
Housing Affordability and Saving Capability

Among Low-Income Renters

Sierra Stoney

ABSTRACT

For low-income renters, rising rent costs constrain already tight household budgets, making it increasingly challenging to accumulate savings. While this logic is intuitive, few empirical studies have explored the relationships between rent, rent burden, and savings behavior for low-income households. This study uses a pooled probit model with two-way fixed effects and Survey of Income and Program Participation data to assess how rent growth and changes in rent burden affect low-income households' ability to save. Between 2013 and 2023, the share of low-income renters with any savings increased, as did the median amount that low-income renters have saved. However, both rent and rent burden reduce the likelihood that a household will have adequate emergency savings. On average, a \$100 increase in rent reduces the likelihood that a household will have adequate emergency savings by 1.8 percent, while spending an additional 5 percent of income on rent reduces the likelihood by 2.3 percent. In addition to validating the inverse relationship between rent costs and ability to save, these findings emphasize the importance of prioritizing affordability in the rental market as part of a comprehensive housing policy. Growing affordable rental opportunities will help preserve the financial stability of low-income households.

<https://doi.org/10.4079/pp.v33i0.8>



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ACKNOWLEDGEMENTS

The author would like to sincerely thank Professors Hilary Silver and Anil Nathan for their thoughtful feedback and encouragement in the course of writing this paper. The author also greatly appreciates Associate Editor Zach Benzaoui's diligent editing and thoughtful comments, which challenged the author to further refine this work and gave her an excuse to read just a few more relevant research studies. Special thanks to the *Policy Perspectives* editing team, Christian Schamberger and Naomi Atughonu for their constructive feedback and support. Lastly, the author would like to thank Laura Meyer for her initial review of the empirical analysis strategy and for her undying friendship.

Introduction

For decades, housing policy in the United States has prioritized incentivizing homeownership over increasing the availability of affordable rental housing as a means of promoting housing affordability. At the same time, the growing severity of rental affordability challenges has made it difficult for low-income renters to accumulate the savings necessary to qualify for mortgage financing. Without enough savings to cover down payment, closing cost, and cash reserve requirements, low-income households are effectively trapped in an increasingly unaffordable rental market.

Low-income renters' difficulty saving not only affects their tenure choice but also their immediate housing security. Households without adequate emergency savings lack a financial buffer to protect against an income or expenditure shock, such as job loss or an emergency medical expense. These households are more likely to miss a rent payment because of such an event, putting them at risk of eviction.

How have rent growth and changes in rent burden affected low-income households' ability to save? Researchers have studied both rental affordability and saving behavior among low-income households extensively, but separately. Although the interaction between rental affordability and renters' ability to save is intuitively well understood and substantiated by anecdotal evidence, empirical research on the topic remains sparse. In this study, I aim to bridge these two bodies of research by assessing the relationship between low-income households' rent, rent burden, and savings over time.

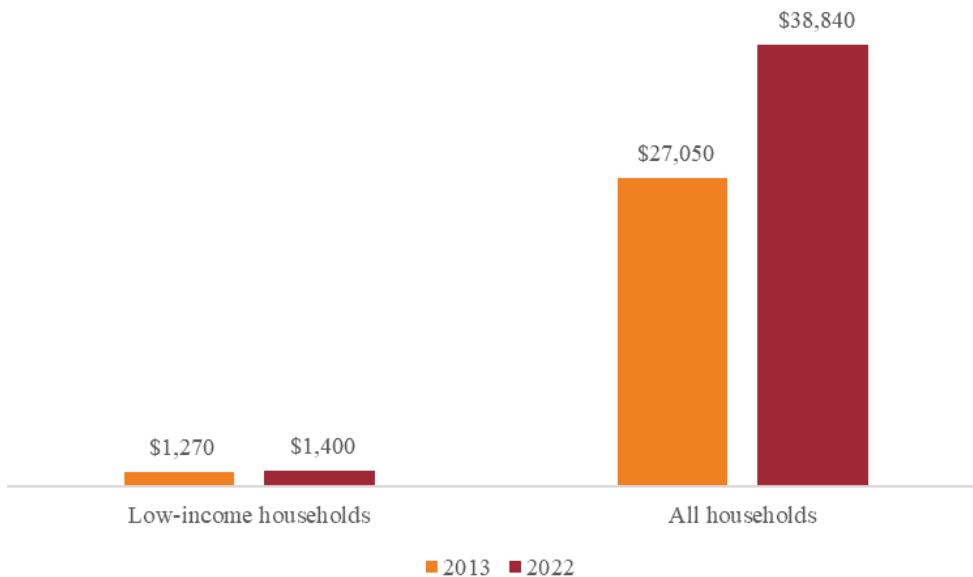
Using the U.S. Census Bureau's Survey of Income and Program Participation (SIPP) data, I will explore the following question: How have rent growth and changes in rent burden affected low-income households' ability to save? The next section presents a brief review of the existing literature on savings behavior and the relationships among financial security, housing security, and homeownership among low-income households. The third section describes the U.S. Census Bureau's Survey of Income and Program Participation (SIPP) data set used in this study and the strategy for identifying an appropriate research sample. The fourth section presents the theoretical framework and empirical model used in this analysis, followed by relevant descriptive statistics and regression analysis results. The paper concludes with an interpretation of the findings from the empirical analysis and a discussion of policy implications.

