Comments on:

# IDA and Asset Building Strategies: Lessons and Directions

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# Overview

(1) The importance of having a randomized control group

(2) Differential attrition in the Tulsa panel

(3) Effects on net worth

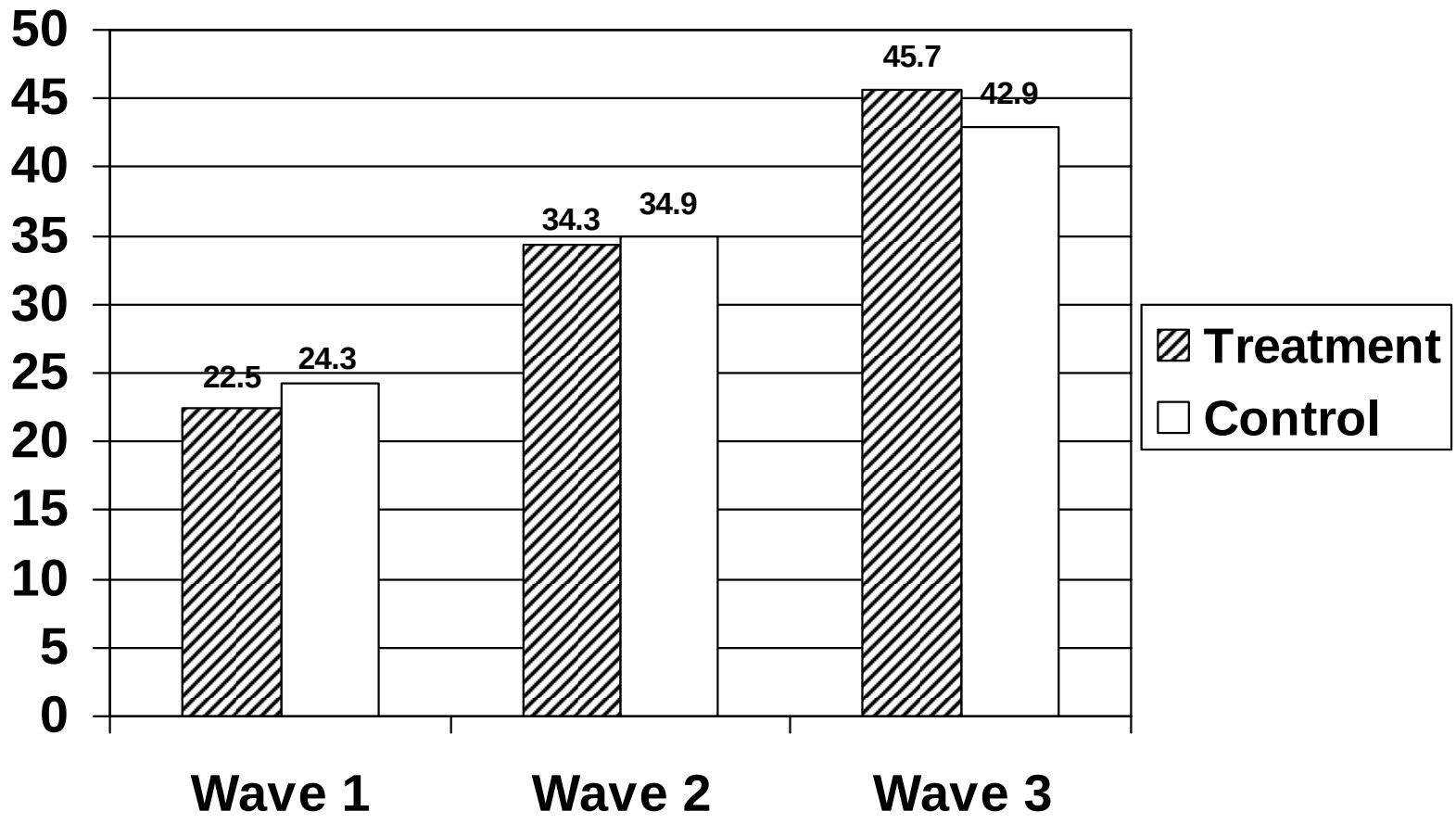
(4) Effects on poverty

(5) Questions, Clarifications

# (1) The Importance of Having a Randomized Control Group

- Compared to other samples – national cross-section of HH in the 1998 SCF and Tulsa-area HH in 2000 PUMS – with income <150 percent of the poverty line who were employed, Tulsa sample members
  - Are more likely to be female, unmarried, black, on govt assistance, have college experience
  - Are less likely to have health insurance, own a home or business
  - Own far less in financial assets and net worth

