
- young mortgagors aged between 25 and 34 years old, 27 percent of whom were in poverty;

Table 3: Characteristics UK homeowners and households in all housing tenures below 60 percent median equivalised household income 2008/9 to 2010/11

		UK Homeowners			UK All tenures		
Household characteristics		Below 60% AHC (%)	Above 60% AHC (%)	All AHC (%)	Below 60% (%)	Above 60% (%)	All (%)
Number of bedrooms	1	4	3	4	18	9	11
	2	28	22	23	33	26	28
	3	51	48	49	39	44	43
	4	17	26	24	10	21	18
	Total	100	100	100	100	100	100
Number of dependent children	0	74	72	72	66	73	71
	1	10	13	13	15	14	14
	2	11	12	12	12	11	11
	3+	5	3	3	6	3	4
	Total	100	100	100	100	100	100
Household type	Single of pension age	22	13	14	17	14	14
	Single under pension age	14	12	12	21	14	16
	Couple no kids	34	38	38	23	37	33
	Couple with kids	18	21	21	17	20	19
	Lone parent	4	2	3	13	4	6
	Multi adult[1]	9	13	12	9	12	12
	Total	100	100	100	100	100	100
Remortgaged	Yes	39	42	42	n/a	n/a	n/a
	No	61	58	58	n/a	n/a	n/a
Sex	Male	58	66	65	51	64	60
	Female	42	34	35	49	36	40
	Total	100	100	100	100	100	100
Employment status	Employed	95	100	99	91	100	97
	Unemployed	5	*	1	9	*	3
	Total	100	100	100	100	100	100
Marital status	Single never married	16	17	17	34	23	26
	Married and cohabiting	50	59	57	32	52	47

		UK Homeowners			UK All tenures		
Household characteristics		Below 60% AHC (%)	Above 60% AHC (%)	All AHC (%)	Below 60% (%)	Above 60% (%)	All (%)
	Married and separated	4	3	3	6	3	4
	Divorced	12	10	10	15	11	12
	Widowed	18	11	12	13	11	12
	Total	100	100	100	100	100	100
National Statistics Socio Economic Class (NS-SEC)	Managers/ professionals	25	56	53	16	52	46
	Intermediate	8	9	9	7	9	9
	Small employers/ own account workers	26	8	10	16	8	9
	Lower supervisory/ technical	7	10	9	6	10	9
	Semi-routine/ routine	24	16	16	33	19	21
	Never worked/ LT unemployed	10	1	2	22	2	5
	Total	100	100	100	100	100	100

Source: Unpublished analysis of Family Resources Survey data from Wallace et al. (2014)

- households headed by someone in a manual occupation, where a third of homeowners in social class IV were in poverty compared to only 2 percent of Social Class I;
- people who self-identify as being from a minority ethnic group, where over half of BME mortgagors were in poverty;
- households residing in Wales or the Midlands; and
- people who experienced divorce and/or separation.

For outright owners, the factors that increase their odds of being in poverty were affected by the older age profile of the group, but included:

- those with no workers, those still active in the labour market are the least likely to be in poverty 9 percent compared to 16 percent with no workers;
- single person households;
- younger households;
- households headed by a manual social class.

Transitions into and out of lower-income homeownership

We saw in Table 1 that the nature of poverty was different for children in owner-occupation, with significantly fewer homeowners with severe low-income and material deprivation. Using longitudinal data Stephens et al. (2014) found that among settled homeowners - those that remained in homeownership continually - homeowners experienced poverty spells more frequently but of a shorter duration than households in social renting, and fewer homeowners experienced chronic long term poverty. The less enduring nature of poverty among homeowners is likely to explain the higher incidence of car ownership, durable items and savings among low-income homeowners compared with low-income tenants (Meadows and Rogger, 2005). The frequent nature of poverty spells among homeowners was also apparent in earlier analysis, with a quarter of BHPS homeowner households experiencing poverty at least once in the twelve year period studied (ibid.)

While the reach of homeownership extended down the income scale during the expansionary period of homeownership up to 2003, critically, low-income homeowners became poor after they entered the tenure (Burrows, 2003; Meadows & Rogger, 2005; Widdowfield & Wilkinson, 2002). Meadows and Rogger (2005) found that the movement of homeowners into and out of poverty was similar to that of other low-income households. This is in contrast to Stephens et al.'s (2014) more recent analysis set out above that used more waves of the BHPS than Meadows and Rogger. Differences may be a function of the residualisation of social housing over time. Important triggers for entering low-income homeownership were relationship breakdown, job loss and retirement. Most movements out of low-income homeownership - nine out of ten -were associated with increased incomes. Regression analysis found that getting a job increased the likelihood of moving from low-income to higher-income homeownership, whereas having a new baby reduced the likelihood (Meadows and Rogger, 2005). Widdowfield and Wilkinson (2002) found that the main reasons for homeowners becoming poor in Scotland were that they experienced relationship breakdown and divorce; death of a partner, or becoming a carer. It is unclear why slightly different factors are apparent.

Whether work continues to lift poor homeowners out of poverty to the same extent is uncertain. While households with people in work are less likely to be in poverty, the majority of households in poverty have at least one person in work (Gibb et al., 2016). Self-employment has grown largely as a response to loss of employment following the financial crisis, but does not guarantee a change in poverty status. Self-employed homeowners were overrepresented among lower-income homeowners; with a 39 percent of lower-income homeowner households with someone in employment being self-employed compared to only 13 percent of higher-income homeowners with someone employed (Meadows and Rogger, 2005). Analysis of FRS data in Table 6 shows that during the period 2008/9 to 20101/11 26 percent of poor homeowners were self-employed, despite forming only 10 percent of all homeowners. Indeed, Gibb et al. (2016) found that in 2008, 28 percent of men in poverty were self-employed, compared to 22 percent who were out of work. This is important as self-employed people find it difficult to access mortgage safety nets and can have uncertain incomes (Burrows & Ford, 1998).