Literature Review

Low-income households are less likely to own their homes than middle- or high-income households. According to 2024 American Community Survey data, only 45 percent of households earning less than \$35,000 owned their homes, versus 71 percent of households earning \$35,000 or more (U.S. Census Bureau 2025a). In part, this discrepancy is the result of low-income households' limited access to mortgage financing due to both income and wealth effects. Low-income households who rent market-rate units are at a further disadvantage because their housing costs have the potential to increase more rapidly than their income over time, shrinking the amount of residual income available after paying for housing to cover other expenses, let alone save.

The direct relationship between income and wealth is straightforward: households' ability to save or invest in financial assets increases as their income grows beyond their budgetary needs. This relationship is also reflected in the Federal Reserve's Survey of Consumer Finances (SCF) data on household financial assets when disaggregated by income level. Financial assets represent wealth that could be liquidated and used for a down payment. In both 2013 and 2022, the median value of household financial assets was over 20 times that of the median low-income household (meaning households earning less than the 20th income percentile).

Figure 1. Median value of financial assets, by income level



Source: Federal Reserve 2013 and 2022 Survey of Consumer Finances

Note: “Low-income households” are defined as households earning less than the 20th income percentile, which was \$29,700 in 2013 and \$34,600 in 2022. The median income for all households was \$64,600 in 2013 and \$73,400 in 2022.

Housing Market Affordability as a Homeownership Constraint

In part, declining homeownership rates among low-income households are the result of home price growth. Over the past 40 years, rising income inequality and limited housing supply have driven local house price growth, creating homeownership affordability challenges that most acutely affect low-income households. This has contributed to an increasing share of low-income households renting long-term, as well as growing wealth inequality. At the same time, higher-income young adults have increasingly delayed their transition to homeownership (Yao 2020), which strains rental housing availability and can contribute to rising rents.

In addition to overall home price growth, the supply of starter homes for sale is increasingly limited. Starter homes are often identified either in terms of square footage or sale price: they are small units at a relatively low price point. At a national level, longitudinal data from the U.S. Census Bureau’s Survey of Construction reveals that the share of new homes for sale with square footage under 1,400 has decreased over the past 25 years. In 1999, these relatively small homes accounted for 17 percent of newly constructed single-family and multifamily homes for sale; by 2024, only seven percent of homes fell into this category. Similarly, the share of new single-family homes that sold for less than \$300,000 declined from 40 percent of all home sales in 2020 to only 15 percent in 2024 (U.S. Census Bureau 2025b). These trends demonstrate that homebuilders have deprioritized the type of homes that would be affordable to first-time homebuyers, contributing to the scarcity of units suitable for low-income renters.

Mortgage Credit Access Constraints

In addition to increasingly unaffordable home prices, mortgage requirements contribute to lower homeownership rates among low-income households. Federal Housing Administration (FHA) mortgages typically require a debt-to-income (DTI) ratio of 43 percent or lower, meaning a household’s monthly debt

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payments (including their mortgage) account for no more than 43 percent of their gross monthly income (U.S. Department of Housing and Urban Development 2011). Conventional mortgages tend to have maximum DTI ratios around 25 percent, which is similar to Fannie Mae's underwriting standards (Fannie Mae 2025). In markets with high housing prices, low-income households will also have difficulty accumulating enough savings to afford the down payment and closing costs required to qualify for a conventional mortgage with monthly payments they can afford. Mortgage lenders are willing to originate loans with as little as a 3 percent down payment, corresponding to a 97 percent loan-to-value (LTV) ratio, but will require the borrower to pay primary mortgage insurance (PMI) and make greater monthly principal payments than the same loan with a higher down payment. Mortgage products that increase borrowers' capacity by relaxing DTI and LTV limits reduce income and wealth barriers to homeownership, respectively, and improve homeownership access among low-income households and in high-cost markets. However, they also increase household debt and financial risk exposure more than a conventional mortgage (Caloia 2024).

The subprime mortgage crisis notably demonstrated the severity of the financial risks that low-income and low-wealth borrowers encounter through unconventional mortgages. Subprime loans often boost homeownership rates, which lessens local income and wealth inequality. However, targeted proliferation of high-LTV subprime mortgages with variable interest rates among low-income, low-wealth first-time homebuyers in the 2000's ultimately resulted in disproportionately high foreclosure rates during the foreclosure crisis among this population (Gerardi et al. 2008; Foster and Kleit 2015). The subsequent decline in home prices depleted the value of homeowners' home equity, which especially hurt low-income homeowners who had high-LTV mortgages with outstanding debt that exceeded the home's value. For households in this circumstance, homeownership became a source of negative wealth. Subprime mortgage lending disproportionately harmed low-income households in multiple ways, refuting the unqualified argument that homeownership provides superior financial and housing outcomes relative to renting.