# Home Ownership Rates by Treatment Status and Survey Wave



# External Validity

- While there is no reason to think the sample members are unrepresentative of the type of household that would apply for an IDA if a broader program existed, the sample is not a random draw of all low-income households – either in demographic and wealth characteristics or in motivations to buy homes.
  - So the results apply to the sample of households who are likely to want to apply for an IDA, not the whole low-income population.

# (2) Differential Attrition in the Tulsa Panel

| Sample Size and Completion Rates Across Sub-Samples by Wave 3 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Overall Sample | | | Treatment Group | | | Control Group | | | Difference[b] | |
| Sample Restrictions[a] | Baseline | Wave 3 | Completion | Baseline | Wave 3 | Completion | Baseline | Wave 3 | Completion | Treat-Cntrl | |
| Full Sample | 1103 | 840 | 76.2% | 537 | 412 | 76.7% | 566 | 428 | 75.6% | -1.1% | |
| Renters | 864 | 643 | 74.4% | 435 | 319 | 73.3% | 429 | 324 | 75.5% | 2.2% | |
| Unsubsidized Renters | 583 | 439 | 75.3% | 294 | 218 | 74.1% | 289 | 221 | 76.5% | 2.3% | |
| Subsidized Renters | 281 | 204 | 72.6% | 141 | 101 | 71.6% | 140 | 103 | 73.6% | 1.9% | |
| Non-White Subsidized | 211 | 151 | 71.6% | 104 | 78 | 75.0% | 107 | 73 | 68.2% | -6.8% | |
| **White Subsidized Renters** | **70** | **53** | **75.7%** | **37** | **23** | **62.2%** | **33** | **30** | **90.9%** | **28.7%** | *** |

[a] Defined by status in the baseline survey.

[b] Statistical significance is indicated as follows: *** = p<.0.01; ** = p<0.05; * = p<0.10.

# Effects of Correcting for Attrition

- The data show differential attrition between the treatment and control group among white renters who lived in subsidized housing at baseline.
- After removing from the sample all renters who lived in subsidized housing at baseline, the Tulsa IDA demonstration did not have differential impacts on black and white renters.

# (3) Effects on Net Worth

- Some “successful” uses of the IDA could reduce NW
  - E.g., buying a home is a wash -- the down payment and mortgage equal house value, so the purchase itself generates no change in wealth. But it may also generate settlement and moving costs – which reduce wealth.
- The small potential “stimulus” to NW provided by IDA contributions (small relative to variability of net worth), combined with the sample size, make it difficult to estimate impact precisely.

## Outlier Robust Treatment Effects for Net Worth at Wave 3[a]

| Net Worth at Wave 3 | OLS | | Outlier Robust OLS | | Median Treatment Effects | |
|---|---|---|---|---|---|---|
| | TE | P-value | TE | P-value | TE | P-value |
| Full Sample | 1,397 | 0.681 | 98 | 0.944 | 518 | 0.681 |
| Unsubsidized Renters[b] | 356 | 0.908 | 80 | 0.962 | -831 | 0.593 |
| Full Sample less Subsidized Renters | 1,277 | 0.774 | 535 | 0.820 | 185 | 0.920 |

[a] Each regression conditions on baseline networth and propensity score as discussed in the text.

[b] Defined by status in the baseline survey.