It is assumed that people move into homeownership once, when they first purchase and remain in that tenure, and for the majority this is the case. However, the housing market is dynamic with significant movements of households moving from homeownership to other tenures in any one year. While too few households move from social renting to homeownership for analysis in the English Housing Survey data, an estimated 12,000 households moved from homeownership to social renting during 2013/14 (DCLG, 2015). Similarly, while popular discourse focuses on the flow of 184,000 households from private renting to homeownership, a similar number (170,000 households) made the move in the opposite direction (ibid.). So homeowners may shift their poverty status but are these transitions accompanied by changes in tenure? Meadows and Rogger (2005) found that 8 percent of transitions out of low-income homeownership were due to a move to rented accommodation.

Wood et al. (2015) found that for new entrants to homeownership between 2002 and 2010 the risk of remaining a homeowner by year 8 (=2010) was 68 per cent in the UK. The risk of leaving homeownership was greatest in the early years and reduced over time, but a social gradient to this risk was identified. In the UK, the factors associated with exits from homeownership were: a younger age, being divorced and separated, lower incomes, and having a higher loan to value ratio. Being in poor health, having only a basic education and being in financial distress were also associated with leaving the tenure. Stephens et al. (2008) note that moves towards a low inflation environment increase the burden and therefore the risk of sustaining homeownership for new entrants as wages rise slowly and inflation fails to erode the value of the debt. It would seem that the risks of losing the home are greater for lower-income homeowners and intersect with the reasons why households enter poverty.

Notwithstanding the fact that most poor homeowners become poor after their home purchase, households can also enter low-income homeownership by changing tenure in situ, via the right-to-buy. Most purchasers exercising the Right-to-Buy were skilled working class or lower middle class households on below average incomes, but 13 per cent received external funding from family or agents, and little appraisal of their ability to meet any mortgage payments was made prior to the financial crisis (Cole et al., 2015). Unskilled council tenants in the lowest income quintile were largely unable to access the provisions of right-to-buy, however.

Spatial differences in lower-income homeownership

There are variations in the proportion of households that live in homeownership across the UK, including the proportions of outright owners and mortgagors (Table 4). Homeownership forms the highest proportion of households in Wales (69 percent) and the lowest in Scotland (61 percent). Within the English regions, inner London has the smallest proportion of homeowners (38 percent) and the South East the highest (69 percent). The proportion of outright owners also varies geographically, with 40 percent in Wales and 13 percent in inner London, providing indications of different dynamics at play, suggesting an older age profile of homeownership in Wales and that few people complete their homeownership career in London. We can also see that the lowest cost regions do not automatically correspond with the higher homeownership, as the North East has lower house prices across England but also the lowest proportion of homeowners outside London (60 percent). There are also variations in how homeownership expanded and in the variable impacts of the housing market cycle (DCLG Live Tables 104, 106, 107 and 108). Homeownership in Wales peaked at 75 percent during the years 2003 to 2007 prior to the crisis, compared to a peak of 70 percent in 2002 in England, a 73 percent in Northern Ireland in 2007 and 65 percent in Scotland in 2008 and has reduced by 7 points in England but only 4 points in Scotland (ibid.).

Homeownership also varies by ethnicity, which could also interact with location to produce variance in ownership rates. Using Family Resources Survey data, only 37 percent of households that identify as black were homeowners during 2013/14, compared to 68 percent of households of white ethnicity. Moreover, only for white homeowners does the proportion of outright owners exceed that of mortgagors suggesting overall that minority ethnic homeownership has a younger age profile. Burrows (2003) found that self-identified BME homeowners had increased risks of being in poverty.

One expression of the uneven spatial distribution of lower-income homeowners is found in the Support for Mortgage Interest caseload, although it may also reflect homeowner's' inability to meet higher housing costs without assistance and the volume of homeowners in each government region (DWP, 2012). While the North East comprises four percent of SMI claims, the North West and London represent 14 and 13 percent of the caseload respectively.

Meadows and Rogger (2005) did not examine the spatial distribution of low-income homeownership but found poor homeowners lived in smaller and lower-value homes. As noted, Burrows (2003) identified that being a homeowner in the Midlands or Wales increased the likelihood of being in poverty.

Table 2: Proportion of homeowners by country and region (2013/14)

	Region											Country					
Ownership Tenure	NE (%)	NW	YH	EM	WM	E	L	Inner L	Outer L	SE	SW	England	Wales	Scotland	NI	GB	UK
All owners	60	64	63	68	66	67	49	38	55	69	67	63	69	61	65	63	63
Owned outright	30	32	33	35	36	34	20	13	25	36	38	32	40	32	37	33	33
Buying with a mortgage	30	32	30	32	30	33	29	25	31	32	29	31	29	30	29	31	31
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Source: Family Resources Survey Table 3.1

Analysis in Northern Ireland shows that over the course of the last housing market cycle, between 2002/3 and 2004/5 and 2008/9 to 2010/11 homeownership households in the UK became slightly more professional and managerial and slightly less lower grade occupations but that this shift was less pronounced in Northern Ireland (Wallace et al., 2014). Northern Ireland also retained a higher rate of self-employed homeowners compared to the UK as a whole.

Low-income homeowners in Scotland were predominantly outright owners (two thirds) and were slightly more likely to live in rural areas than higher income homeowners (Widdowfield & Wilkinson, 2002). Two-fifths (43 percent) had no savings but homeowners in the bottom income quintile had more equity than those in the middle quintile, possibly as older homeowners may be on low-incomes but have accrued equity due to being a homeowner for longer. Few low-income homeowners entered homeownership poor, but right-to-buy purchasers comprised a quarter of all low-income homeowners (ibid.).

Separate analysis of poor homeowners in Wales found that the odds of being a poor homeowner increased if the household reference persons were single, lone parents, Pakistani/Bangladeshi, retired or unemployed (Burrows & Wilcox, 2004).

Consequences of lower-income homeownership

Associations between low-income homeownership and physical and mental health and poor housing conditions are apparent. The mechanisms through which impacts are transmitted are less clear, but evidence indicates that they include interactions between low-incomes, age and (mortgage) indebtedness.