Rental Affordability as a Saving Constraint

Low-income households are facing both income and wealth barriers to homeownership in an increasingly unaffordable rental market. Furth (2021) finds that low income levels are a stronger predictor of both national and local rent affordability challenges than growing rent prices or unit size mismatch, although rent prices are relatively more influential in high-rent metropolitan

areas. This finding aligns with affordability trends among renters over the past two decades. Nationwide, the median rent, adjusted for inflation, grew by 21 percent between 2001 and 2022, while median renters' household income grew by only 2 percent (Weeden 2024). Relatively high rent growth rates have a more pronounced effect on rental affordability for low-income renters, whose income levels have remained stable or even declined over this time (Desmond 2018). Taken together, these trends have resulted in a persistent national shortage of rental units affordable to low-income households (NLIHC 2024), leading a growing share of low-income households to rent units beyond their budgets.

In 2022, 83 percent of renters earning less than \$30,000 were cost burdened (up from 77 percent in 2001), meaning they spent over 30 percent of their income on housing; 65 percent were severely cost burdened, spending over half of their income on housing (JCHS 2024a). Spending such a large share of their income on rent means low-income households have relatively less residual income left over after paying rent. Renters earning less than \$30,000 only had a median residual income of \$310 per month in 2022 – 47 percent less than in 2001 after adjusting for inflation. By comparison, middle-income renters had a median residual income of \$2,690 in 2022 (Weeden 2024).

Renters adjust to low residual incomes by reducing their spending on other necessities and saving less, affecting both their material and financial well-being. High local rent levels and rent burden both increase the likelihood that a low-income renter household will experience material hardship, such as utility shut off, food insecurity, reduced healthcare spending, or doubling up (Warren 2018; Weeden 2024). Renters overall are more likely to lack adequate emergency savings relative to homeowners (Caulfield 2015; West and Mottola 2016), but low-income renters have even less. In 2022, renters earning less than \$30,000 per year had a median of only \$300 in cash savings, relative to \$1,800 for renters overall (JCHS 2024a, pg. 14; JCHS 2024b, pg. 20). Without sufficient emergency savings, low-income renters are at greater risk of housing instability following an income or expenditure shock.

Additional Saving Constraints

Regardless of tenure, low-income households face additional barriers to accumulating savings. Socioeconomic, demographic, and institutional factors influence an individual household's likelihood of saving. Specifically, income and educational attainment; Hispanic ethnicity and households with long-term planning horizons, health insurance access, and banking access are positively related to a household's likelihood of saving. Households with

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children were relatively less likely to save (Hogarth and Anguelov 2003). Low-income households with greater financial knowledge or concern about the loss of income or benefits are more likely to exhibit stronger savings behavior (Mauldin et al. 2016).

Low-income households are less likely to have a banking relationship (Federal Deposit Insurance Corporation 2023) due in part to mistrust of financial institutions (Barcellos and Zamarro 2021; Brown 2025; Sawady and Tescher 2008), which further reduces their ability to save. An interview study of low-income mothers revealed that they accommodated this mistrust by relying instead on a patchwork of unconventional financial institutions, such as fintech or mobile phone-based solutions. The approaches the interviewees shared were complex, increasing the risk of errors that could present or exacerbate financial setbacks. (Collins et al. 2023).

Existing research on how rental affordability affects housing security recognizes that low-income renters are especially vulnerable to eviction due to a lack of emergency savings, but takes the effect of rent burden on a household's financial stability as a given. Similarly, research on individual and household saving behavior has consistently shown that low-income households accumulate cash savings more slowly and tend to have less wealth than their higher-income peers. While some authors explicitly acknowledge that households with lower incomes have stricter budget constraints and are more sensitive to price volatility, they do not explore how price growth for most families' largest recurring budget item – rent – influences their saving behavior. This study bridges this gap by formalizing the understanding of how rising rent costs and rent burden interact with household saving behavior.

Data Description

For this analysis, I use data from the SIPP, a nationally representative longitudinal survey. The SIPP is designed to provide timely, detailed information on household income, wealth, and debt characteristics, as well as material and economic outcomes. It includes a slight oversample of low-income households, which are corrected for using weights provided in the dataset. The detailed data on household assets allows this study to focus on liquid savings for households, which could most easily be used to pay emergency expenses or for a down payment, and control for participation in programs with asset limits that could discourage saving.

I use data from survey years 2014 – 2024, representing reference years 2013 –

2023, with each household appearing in a maximum of four consecutive years. All survey years' data were collected using the SIPP-EHC survey instrument, allowing for valid cross-year comparisons. The data set contains variables measured at the household-, family-, and person-level applicable to different time periods. At the most granular level, respondents provide data for each household member in each calendar month of the reference year (e.g., income for a given person in a given month), whereas other variables apply to the household for the entire calendar year (e.g., whether anyone in the household owned a vehicle at any point during the reference year) (U.S. Census Bureau 2024b).