# Outlier Robust Treatment Effects for Net Worth at Wave 3[a]

| Amount Trimmed Off Each Tail | 0.5% | | 1.5% | | 2.5% | |
|---|---|---|---|---|---|---|
| | TE | P-value | TE | P-value | TE | P-value |
| **A. Full Sample** | | | | | | |
| Trim Wave 1 Net Worth | $1,120 | 0.739 | -$678 | 0.814 | -$1,259 | 0.666 |
| Trim Wave 3 Net Worth | $565 | 0.796 | $1,492 | 0.428 | $2,207 | 0.206 |
| Trim Change in Net Worthb | $716 | 0.728 | $2,509 | 0.152 | $2,300 | 0.153 |
| **B. Unsubsidized Renters[b]** | | | | | | |
| Trim Wave 1 Net Worth | $99 | 0.974 | $881 | 0.774 | $600 | 0.846 |
| Trim Wave 3 Net Worth | $148 | 0.950 | $1,049 | 0.638 | $2,073 | 0.305 |
| Trim Change in Net Worthb | -$367 | 0.874 | $1,732 | 0.410 | $1,721 | 0.372 |
| **C. Full Sample less Subsidized Renters[b]** | | | | | | |
| Trim Wave 1 Net Worth | $809 | 0.852 | -$1,968 | 0.587 | -$1,941 | 0.598 |
| Trim Wave 3 Net Worth | -$686 | 0.801 | $535 | 0.820 | $2,480 | 0.251 |
| Trim Change in Net Worthb | -$454 | 0.858 | $2,004 | 0.360 | $2,780 | 0.169 |

a. Each regression conditions on baseline networth and propensity score as discussed in the text.

b. Defined by status in the baseline survey.