Overall, Widdowfield and Wilkinson (2002) report positive independent relationships between good health and homeownership but found that poor homeowners also had poorer health, possibly due to their older average age. They noted that low-income may also have indirect effects on health by restricting access to good quality housing and increasing stress through increasing worry about money, debt and repossession. Reflecting prolonged disadvantage, Burrows (2003) found that poor renters reported indicators of social exclusion and poor physical health and wellbeing more frequently than poor homeowners, although poor homeowners reported problems with mental health slightly more frequently than renters. Moreover, mortgage debt amplified the association between poor health and unemployment (Lau and Leung, 2014); losing the home through repossession has impacts on the mental health of homeowners not observed among renters facing eviction (Pevalin, 2009); adversely impacts on well-being for both men and women and for men increased their doctor attendance (Nettleton and Burrows, 1998); and the psychological distress is greater in areas of falling markets, possibly due to the potential for larger shortfall debts on repossession and/or failing local economies (Gathergood, 2012). The English Housing Survey (DCLG, 2015b) shows that homeowners in the lowest income quintile are slightly less satisfied with their accommodation and with their life, slightly more anxious and more overcrowded (although this last measure has fallen in the last ten years) when compared to higher income homeowners.

Non-decent homes[3] are proportionately more likely to be in the private rented sector (29 percent) compared to owner-occupation (19 percent) and social housing (14 percent) (DCLG, 2016). However, the larger size of homeownership tenure means that there are 2.7 million non-decent owner-occupied homes compared to 1.2 million non-decent homes in the private rented sector and 0.5 million in the social rented sector. Consequent to this, despite the private rented sector reflecting a particular risk of poor housing conditions, more children are living in poor housing in homeownership than any other housing tenure, with over 975,000 children in social rented housing, 845,000 children in private rented housing but over 1.7 million children in homeownership (Cullinane et al., 2013). There is evidence that poor housing conditions impact upon health for children and those over retirement age. The relationship between poor health and poor housing in social renting is less clear, due to the multiple factors that can impact upon health but also perhaps as poor health is one reason why people may be allocated social renting. Evidence from the Northern Ireland House Condition Survey 2009/10 shows that older people are more likely to live in non-decent homes in rural areas and in private properties, again with a higher proportion in private renting (27.7 percent) and homeownership (18.1 percent) compared to 13.7 percent in social housing (Wallace et al., 2016). Moreover, category 1 hazards[4] are more prevalent among older people's homes frequently in homeownership (Davidson et al., 2012). Evidence from Wales also suggests that the greatest volume of homes in poor conditions is within homeownership, with 72 percent of unfit homes having been owner-occupied (Burrows & Wilcox, 2004). There is also some evidence that Right-to-Buy properties have been of poor quality and that purchasers have faced unanticipated repairs costs, particularly in leasehold flats, although many of these may have been in poor physical condition prior to purchase (Cole et al., 2015). The English Housing Survey does not report physical housing conditions by household profiles except that people 65 years old or more are the least likely to have an electrical system compliant with all safety features (43 percent) compared to all age groups in social housing who have compliance rates over 70 percent (DCLG, 2015b)

But what is the relationship between poor housing conditions, homeownership and poverty? Tunstall et al. (2013) indicate elevated rates of poor housing indicators for households living in poverty compared to households that were not living in poverty. But among households below the Poverty and Social Exclusion poverty threshold, Burrows (2003) found few differences in housing conditions of poor renters and homeowners. Poor renters were, however, more likely to report dissatisfaction with their neighbourhood, poor homeowners were slightly more likely to report dissatisfaction with specific physical conditions of their home, notably leaking roof, rotting window frames and damp. Poor homeowners in Scotland were slightly more likely to live in poor conditions (9 percent compared to 7 percent across all households) but were less likely to undertake repair and maintenance work to their home (39 percent) compared to more affluent owners (70 percent) (Widdowfield & Wilkinson, 2002). This is likely to be a function of age as

[3] The Decent Homes Standard is met when dwellings achieve basic safety standards, be in a reasonable state of repair, have reasonably modern facilities and services and have efficient heating and effective insulation.

[4] Category 1 hazards are identified by the Housing Health and Safety Ratings System (HHSRS) and includes the most serious faults in the home that have a higher probability that they will lead to harm of the occupant such as trip hazards, faulty wiring or damp.

well as income as over two thirds of poor homeowners in Scotland were older (71 percent), although poor younger families in homeownership had other spending priorities.

The potential of homeownership for poor households

That homeownership has multiple qualities is well recognised (Elsinga & Hoekstra, 2015; Smith, 2015). On the one hand it offers low-income homeowners the opportunity to gain assets, status and control, but simultaneously it allows states to retrench and shift responsibility for welfare onto individuals, with the associated risks and cost burdens (Doling and Ronald, 2010). Several studies have identified that homeownership can offer a buffer against market turmoil, or an insurance policy against uncertainty in countries with the greatest inequalities (Watson & Webb, 2009; Deidda, 2014; Wallace et al., 2014; Colic et al., 2010). In a recent study of shared owners, the security of tenure that homeownership offers was certainly of significant appeal over that offered by the private rented sector (Cowan et al., 2015), a situation that may become apparent in social housing following the limitations on lifetime tenures in the Housing and Planning Act 2016. The control, security and financial and cultural imperative to own informs much of the strong aspirations to homeownership (Wallace, 2010), but as is seen in the next section, homeownership also represents a number of risks, from mortgage arrears (Ford et al., 2001) to loss of housing equity (Smith et al., 2008).

A number of claims are made for the benefits of homeownership but the evidence is mixed. There is an extensive US literature that examines social and community benefits such as enhanced social involvement, residential satisfaction and educational outcomes for homeowners, for example, but the field is challenged by selection effects, the potential that different types of households enter homeownership rather than renting at the outset (Rohe and Lindblad, 2013). More work is required to determine under what circumstances the benefits of homeownership are achieved and for whom (ibid.). In the UK, indications for greater educational achievements for homeowners' children were found (Bramley & Karley, 2007). But it has been the economic benefits that are emphasised, as housing wealth can be used to support owners' welfare (Quilgars & Jones, 2010; Hancock, 1998; Parkinson et al., 2009). Some studies find little or inconclusive evidence of positive outcomes of the tenure on issues from greater self-esteem, enhanced voting or repairs behaviours (Kearns et al., 2001; Hiscock et al., 2001; Englehardt et al., 2010; Kleinhans and Elsinga, 2010).

