Homeownership is investigated as a wealth status that is achieved by young adults but that is partially transmitted from parents to children. We aim to discover how important are the parental resources, net of the young adults’ own attributes. In particular, we aim to estimate the effect of direct parental assistance for their children’s home buying. The importance of such family assistance in home buying is well recognized, given that the median home purchased in 2014 ($216,000 according to the National Association of Realtors) would require a down payment of $43,200 under a 20% down payment, or even $10,800 under special circumstances of a 5% down payment. Such assistance might come as a loan, a gift, or an inheritance, whether from parents or other relatives.

**Alternative Estimates of Prevalence of Parental Assistance**

The National Association of Realtors (NAR) reports that 26% of first-time home buyers in the last year received a gift to help with accumulating their down payment.1 This is based on a large survey of all homebuyers in the last year that yielded a response rate of less than 10%. The Federal Reserve Board (2015) reports in their 2014 Survey of Household Economic and Decisionmaking (SHED) that 15.3% of respondents who purchased a home in the last decade said they made use of a loan or gift from family or friends. Adjusted to approximate first-time home buyers, the prevalence of relying on family assistance is elevated to 21.6% of buyers in the last 10 years.2

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1 Data come from the Home Buyers and Sellers Generational Trends Report 2015. The survey was mailed to a random sample of 72,206, with an adjusted response rate of 9.4%, producing data on 6,572 buyers who purchased between July 2013 and June 2014.

2 All calculations from the SHED data are based on Table 7.
These studies are limited by their focus on homeowners. Without a contrast to renters, there is no way to tell how much difference assistance was to achieving homeownership. Nor do these other studies tell us how important was parental wealth, homeownership, and race for the likelihood or amount of gifting, and the net contribution to the overall housing attainments of their children.

Panel Study of Income Dynamics (PSID)

This analysis makes use of a large sample with detailed information on both parents and their children. The Panel Study of Income Dynamics (PSID) is the longest running panel data set in the U.S. In addition to the overall PSID sample design and questionnaire, a special module was recently introduced, known as the 2013 PSID Family Roster and Transfer Module (RTM13). This contains information on family members, and details the short-term transfers and long-term transfers (i.e. cumulative since age 18) between parents and adult children. The long-term transfers (but not the short term) are further specified by the purpose of transfers such as school, for “help buying a home, including a down payment,” and other financial help.

For this study, we selected those PSID sample members between 20 and 49 who have records in both the 2013 PSID main interview and the Roster and Transfer Module, which resulted in 5,498 observations.

FINDINGS ON ASSISTANCE FOR HOMEOWNERSHIP: TRANSFERS FROM PARENTS TO CHILDREN

Next we address the likelihood of transfers with regard to the wealth of parents, comparing quartiles defined by housing wealth and, separately, by financial wealth. We also examine the variation by income of parents and by their own homeownership status. As might be expected, there are also large racial differences in the likelihood of transfers being received from parents.

Variation in Assistance by Ages of Adult Children

The longest-perspective data in the PSID RTM13 pertains to retrospective reports of assistance received since the age of 18. This snapshot provides a rough estimate of cumulative assistance, although it is subject to recall bias about events from several years earlier.

The prevalence of parental transfers to help adult children with a home purchase is reported in Table 1. Unlike education and other categories of assistance, this rises across age groups reflecting the greater likelihood of homebuying after age 24 and the cumulative nature of having ever purchased a home (or having received assistance for that purpose). Transfer likelihood is much higher within the set who are homeowners.

Parental Factors Explaining Parental Assistance

The likelihood of transfer to children depends on both the characteristics of the parents and the children. Among the factors shaping the willingness of parents to transfer resources to
their adult children are the wealth held by the parents, along with their current income. These factors also influence the size of transfers when they occur.

### Table 1. Likelihood of long-term transfer for home purchase by current age of child

<table>
<thead>
<tr>
<th>Percent of Sample</th>
<th>Percent of Homeowners</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Transfer Likelihood (%)</td>
</tr>
<tr>
<td>Total</td>
<td>3.2</td>
</tr>
<tr>
<td>20–24</td>
<td>0.5</td>
</tr>
<tr>
<td>25–34</td>
<td>2.9</td>
</tr>
<tr>
<td>35–44</td>
<td>5.9</td>
</tr>
<tr>
<td>45–49</td>
<td>7.1</td>
</tr>
</tbody>
</table>


For reasons of space limitations, a brief verbal summary is offered. The likelihood of transfer climbs steeply across quartiles of parents’ income, non-housing wealth, and housing wealth (considered to be less liquid and divisible). The transfer likelihood approximately doubles between parents in the second and fourth quartiles. In addition, conditional on making a transfer, the parents in higher quartiles also transfer much larger sums. The mean transfers are twice as large in the fourth quartile of income or wealth as in the third. Much smaller differences are found between the lower quartiles. Thus, it appears that children in lower quartiles receive transfers much less frequently and in smaller amounts.