For this study, I analyze the SIPP data at the household-year level, meaning each record represents one household in one year with no duplicate households in a single year. I limit my research sample to renter households earning at most 200% FPL. I further limit the sample to households:

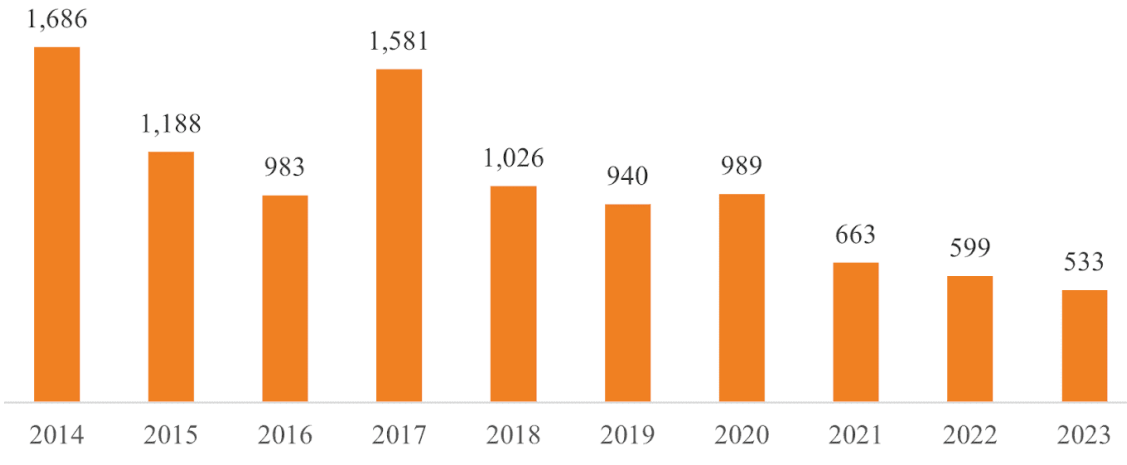
1. With positive earnings, positive rent payments, and total household income that exceeds annual rent cost, which are necessary to calculate rent burden;
2. With householders younger than age 65, to exclude households at the stage in life when they would be expected to dissave due to retirement;
3. Not receiving housing subsidies or vouchers, which would make them unresponsive to changes in rent prices;
4. That do not include nonfamily members, such as roommates or boarders, which would introduce household members who potentially contribute to paying rent but would not necessarily coordinate other financial decisions with adults in the household;
5. Households located in one of the 50 states, excluding households living in Puerto Rico, U.S. territories, or outside of the United States.

These filters yield a research sample of 12,445 observations. Figure 2 presents the distribution of the research sample across the eleven reference years. The years associated with the 2014 SIPP Panel (2013 through 2016) show evidence of panel attrition across the four waves. Variation in the research sample after 2016 is the result of changes in the number of eligible households invited to participate in subsequent panels, changing staffing and training capacity for the SIPP program from year to year, elevated non-response due to the COVID-19

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pandemic, and other data collection challenges related to increased operational expenses of the SIPP program.

Figure 1. Research sample, by reference year



Source: U.S. Census Bureau SIPP and author's calculations

Theoretical Framework

This analysis builds on Fisher's application of behavioral portfolio theory, which was initially developed as a blend of multiple existing theories of choice under uncertainty (Shefrin and Statman 2000). Behavioral portfolio theory expands on neoclassical models of saving, such as the lifecycle hypothesis, by incorporating an understanding of how individual households modify their saving and spending strategies in response to changing contextual factors. Fisher's model explains how households' savings behaviors balance the need for financial security against the desire for high wealth levels, and how their primary financial objective and savings horizon change in relation to their accumulated savings (2006, pg. 29-38, 55). From it, low-income household savings behavior can be broken down into three stages:

1. Survival. Households living paycheck to paycheck, with little or no accumulated savings, prioritize having enough cash on hand to meet their immediate needs. Households in the survival phase have a very short savings horizon.

2. Low-wealth. Households are working toward building adequate emergency savings. Their priority is obtaining financial security and avoiding poverty in the event of an income or expenditure shock.
3. Financially stable. Households have adequate emergency savings and can prioritize wealth building. Financially stable households have a longer-term saving horizon, which is necessary for considering homeownership.

Regression Model Specification

I use a multivariate regression model to assess the effect of rent levels on household saving behavior among households in the research sample. This approach allows me to control for covariates to better isolate the role of rent levels from other social and economic factors affecting household saving. I use two dependent variables to measure distinct saving outcomes:

An indicator for whether the household had any savings, defined as assets held at a financial institution in the form of savings, checking, or money market account deposits or certificates of deposit. Beginning to accumulate savings indicates that a household has moved from the survival stage to the low-wealth stage of saving.

An indicator for whether the value of the household's savings is enough to cover three months' rent, indicating that they are in the financially stable stage of saving.