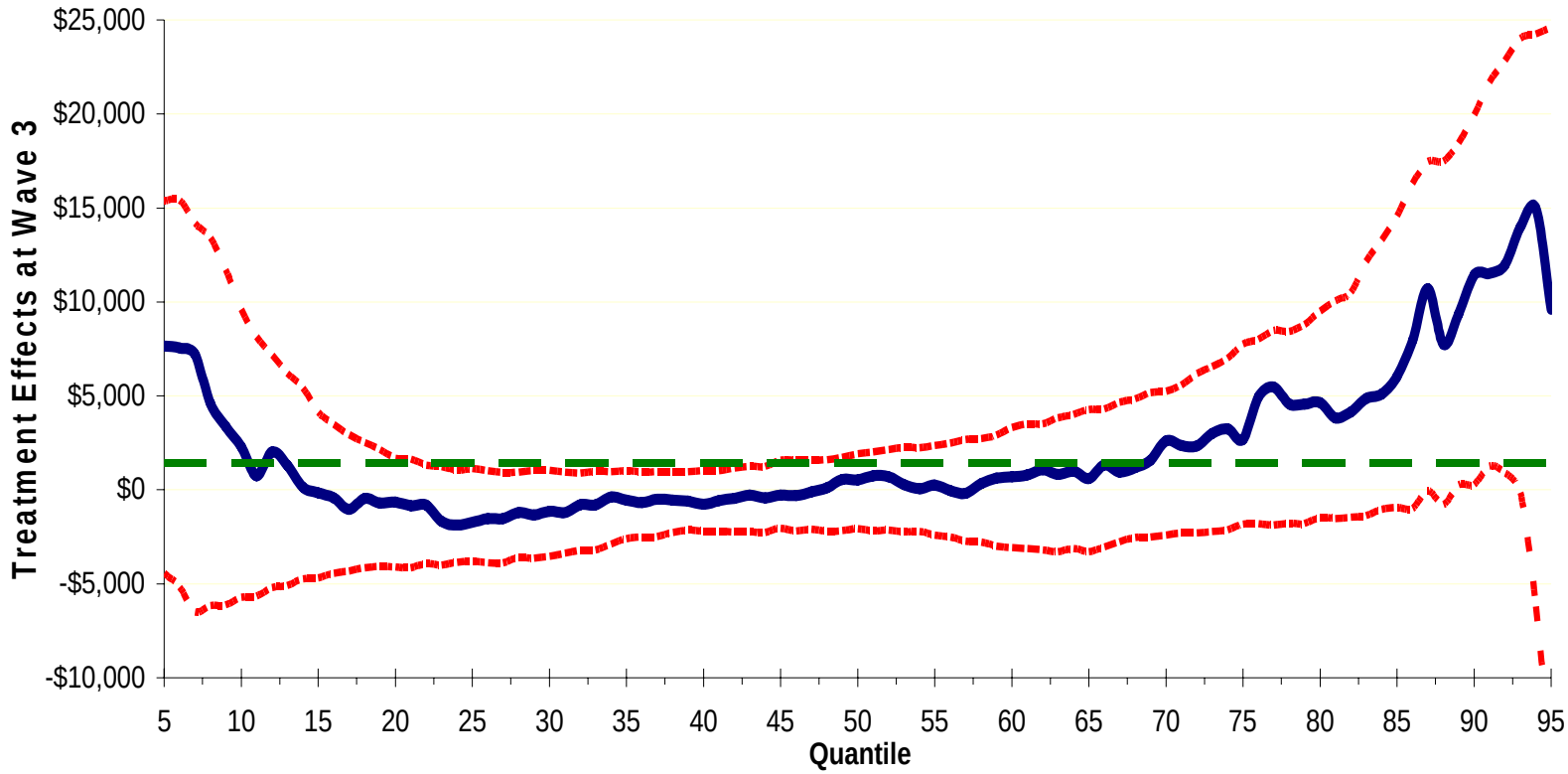
# QTE for Net Worth

**Figure 1**

**Quantile and Mean Treatment Effects for Net Worth at Wave 3[a]**

(Conditional on Baseline Net Worth and Propensity Score)

**A. Full Sample**




[a] Horizontal dashed line is mean treatment effect and the dotted line represents the 95% CI for quantile treatment effects.

# Effects on Financial Outlook and Security

| Current Financial Situation and Outlook | | | |
|---|---|---|---|
| Sample | Unsubsidized Renters (n=439) | | |
| | TE | P-Value | Cntrl Mean |
| A. Receive No Help from Friends or Family to Make Ends Meet (0,1) | 0.012 | 0.803 | 0.527 |
| B. Receive No Help from Organizations to Make Ends Meet (0,1) | -0.046 | 0.250 | 0.765 |
| C. Receive No Help from the Government to Make Ends Meet (0,1) | -0.035 | 0.430 | 0.691 |
| D. During last 18 months Financial Situation has Improved (0,1) | -0.025 | 0.611 | 0.507 |
| E. Currently Satisfied with Financial Situation (0,1) | -0.099 | 0.042 | 0.493 |
| F. Hopeful about Financial Situation (0,1) | 0.001 | 0.975 | 0.932 |
| G. Feels it is Easy to Make Ends Meet (0,1) | -0.034 | 0.306 | 0.154 |

# (4) Effects on Poverty

| Poverty Status at Wave 3 | Full Sample (n=840) | | Renters[b] (n=643) | | Unsubsid. Renters[b] (n=438) | | Full Less Subsid. Renters[b] (n=635) | |
|---|---|---|---|---|---|---|---|---|
| | TE | P-value[c] | TE | P-value[c] | TE | P-value[c] | TE | P-value[c] |
| Exceeds 50% of Threshold | 0.007 | 0.704 | 0.011 | 0.603 | 0.035 | 0.149 | 0.020 | 0.302 |
| Exceeds 100% of Threshold | -0.016 | 0.609 | -0.008 | 0.820 | 0.013 | 0.773 | 0.001 | 0.973 |
| Exceeds 150% of Threshold | -0.021 | 0.545 | -0.029 | 0.456 | -0.043 | 0.369 | -0.028 | 0.475 |
| Income to Threshold Ratio | -0.046 | 0.683 | -0.047 | 0.730 | -0.060 | 0.762 | -0.060 | 0.687 |

# (5) Questions and Next Steps

- Through what mechanism do IDAs have effects?
  - The “IDA” is a combination of changes in the budget constraint, provision of financial education, and encouragement to save.
  - Need experiments that allow for variation in the components of the treatment.

- What are the long-term effects?
  - In general, wave-3 data show the short-term effects. Long-term effects on home ownership could be larger (if financial education and encouragement have cumulative effects or if it took people a long time to invest their IDA balances) or could be smaller (if the program induced people to buy homes sooner than otherwise).
  - In addition, the Tulsa effects are biased upward in the short-run because control group members were not allowed to participate in pre-existing homeownership programs in CAPPP during the experiment period. So, control group members may have delayed home purchase.
    - Also has implications for external validity: The results do not represent the impact of an IDA created in addition to existing programs

- If the program raises assets and debt by the same amount is that good or bad?
  - Yes: assets create “ownership dynamics”
  - No: the cost of debt often outweighs the return to assets; debt payments can create liquidity problems (see housing market).
- Is the fact that 39 percent of IDA treatment group members never made a matched withdrawal (out of the 89 percent who opened an IDA) good news or bad news?
  - Good: people had the resources available for other uses that arose.
  - Bad: program goals were not met.
  - Would help if we had data on why people took the funds out as unmatched withdrawals.