While the UK evidence base for the social and community benefits of homeownership is underdeveloped, not least for lower income households, it is the wealth generating qualities of the tenure that have been subject of much recent debate. Previous governments were explicit in seeking to extend the asset-accumulation qualities to wider sections of society (ODPM, 2005). That the housing market can drive inequalities between owners and renters and between generations has been a significant concern (Stephens, 2011). Nonetheless, homeownership has been central to a shift from collective responses to welfare towards individual responsibility

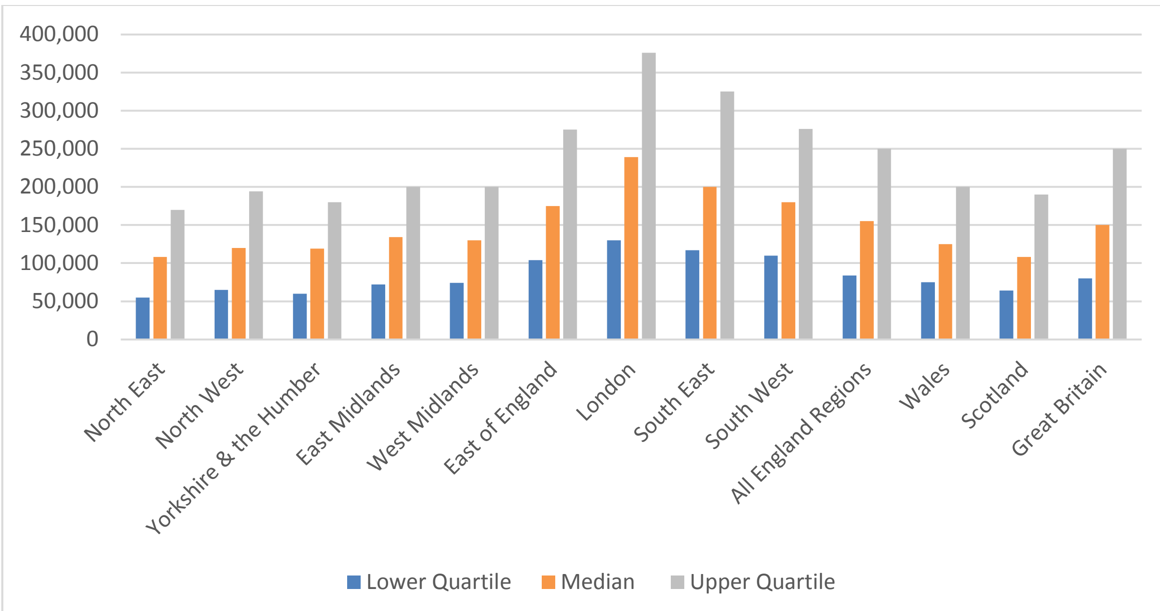
(Rowlingson & McKay, 2012) and *de facto* asset-based welfare policies. Financial asset-accumulation is associated with lower poverty levels and targeted savings schemes can alter the savings behaviour of lower-income households (Searle & Köppe, 2014) and have a positive effect on life chances (McKnight, 2011). Housing assets operate differently but through a combination of paying down mortgage debt and long-run capital gains equity can be accumulated over time. Housing equity is also more evenly distributed than other financial assets and represents a greater proportion of wealth (Bastagli & Hills, 2013), But the impact of housing assets as opposed to financial assets is under-explored. Nonetheless, policies promoting homeownership have shifted from alleviating households from state control by fostering a 'property owning democracy' to those more closely associated with an 'asset-owning democracy', the accumulation of wealth, positional goods and property for letting (Murie & Williams, 2015). Rising markets held the promise of lower-income homeowners being able to transcend inequalities derived from the labour market through the accumulation of housing equity (Thomas & Dorling, 2004).

However, the accrual of housing equity remains strongly skewed towards more affluent households. Several studies highlight that greater equity accrues to the most affluent, and is socio-spatially unevenly distributed (Hamnett, 1999; Burbidge, 2000; Montgomerie & Büdenbender, 2015). Despite the expansion of homeownership since the post war period and beyond, the incidence of inheritance was mildly equalising in terms of net wealth but maintained inequalities rather than narrowed them (Karagiannaki, 2011). Despite the Right-to-Buy transferring some estimated £150-200 billion in equity through discounted values to low- to middle-income households, many properties generated little discernible wealth as they were of low value and many had been difficult to raise a mortgage on (Cole et al., 2015). Indeed, US and UK evidence also points to a weaker ability to accrue equity for lower-income homeowners due to purchases in low-value markets with greater volatility, fewer switches to lower mortgage interest deals, shorter periods of homeownership and less benefits from tax breaks (Burbidge, 2000; Pryce & Sprigings, 2009; Belsky et al., 2007).

Homeowners have of course been using housing equity to overcome additional household expenditure but there are limitations. Crouch (2009) identified this flow of housing equity to the wider economy as 'privatised keynesianism', critical to the buoyancy of the UK economy. However, there were and continue to be significant downsides to this incorporation of housing wealth into personal financial planning. Repeat remortgaging increases the household debt burden and thus the risk of repossession (Searle, 2013). Indeed secondary lending and additional borrowing through remortgaging was evident in half of the mortgage rescue applications during 2009/10 (Wilcox et al., 2010). Wood et al. (2015) noted that equity withdrawal is a convenient inexpensive resource for more affluent households but represents a risk for those with the fewest resources. Equity release in later life is posited as a poverty alleviating measure but few homeowners who are cash poor- equity rich can benefit in this way as their homes are of low value and the sums involved are insufficient to change their poverty status (Hancock, 1998). Equity release customers currently benefits those on moderate incomes supplementing pension income rather than low-income homeowners transforming their finances (Overton, 2010). Withdrawing home equity is bound with emotional conflicts about undermining the homeownership status, undermining the bequest motive for asset accumulation (Fox O'Mahony & Overton, 2014) and is likely to be used only in the last resort (Quilgars & Jones, 2010).