Since both dependent variables are binary, I use a probit model to constrain predicted values of the two dependent variables to values between 0 and 1 and allow for variable average marginal effects of rent on the dependent variables. Linear probability models are a common alternative to probit models because their results are somewhat easier to interpret, but they allow for out-of-sample predictions of binary dependent variables and constrain dependent variables to constant average marginal effects. The error terms are heteroskedastic and unreliable as a result, which further justifies my use of a probit model in this study.

I measure rent levels in terms of monthly rent and rent burden, calculated as the ratio of the household's annual rent cost to total household income. I include controls for economic and demographic variables standard to neoclassical economic models of saving behavior (Jayathirtha and Fox 1996; Lewis 1996;

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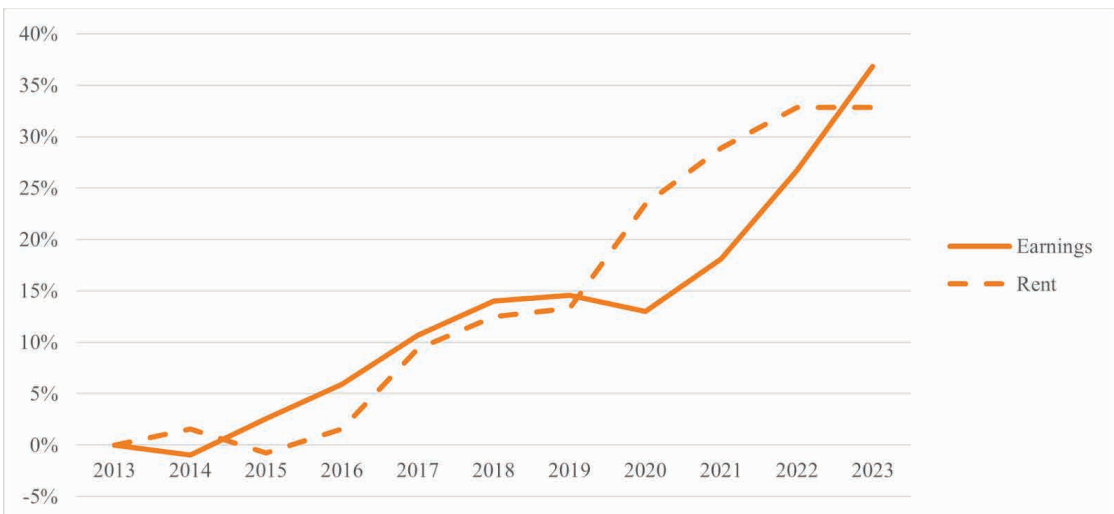
Lown et al. 2015); controls for the household’s institutional context based on institutional theory of saving behavior (Beverly et al 2008; Fisher 2006; Heckman and Hanna 2015); and indicator variables to control for year and geographic fixed effects. Appendix A contains the complete list of independent and control variables, along with their expected signs.

Empirical Analysis

Descriptive Statistics

Between 2013 and 2023, the growth in median earnings exceeded the growth in median rent for households in the research sample (Figure 2). Household earnings growth slightly exceeded rent growth until 2020, when median rent increased by 9.0 percent over the prior year, and earnings declined by 1.4 percent. Median earnings for low-income households in the sample increased in 2021 and 2022 but remained below the increase in median rent, although earnings growth outpaced rent growth in 2023. Still, the share of rent-burdened households in the research sample increased from 57 percent in 2013 to 62 percent in 2023.

Figure 2. Cumulative growth in median earnings and rent relative to 2013

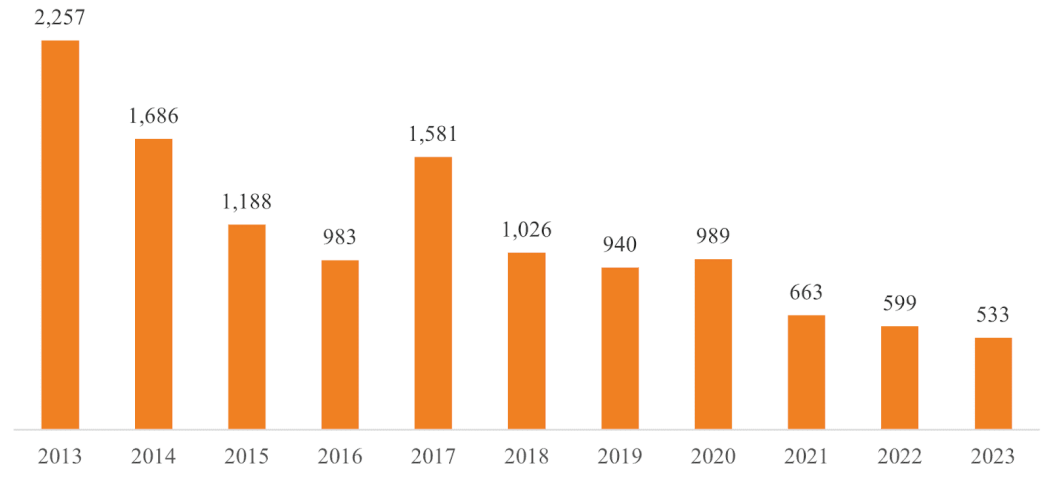


Source: U.S. Census Bureau SIPP and author’s calculations

The subset of households with assets in financial institutions had a positive trend in the median value of their savings since 2013 (Figure 3). Median savings increased sharply in 2020 due to a combination of overall reduced spending

due to the COVID-19 pandemic, households' receipt of COVID stimulus checks, or the expansion of income benefits for low-income households (Bachas et al. 2020; Coibion, Gorodnichenko, and Weber 2020).