### Estimating Determinants of Homeownership

For ease of explanation in this abstract, a linear probability model is estimated of homeownership, contrasting five models (Table 2). The gross effect of parents’ own homeownership and their direct assistance to children is shown in Model 1. When children’s attributes are added in Model 2, those coefficients are diminished, and in the full Model 5 they remain small but significant factors increasing grown children’s homeownership. We observe persistent racial differences that disadvantage black homeownership and indeed increase by one-third in the full model. Further research to be conducted will test for differential effects of education, income or parental coefficients for African Americans by interaction effects. These models will be estimated as logistic regressions. We also will model the effects of future increases in racial diversity on the simulated future trend in homeownership in each age group. We further plan to model how much difference direct assistance makes for accelerating the age of homeownership attainment.

In conclusion, the RTM13 from PSID offers a single relevant cross-section, but it affords highly useful insights about the relative importance of parental resources for different subgroups. This research sheds light on potential policy implications of helping disadvantaged groups with the hurdle of down payments for home purchase.
Table 2. Full results of the linear probability model regression on child’s homeownership status

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Long-term transfers ($100,000)</td>
<td>0.224***</td>
<td>0.094***</td>
<td>0.100***</td>
<td>0.087***</td>
<td>0.088***</td>
</tr>
<tr>
<td>Parental homeownership</td>
<td>0.172***</td>
<td>0.040***</td>
<td>0.029***</td>
<td>0.032***</td>
<td>0.032***</td>
</tr>
</tbody>
</table>

Child characteristics

Age group (ref: 25 to 29)

- 20 to 24                         -0.050***        -0.057***        -0.058***        -0.059***        -0.059***        
- 30 to 34                         0.112***         0.108***         0.109***         0.108***         0.108***         
- 35 to 39                         0.183***         0.177***         0.180***         0.178***         0.178***         
- 40 to 44                         0.275***         0.277***         0.276***         0.268***         0.268***         
- 45 to 49                         0.299***         0.299***         0.297***         0.291***         0.291***         

Marital status (ref: married)

- Widowed                          -0.329***        -0.291***        -0.299***        -0.297***        -0.297***        
- Divorced                         -0.351***        -0.342***        -0.341***        -0.348***        -0.348***        
- Separated                        -0.411***        -0.385***        -0.385***        -0.391***        -0.391***        
- Never married                    -0.373***        -0.365***        -0.364***        -0.365***        -0.365***        
- Missing marital status           -0.601***        -0.559***        -0.566***        -0.570***        -0.570***        

Race/ethnicity (ref: NH-White)

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</tr>
</thead>
<tbody>
<tr>
<td>African-American</td>
<td>-0.066***</td>
<td>-0.076***</td>
<td>-0.081***</td>
<td>-0.089***</td>
<td></td>
</tr>
<tr>
<td>Hispanic</td>
<td>-0.041**</td>
<td>0.001</td>
<td>-0.004</td>
<td>-0.012</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>-0.021</td>
<td>-0.005</td>
<td>-0.002</td>
<td>-0.007</td>
<td></td>
</tr>
</tbody>
</table>

Education attainment (ref: high school graduate)

- High school dropout           -0.050**         -0.043*          -0.042*          -0.045**         -0.045**         
- Some college or Associate’s degree 0.053***        0.054***          0.053***         0.052***         0.052***         
- Bachelor’s degree or higher   0.088***         0.096***         0.105***         0.102***         0.102***         
- Missing educational status    -0.056           -0.054           -0.051           -0.044           

Employment status (ref: employed)

- Unemployed                    -0.081***        -0.077***        -0.077***        -0.075***        -0.075***        
- Not in labor force            -0.045***        -0.037**         -0.035**         -0.040**         -0.040**         
- Missing employment status     -0.018           -0.034           -0.027           -0.032           

Health status (ref: in good health status)

- In poor health status         -0.100***        -0.114***        -0.117***        -0.115***        -0.115***        
- Missing health status         -0.052           -0.048           -0.052           -0.049           
- Having a child(ren)           0.044***         0.035**          0.031*           0.032           
- Family income ($100,000)      0.012**         0.013**          0.015**          0.016**          0.016**          
- Family wealth ($100,000)      0.004***         0.004***         0.004***         0.004***         0.004***         

Parental characteristics

Parental education attainment (ref: high school graduate)

- High school dropout           -0.011           -0.016           
- Some college or Associate’s degree 0.020           0.018           
- Bachelor’s degree or higher   -0.042***        -0.040***        
- Missing educational status    0.028           0.029           

Parental employment status (ref: employed)

- Unemployed                    0.037           0.038           
- Not in labor force            -0.001           0.005           
- Parental family income ($100,000) -0.001          0.000           
- Parental family wealth ($100,000) 0.001*          0.001           

Child state fixed effects       No              No              Yes             Yes             Yes             
Parent state fixed effects      No              No              No              No              Yes             
N                               5,049           5,049           5,049           5,049           5,049           
Adj. R-squared                  0.034           0.4155          0.4376          0.4392          0.4473          

Note: The sample is restricted to people between 20 and 49 in the 2013 PSID families who have non-missing values for long-term transfers for home purchase records in the Roster and Transfer Module. The ownership is defined here as being head/wife/wife of a
family living in an owner-occupied housing unit. Observations were weighted in each regression (* = p < 0.10, ** = p < 0.05, *** = p < 0.01).