Differential rates of net property wealth across the regions are illustrated in Figure 5. Searle and McCollum (2014) highlight the divergent experiences of house price growth across the UK by different age groups and found that in the regions of northern England and devolved administrations had the lowest sums of housing equity and the starkest disparities between age groups were among 50-64 years old the generation, deemed to have benefited the most from rising housing markets.

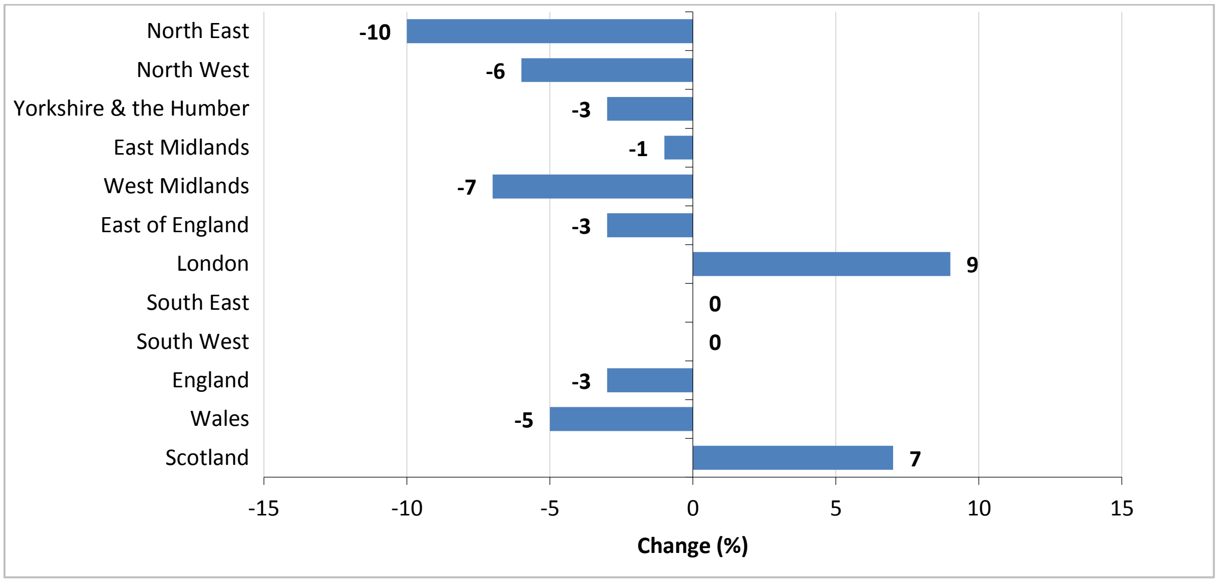
Figure 5: Net housing wealth by region, 2010/12.



Source: ONS (2014)

ONS analysis of the Assets and Wealth Survey demonstrate the differential impacts of the housing market downturn on net property wealth across the regions, with upper quartile wealth in the North East remaining below that of the median sums in London and the South East (Figure 6) (ONS, 2014). Property wealth also changes by household type with lone parents holding the least net equity, with a median sum of £84,000 (£42,000 at lowest quartile) and couples with at least one member over state pension sage holding the most, with a median sum of £220,000 (£140,000 at the lowest quartile). For net equity below £125,000 the variation by socio-economic classification is minor, but above this greater wealth flows to more skilled, professional and managerial occupations (ibid.) Lower sums of housing equity may be associated with highly leveraged recent purchases rather than attributable to low-incomes and lower property values, an issue to be explored in the wider project.

Figure 6: Percentage change in median household net property wealth between 2006/08 and 2010/12, by region of residence: Great Britain



Source: Assets and Wealth Survey ONS (2014)

Lastly, the extraordinary flow of housing wealth witnessed in the last thirty years is likely to be a generational windfall and with contracting ownership and large regional disparities unlikely to be repeated (Montgomerie & Büdenbender, 2015). For these reasons, housing equity asset-based welfare systems are increasingly seen as offering limited potential to offer adequate support for households in need (Montgomerie & Büdenbender, 2015; Searle & McCollum, 2014; Burbidge, 2000).

Sustaining homeownership

The UK housing market displays extraordinary volatility, with four periods of boom and busts since the 1970s (Stephens, 2011). Causal associations are often drawn from the last financial crisis 2007/8 and the US subprime debacle, but UK homeownership was itself exposed and displayed weaknesses prior to the US housing market crisis (Ford & Wallace, 2009; Wilcox, 2005). UK homeownership saw an increase in lower-incomes and insecure employment, mortgage market innovation that targeted marginal borrowers, incomplete safety nets and more loans with high loan to values and loan to incomes (ibid.). Moreover, mortgage arrears started rising from 2003 onwards, well before the financial crisis emerged. The crisis accelerated the growth in mortgage default, but the volume of arrears and possessions from 2008 onwards did not reach the scale of the 1990s market downturn. Only in Northern Ireland was the impact of the crisis as profound as that in the US or Ireland (FSA, 2012). Britain's lower volume of arrears and possessions was due to a combination of historically low bank rates, government policy intervention on a number of fronts and changed lender forbearance practices (Wallace & Ford, 2010), and that unemployment was lower during this last recession and more greatly affected the 16-24 age group who, particularly in contemporary housing markets, are less exposed to mortgage debt (FSA, 2012).

The official arrears and possessions statistics should however, not be regarded as a complete measure of mortgage payment distress (FSA, 2012; Ford et al., 2010; Financial Inclusion Centre, 2011; Wilcox & Pawson, 2012). While the rate of mortgages three months or more in arrears did not exceed 2.5 percent (Q2-2009 CML Statistics), a total of between 5 and 8 percent of mortgages were subject to forbearance mechanisms during 2012 (FSA, 2012). Moreover, the FSA (2012) report that only 44 percent of homeowners who lost their home due to mortgage costs did so because they were repossessed by lenders and 56 percent sold their homes voluntarily to avoid or remedy mortgage arrears. Moreover, among all existing households, the magnitude of homeowners who have had experience of selling up to alleviate payment problems (246,000) is far in excess of those who experienced formal (55,000) or voluntary repossessions (80,000) (Ford et al., 2010). Wilcox and Pawson (2012) note that Council of Mortgage Lender figures only include first charge lending and not secondary secured lending.