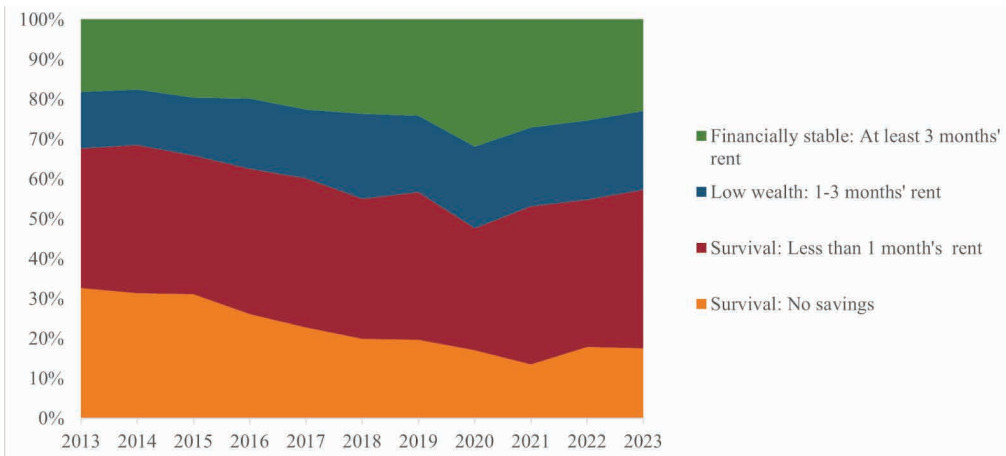
Figure 3. Median amount of savings for households with assets in financial institutions



Source: U.S. Census Bureau SIPP and author's calculations

Based on the ratio of the research sample's savings to their monthly rent payments, I differentiated households into three saving stages using Fisher's (2006) application of behavioral portfolio theory (Figure 4). Between 2013 and 2023, the share of households with no savings declined from 33 percent to 18 percent, while the share with enough savings to cover one month of rent saved increased from 32 percent to 43 percent.

Figure 4. Share of households, by saving stage



Source: U.S. Census Bureau SIPP and author's calculations

Regression Analysis and Findings

I use pooled probit models with two-way fixed effects, including both year and regional fixed effects, to estimate the effect of rent on savings behavior (adapted from Callaway, Goodman-Bacon, and Sant'Anna 2024). All regressions include cluster-robust standard errors clustered by household. The basic model of savings outcomes for household i in division d at year t is:

$$Y_{it} = \beta_1 + \beta_2 R_{it} + \beta_3 X_{it} + \beta_4 X_t + \beta_5 X_d + \varepsilon_i$$

Where Y_{it} represents the savings outcome; R_{it} is the measure of rent cost; X_{it} are control variables pertaining to the household, X_t are year indicators to capture year fixed effects and X_d are Census division indicators to capture regional fixed effects.

A pooled panel design is appropriate for the multi-year, pooled SIPP panel because it allows the use of survey weights. Probit regressions are appropriate for the binary dependent variables because they prevent out-of-sample predictions. Year and regional fixed effects account for unmeasured factors influencing saving behavior that vary over time or geographic space, respectively. Lastly, clustering error terms at the household level allows them to correlate across households that appear in multiple survey years. The regression results provide evidence that rent affordability challenges hinder their ability to reach savings goals necessary for financial stability. However, the baseline models, which exclude rent cost measures, yield conflicting conclusions about the relationship between income level and low-income households' ability to save. The coefficients suggest that income is positively correlated with the likelihood that a household will have any savings but negatively correlated with the likelihood that they will have adequate emergency savings.

Table 1 contains average marginal effects for the baseline models for each of the two dependent variables: (1) whether the household had any assets held at a financial institution, (2) whether the household had enough saved to cover three months' rent. The second model excludes households with no savings.

Both models' modest pseudo R-squared values mean they are not strong predictors of the dependent variables, but are still useful for assessing the relationship between individual independent variables and household saving

outcomes while controlling for covariates.

Most of the coefficients are statistically significant and have signs that align with expectations from economic theory and found in prior literature. The difference in sign on household income-to-poverty ratio between the two models is the notable exception. The positive coefficient in the first model means that a household's likelihood of saving increases as their income-to-poverty ratio increases, suggesting that households have greater flexibility to save after budgeting for necessities as their income increases. The significant, negative coefficient on the second model is counterintuitive, suggesting that lower-income households are more likely to have adequate emergency savings. While an indirect relationship between income and saving may indicate defensive saving behavior among households with precarious income or benefits sources (Maudlin et al. 2016), it could also indicate that the model is misspecified. This finding merits further exploration, but is outside the scope of the current study.

Table 1. Baseline average marginal effects of household savings determinants

	(1)	(2)
Dependent variable	Any savings	Financially stable
Economic controls		
Household income-to-pov- erty ratio	0.083*** (0.064, 0.103)	-0.038** (-0.066, -0.011)
Number of earners	0.053*** (0.036, 0.070)	0.033** (0.013, 0.053)
Whether a working-age household member was unemployed for three months (binary)	-0.006 (-0.028, 0.016)	-0.016 (-0.049, 0.016)
<i>Householder educational attainment (categorical)</i>		
High school diplo- ma	0.110*** (0.080, 0.139)	-0.013 (-0.048, 0.022)
Some college	0.178*** (0.148, 0.209)	-0.004 (-0.040, 0.031)
Bachelor's degree	0.249*** (0.216, 0.281)	0.114*** (0.069, 0.160)

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	(1)	(2)
Demographic controls		
Householder age	-0.002*** (-0.002, -0.001)	-0.002*** (-0.003, -0.001)
Whether the householder is female (binary)	-0.031** (-0.049, -0.012)	-0.039** (-0.063, -0.016)
<i>Household racial and ethnic composition. Whether any working-age household</i>		
Black (binary)	-0.075*** (-0.097, -0.052)	-0.050** (-0.081, -0.019)
Asian (binary)	0.137*** (0.082, 0.191)	0.096*** (0.047, 0.145)
Other race (binary)	-0.01 (-0.045, 0.026)	-0.013 (-0.056, 0.031)
Hispanic (binary)	-0.060*** (-0.082, -0.037)	-0.015 (-0.045, 0.015)
<i>Household composition</i>		
Whether the householder is married (binary)	0.006 (-0.019, 0.031)	0.003 (0.029, 0.034)
Presence of children (binary)	-0.038** (-0.067, -0.010)	-0.091*** (-0.128, -0.054)
Number of people in the household	0.018*** (0.010, 0.027)	0.019** (0.007, 0.031)
Whether the household includes multiple related families (binary)	-0.043** (-0.069, -0.017)	-0.005 (-0.042, 0.031)
Institutional controls		
<i>Household receipt of government transfers</i>		
Medicaid (binary)	-0.057*** (-0.082, -0.033)	-0.135*** (-0.164, 0.107)

	(1)	(2)
Medicare (binary)	0.019 (-0.009, 0.048)	0.019 (-0.022, 0.059)
SNAP (binary)	-0.056*** (-0.076, -0.036)	-0.086*** (-0.114, -0.058)
SSI (binary)	-0.003 (-0.036, 0.030)	-0.005 (-0.053, 0.042)
TANF (binary)	-0.049* (-0.097, -0.001)	-0.038 (-0.139, 0.064)
Whether anyone in the household is covered by health insurance (binary)	0.132*** (0.101, 0.163)	0.153*** (0.111, 0.194)
Whether the household is in a metropolitan area (binary)	0.016 (-0.009, 0.041)	-0.004 (-0.037, 0.029)
Observations	12,434	9,101
Pseudo R-squared	0.138	0.087

p<0.05, **p<0.01, *p<0.001; Model includes regional and year fixed effects
95 percent confidence intervals in parentheses*

Table 2 contains an abridged set of average marginal effects for models containing estimates of monthly rent and rent burden (complete results for all models are shown in Appendix B). The results indicate that both rent level and rent burden influence saving behavior after controlling for other economic, demographic and institutional controls and geographic and time fixed effects. The regression coefficients are statistically significant for each combination of independent and dependent variable. However, the signs of the average marginal effects for each independent variable are different for each of the two dependent variables.

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Table 2. Average marginal effects of rent and rent burden on household savings outcomes

	(3)	(4)	(5)	(6)
Dependent variable	Any savings	Any savings	Financially stable	Financially stable
Independent variables				
Rent amount (\$100's)	0.006*** (0.003, 0.009)		-0.018*** (-0.022, -0.015)	
Rent burden		0.0007** (0.0003, 0.0012)		-0.005*** (-0.0052, -0.0039)
Observations	12,434	12,434	9,101	8,670
Pseudo R-squared	0.140	0.139	0.108	0.104

p<0.05, **p<0.01, *p<0.001; Model includes baseline controls and regional and year fixed effects*

The negative average marginal effects for rent amount and rent burden in models 5 and 6 indicate that households with any assets in financial institutions are less likely to have enough saved to cover three months' rent as their rent increases in both absolute and relative terms. On average, a \$100 increase in rent reduces the likelihood that a household has adequate savings by 1.8 percent; a 5 percent increase in rent burden reduces the likelihood by 2.3 percent. In line with this study's predictions, these results mean that as rent becomes less affordable, households have greater difficulty reaching or maintaining adequate emergency savings.