Aron and Meulbauer (2016) adopt a double trigger approach to estimating mortgage arrears, such that a loss of income combined with equity loss combine to produce default. Labour market disruptions - loss of hours or pay, job loss or failing self-employment - are the prime reasons of mortgage arrears but ill-health and relationship breakdown are also important (Ford et al., 2001; Gall, 2009; Ford et al., 2010; FSA, 2012). As noted earlier, these are similar demographic and labour market changes that prompt household moves into poverty, factors that conflict with mortgage loans advanced on the premise of a stable long term income-stream. The recent market downturn was also complicated by the incidence of secondary borrowing and bankruptcy or other debt management arrangements complicating the management of mortgage arrears for borrowers and lenders alike (Ford & Wallace, 2009; Ford et al., 2010; Wilcox et al., 2010; Wallace et al., 2011). Moreover, by the time of the financial crisis in 2008 subprime lending had developed to a greater extent than in the early 1990s, with these borrowers being seven times more likely to experience mortgage arrears (Stephens & Quilgars, 2008) and accounting for between 70-80 percent of mortgage rescue applications in the scheme's' first year (Wilcox et al., 2010). These additional debts compounded problems with negative equity producing large shortfall debts for borrowers even after losing their homes.

The UK literature has always resisted a narrative that negative equity prompts arrears, derived as it does from economic analysis of no-fault states in the United States where borrowers can walk away from defaulting loans without incurring shortfall debts as in the UK (Tatch, 2011). Recent studies have shown that negative equity does not on its own trigger default based on the 'investment' 'poorly performing' as the property is at once an asset and a home, but that once negative equity reached significant proportions, over 60 percent of home value, then there was a greater risk of default (Bhutta et al., 2010). The mechanism for this is likely to be that the option to voluntary sell the home to remedy mortgage debt is removed or limited if a large shortfall debt is incurred (Ford et al., 2010). In Northern Ireland voluntary sales were limited by the steep reduction in house values and subsequent widespread negative equity, contributing to higher rates of arrears and possessions (Wallace et al., 2014). Moreover, there was an inverse social gradient to the incidence of negative equity, with higher income quintiles having more frequent experiences of negative equity, but conversely, the lowest income quintile held the greatest sums of negative equity, suggesting poorer homeowners suffer disproportionately once the bottom falls out of the market (ibid.).

The Financial Conduct Authority (FCA, 2014) concerns about over-indebtedness remain, noting evidence that 18 percent of the UK adult population (some 8.8 million) are over-indebted and are behind with payments and burdened by their debt, and that personal debt has begun to rise again after the crisis. Problem debt is greatest among younger people, renters, those on low-incomes and in receipt of benefit or with few savings. Recent survey data shows that the total debt to income ratio for mortgagors has fallen back since 2012, and subsequently reports of financial distress has fallen consistently since 2008 but leaves around 11 percent of borrowers with problematic mortgage costs (Bunn, 2015). Low Bank of England base rates cushioned the impact of the downturn for many struggling borrowers and the much muted prospect of higher base rates, now or in the near future, represents a further threat to owners who have normalised current repayments (Blacklock & Whittaker, 2014). The prospect of rising rates in the near future may be receding as the economic conditions remain weak (Carney, 2016) and the ability of households to manage base rate rises has improved over the last year or so (Bunn, 2015). However, the proportion of struggling homeowners remains significant, not least among those who have a large debt overhang from prior to the financial crisis (Whittaker, 2014).

But to what extent are low-incomes and poverty bound up with the incidence of unsustainable homeownership? As we have seen above most homeowners become poor rather than enter poor, but the lowering of the entry barriers to ownership during the 1980s and 1990s expanded the tenure to include households more susceptible to economic risk. The English Housing Survey indicates a pronounced social gradient to mortgage arrears as the lower the income the more likely respondents were to be in arrears, with 9 percent in the lowest income quintile in arrears compared to 0.2 percent in the fifth highest quintile (DCLG, 2015a). Homeowners in the lowest income quintiles spent 54 percent of their income on housing costs, the second quintile 27 percent and the fifth quintile only 14 percent (ibid.).

The FSA (2012) notes that borrowers with certain characteristics were more likely to accrue mortgage arrears and include: high loan to values, self-employed, those with previous credit impairment and right to buy purchasers. Credit hungry families and households on the breadline are disproportionately those that accrue arrears of two months or more and experience possession (ibid.). Wood et al. (2015) also identified homeowners in the early years of homeownership to be at greater risk of falling out of the tenure due to financial distress, and Cole et al. (2015) also reported that right-to-buy purchasers were two or three times more likely to accrue mortgage arrears than other borrowers. Burrows' (1998) found, however, that being a first time buyer or having purchased property through the right-to-buy was associated with 1.75 and 1.8 times more mortgage arrears than average, but neither of these factors exerted an independent influence on the odds of being in mortgage arrears after controlling for other characteristics, so purchasing through the right-to-buy served as a proxy for other factors. The factors that increased the odds of being three months or more in arrears were if the head of the household was aged 18-24 years old, divorced or separated, a single man, self-employed, unemployed, held a 100 percent mortgage, obtained a mortgage from a centralised lender indicating relaxed lending criteria, lived in the South East of England, and had purchased their property at the height of the previous housing market peak 1987-1989.

The most recent data using English Housing Survey 2013/14 shows that the groups that report being behind with mortgage payments more frequently were those in the lowest income quintile (8.7 percent), lone parents (7.2 percent), those most dissatisfied with their local area (5.8 percent), households with a disabled person (5.0 percent) and youngest child over 12 (4.1 percent) and first time buyers who have lived five years or more in the property (3.5 percent) (DCLG, 2015b). The Resolution Foundation identify 12 percent of working households in private renting are paying more than 50 percent of their income in housing costs, but only 6% of mortgagors are what they term 'housing pinched'; but as homeownership is a larger tenure 396,000 households in PRS spend over 50 percent but 491,000 households in homeownership do so (Gardiner, 2014).

The regional experience of mortgage debt following the financial crisis in the 2000s was different to that of the 1990s. Northern Ireland had by far the greatest proportion of mortgagors with mortgage arrears and possession, followed by the northern regions of England and Wales (FSA, 2012). It is in these areas that mortgage arrears has fallen the least following the initial shock of 2008/9.

Support for low-income mortgage borrowers suffering mortgage shocks has been weak for many years, and renters, up until recently at least, have had more comprehensive system of housing allowances to cover housing costs after payment shocks (Burrows, 2003). During the 1990s Income Support for Mortgage Interest (ISMI) was available after 8 weeks of claiming, and was based upon actual interest charged and payable to borrowers. In return for lenders support in stemming the flow of possessions the government switched payments to lenders, which helped them exercise forbearance. In 1995, the waiting time for the renamed Support for Mortgage Interest (SMI) payments increased to 39 weeks, with the intention that borrowers would privately insure themselves against accident, sickness and unemployment through mortgage payment protection insurance (MPPI) schemes (Ford & Kempson, 1997; Stephens et al., 2008). These schemes were found to be ineffective in securing a comprehensive safety net for borrowers as they never exceeded a third of borrowers, were expensive, were purchased unnecessarily or by borrowers with the lowest risks, and did not cover a key trigger of mortgage debt such as relationship breakdown (ibid.). In addition, increasing the waiting time to 39 weeks when take-up of MPPI was low meant more struggling borrowers lost their homes (Stephens et al., 2008). The high volume of repossessions in the 1990s and beyond was associated with physical and mental ill-health (Nettleton & Burrows, 2000; Pevalin, 2009), family and child dislocation and an entry route to poverty for women (Nettleton et al., 1999).

From 2008/9, the government implemented a series of measures that would limit the impact of the downturn on individual borrowers, included a pre-action protocol in the county courts, requiring lenders to assure the courts that repossession was the last resort; the waiting period for Support for Mortgage Interest (SMI) was decreased from 39 weeks to 13 weeks temporarily; and provided additional funds for housing debt advice services (Wallace & Ford, 2010; Munro et al., 2010). In addition, a mortgage rescue scheme was introduced in England which offered a flexible tenure scheme where struggling mortgagors could remain in their homes on a shared equity or intermediate rent basis (Wilcox et al., 2010). A mortgage to rent scheme already existed in Scotland (Bramley et al., 2008), a range of housing associations operate schemes in Wales, but there is no flexible tenure provision in Northern Ireland (DSD, 2015). Lenders also adopted a managed forbearance approach to mortgage debt collection, in contrast to their pay or possess approach of the 1990s (Wallace & Ford, 2010), which was underpinned by government measures on welfare and advice (Ford et al., 2011). A range of policy measures since 2010 have eroded the safety systems, with the withdrawal of the mortgage rescue scheme from 2014 (Wilcox et al., 2010) and changes to Support for Mortgage Interest (SMI) that since 2010 have capped the length of some claims and reduced the amount of interest on which payments are made (Ford et al., 2011), and from April 2017 the 39 weeks waiting period before payments are made will be reinstated (gov.uk). Furthermore, from 2018 when Universal Credit is rolled out to all claimants, any SMI claimed will be converted to an equity loan held against the property and some couples with any part time work will no longer be eligible for support (Treasury, 2015). Universal credit also contains proposals to reduce eligibility for some couples where the partner works 0-16 hours, limiting the transition to work for mortgagors and the potential for Universal Credit to offer a much needed in-work housing allowance for homeowners (Wilcox & Pawson, 2012).

Not all homeowners were able to take advantage of historically low interest rates as fixed rate loans delayed the point at which they could remortgage or enjoy lower interest rates (Ford and Wallace, 2009); subprime borrowers paid very high interest rates to reflect higher risks of arrears (Stephens and Quilgars, 2007); and because the fixed interest rate used in Support for Mortgage Interest from 2009 left many of these borrowers with payment shortfalls (Ford et al., 2011)[5]. Increased cautiousness and new mortgage market regulation effectively raised the threshold of entry to mortgage finance. 'Mortgage prisoners' emerged, borrowers unable to switch mortgage deals because they have high loan-to-values (typically first time-buyers), interest-only loans that are no longer available (typically remortgagors or home-movers), but also because of previous remortgaging and a history of payment problems (typically right-to-buy purchasers) (FSA, 2012).

The accrual or consequences of mortgage arrears are determined by the degree of social protection offered to people through a country's welfare system and labour market and the regulation of the mortgage market (Ford and Wallace, 2011). The UK's current prudential lending environment alone cannot stem all job loss, household dissolution or ill-health that occurs throughout the housing market cycle, as life events happen to people across the income spectrum and to those whose circumstances were stable at the outset of the loan (Wilcox & Williams, 2013). The UK safety net as currently constituted is an important bulwark against repossession (Ford et al., 2011) but has key omissions. As mentioned there is no in-work equivalent of housing benefit for mortgagors - tax credits have played a role for lower-income borrowers (Wilcox, 2003) but these are to be weakened - the waiting time extended and any

[5] Although many SMI recipients also received payments in excess of their own interest commitments.

households with work, however few hours, will become ineligible entirely under Universal Credit (Wilcox and Pawson, 2012).

Despite significant proportions of poor household comprising homeowners, they are at a greater disadvantage when they suffer income shocks in terms of the support offered by the state than tenants (Burrows, 2003). There is a policy conundrum, however, as payments of SMI are frequently well below that paid through housing benefit to repossessed households who move to the private rented sector through housing benefit, but meeting mortgage costs means also funding the acquisition of a capital asset (Ford et al., 2011). This is partially overcome by placing an equity charge on the property to repay SMI on sale, this means poor homeowners become wholly responsible for their welfare and could deter borrowers from making claims.

Alternative safety nets could address these weaknesses. The Sustainable Home Ownership Partnership (SHOP) proposes a compulsory joint scheme funded by borrowers, lenders and government; partners who share the burden of unsustainable homeownership and therefore could all contribute to mitigating its impact (Stephens et al., 2008). A SHOP scheme could offer the following protection and would be compulsory for all borrowers:

- Non-means tested payment of actual mortgage capital and interest payments from the beginning of the third until the end of the twelfth month following the occurrence of a particular ‘designated’ risk, such as unemployment, failure of self-employment, accident or sickness, and means tested assistance thereafter if the unemployment, sickness, etc. continues.
- Means tested assistance with mortgage capital and interest payments from the third month and indefinitely if the loss of income arises from a non-designated risk.
- During the first two months, lenders would be expected to exercise forbearance.

SHOP would also be supplemented by a tax credit to provide support for in-work but low-income homeowners. Costs could be controlled by long term payments by placing a charge on borrowers’ homes as is suggested for SMI from 2017 (Wilcox and Williams, 2013). Alternatively another idea is to continue forbearance, but supplement it with an auto-enrolled private insurance system and a state-backed payment system.

Future trends

While there is some existing data that indicate associations between poverty, low-incomes and homeownership, they are largely based on historic data mostly arising prior to the financial crisis. A number of factors suggest the relationships may play out differently in the future.

On the one hand, the decline in homeownership across the UK has been deeper among low to mid-range occupational classes (Wallace et al., 2014). These occupational groups have declined as a proportion of the workforce anyway due to technological change and the hollowing out of the labour market (McIntosh, 2013). The impact of constrained access to homeownership has also been felt unevenly, with the biggest fall in homeownership among low to middle income households, 73 percent of whom were homeowners in 2000 compared to 55 per cent by 2014 (Corlett et al., 2016). Moreover, wages for people in their 20s remains 12 percent below that prior to the financial crisis, with important ramifications for new entrants to homeownership (ibid.). While overarching trends towards insecure employment have not changed markedly in recent years - 30 percent of employees were part-time, temporary, self-employed or low paid during 1994, and 32 percent by 2014 - the proportion of insecure employees increased from 55 percent to 66 percent for 18-29 year olds and from 23 percent to 29 percent during the same period (Gregg & Gardiner, 2015). These trends may further limit younger cohorts' access to homeownership. Prudent lending after the financial crisis, cemented by the mortgage market review, effectively raised the threshold for entry to homeownership by ensuring the loans are affordable and the quality of the income stream (Policis, 2010).

Workings against these factors that may limit marginal homeownership on the other hand are the expansion of government demand-side schemes that aim to bolster access to the tenure for low- to middle-income households, Help to Buy, shared ownership and Starter Homes. Although, shared ownership and Help to Buy equity loans are often now used by middle to higher income households struggling with high housing costs rather than low-incomes (GLA Housing Committee, 2015; Pharaoh et al., 2015; Finlay et al., 2016). A number of factors may strengthen demand for homeownership: including pressures from registered providers including those outside of London and the South East to more widely offer shared ownership to cross-subsidise other activities; shared ownership is set to expand and has a lower entry threshold than Help to Buy or Starter Homes (de Santos, 2013); and moves such as Pay-to-Stay and the limitations on lifetime tenancies in social housing (Shelter, 2016). The impact of these government sponsored schemes on any decline in homeownership among lower occupational classes and younger households are likely to be modest, however, so may do little to increase marginal ownership, rather shift subsidy further up the income scale in pressured housing markets. Setting the bar higher may limit some of the marginal owners who were at greater risk of poverty and dropping out of the tenure in the future, while once again promoting the tenure among routine or manual income groups holds the potential to expand the risks of homeownership and it is uncertain how these competing pressures will play out.

There are indications that mortgage terms are extending to stretch affordability increasing the total sums to be repaid and prolonging the debt burden ever further. The proportion of first time buyers with mortgages over 30 years is 38 percent (DCLG, 2015b) and for loans advanced on terms over 35 years the proportion has risen from 16 percent in 2007 to 26 percent by 2015 (Halifax, 2016). Given the average age of first time buyers is 33 (DCLG, 2016), it means that fewer homeowners are likely to enjoy a mortgage free period prior to retirement, or be able to extend their terms to stretch affordability during the period of their mortgage if they were struggling and/or had to capitalise any arrears. The FSA (2010) wanted affordability appraisals calculated on a 25 year basis but fell short of proscribing loan terms to 25 years. The FSA (2012) noted that in 2007, 26 percent of loans were advanced with the expectation that they would extend beyond retirement, despite only 11-12 percent of people working beyond that age. Employment in later life is increasing so income shocks may be less prevalent, but this remains problematic as borrower types that are more likely to hold loans into retirement are: credit-impaired, purchased using the Right-to-Buy, self-certified, self-employed, debt consolidation and interest-only, although this is possibly due to some of these borrowers having an older age profile anyway who display additional payment problems (ibid.). Overton and Fox-Mahoney (2015) note that tighter regulation has brought the proportion of loans for those in retirement down, and that for some borrowing into retirement may be a sensible strategy to manage income and assets, but for others it reflects a financial strain, not least for those with interest-only loans without a repayment vehicle or other debts. Whether there will be an overhang of problematic loans in later life from the period of more liberal lending prior to the crisis or whether this issue will be managed into decline is uncertain.

Conclusion

While the UK saw rising housing markets the weaknesses in mass homeownership were side-lined until exposed by the financial crisis. We see today, that half of all poor households are still homeowners and that the impact of the downturn has been more greatly felt by homeowners on the lowest incomes. The potential of housing wealth to promote transitions out of poverty is apparent for older outright homeowners but increases financial distress for lower-income mortgagors, and is unevenly distributed across the country limiting its universal utility. Any resumption of area-based initiatives to support households in poverty may also miss low-income homeowners. Homeownership has been popular with the public but also amongst politicians as it shifts responsibilities towards individual households to secure their own future. While there are now greater publicly sponsored opportunities for homeownership for households down the income spectrum, social security safety nets available to struggling mortgage borrowers are simultaneously being undermined leaving a significant policy gap. The transfer of risk that homeownership represents is currently underplayed, possibly taking comfort from the less profound impact of the last economic downturn on arrears and repossessions than during the 1990s downturn. Nonetheless, the risks are felt across the income spectrum but are significant for less affluent households and can induce financial distress and adversely impact upon homeowners' mental health. Further moves to once again expand the tenure must be contingent on securing adequate social protection for homeowners who face the increasing precarity of the labour market, particularly for younger households; extended debt burdens, not least because we have a low inflation environment; and borrowers and lenders have fewer tools to apply to any new income shocks for individuals or the wider economy.

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