On the other hand, the positive coefficients on rent and rent burden in models 3 and 4 indicate that households paying more in rent, both absolutely and relative to their income, are more likely to have savings, contradicting the study's predictions. However, the average marginal effects are measurably small: on average, a \$100 increase in rent increases the likelihood that a household will have any savings by 0.6 percent; a 5 percent increase in rent burden increases the likelihood by 0.36 percent. Similar to the negative coefficient on the income-to-poverty ratio in model 2, this finding merits further examination in future research.

Discussion and Policy Implication

Savings Behavior Among Low-Income Households

This study provides early evidence of a meaningful relationship between rent affordability and savings behavior among low-income households. Over the course of eleven years, low-income households in the SIPP experienced declining rental affordability as growth in rents outpaced growth in earnings. Even so, the share of respondents with savings grew over that time, as did the amount saved among those who had savings. Taken together, the regression results suggest that higher rent levels during this time period motivated low-income households to modify their saving behavior and establish savings, while simultaneously presenting a structural obstacle for households to accumulate sufficient emergency savings and to become financially stable.

The descriptive statistics on savings behavior presented in this study provide encouraging evidence of a growing propensity to save among low-income households . Research has found that consistent saving habits better predict a household's financial wellbeing than financial shocks, income volatility, or structural factors. Building emergency savings particularly insulates low-income families from housing insecurity or material hardship associated with substituting spending away from other necessities to afford rent (Anvari-Clark and Ansong 2022; Gjertson 2016). Creating opportunities for low-income households to access financial education supports financial resilience by providing a simplifying framework for assessing tradeoffs between immediate consumption and long-term saving needs – especially alongside policies to promote savings. Interventions providing low- or no-cost opportunities for low-income households to work with a financial professional, set saving goals, or incorporate a saving rule into their financial management strategy have been demonstrated to motivate low-income households to improve their saving habits (Heckman and Hanna 2015; Rha et al. 2006).

Policy Approaches to Balancing Saving Goals and Rent Affordability Constraints

The negative relationship between rental affordability and low-income households' likelihood of having adequate emergency savings demonstrated in the regression results emphasizes that programs encouraging low-income renters to save must be sensitive to how increasingly unaffordable rental markets present structural challenges affecting both their need and ability to save. Matched savings accounts have proven to be an effective approach for

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supporting low-income households' ability to meet savings goals by accelerating their savings rates. While many matched savings programs prioritize saving for major expenditures, such as higher education or homeownership (Delgadillo 2015; Grinstein-Weiss 2008), practitioners maintain that allowing low-income households to save toward an adequate emergency savings goal will improve their immediate financial security and housing stability (Barackman-Eder 2020). Automated savings programs, such as programs that deposit a portion of a household's tax refund (Beverly, Schneider, and Tufano 2006; Bronchetti et al. 2011) or paycheck (Sprick, Snyderman, and Akbas 2022) into a savings account simplify the saving process,

The direct and opportunity costs of early withdrawal of funds from a matched or automated savings program disrupt how low-income households consider tradeoffs between consumption and saving. While the intent is to encourage saving habits, this design may also limit participants' agency over their financial decision-making. Low-income participants could be put at risk of financial instability in an emergency if they do not have sufficient funds in a separate, immediately accessible account. Renters would further be at risk of housing instability if emergency expenses hindered their ability to pay rent. More broadly building trust in and improving access to financial institutions among low-income households more broadly avoids this pitfall while still encouraging savings and building financial inclusion (Despard et al. 2018; Han and Sherraden 2009).

Transitioning to homeownership will help low-income families avoid the rental affordability challenges (Riley, Ru, and Feng 2013), but policies promoting low-income homeownership should be designed to avoid inadvertently exposing beneficiaries to greater financial risk that could compromise their housing security. Homeownership may be more costly in the long run (Cox and Foltowill 2018) or expose households to near-term financial hardship due to unexpected repair costs (VanZandt and Rohe 2011). Organizations that can provide affordable, layered financing to reduce the up-front cost of homeownership, homebuyer education, and ongoing technical support to low-income homeowners make it more likely that households will be able to enjoy the housing security and wealth advantages of homeownership.

Conclusion

This paper starts to bridge saving behavior and rental affordability literature to better understand how they interact to affect low-income renters' wellbeing. The findings demonstrate that rent affordability hinders low-income renters' ability to reach savings goals necessary for financial stability, emphasizing the

importance of incorporating rental market solutions into a broader housing affordability strategy. If increasingly unaffordable rent prevents many low-income renters from maintaining emergency savings, it poses an even more extreme barrier to low-income renters attempting to accumulate enough for a downpayment. Relying on homeownership as the primary means of promoting housing affordability, therefore, puts low-income renters at greater risk of long-term financial instability directly linked to their housing costs.

Future quantitative analysis should more thoroughly explore the causal relationship between rent affordability, saving, and housing stability, and address potential endogenous factors that influence both rental affordability and savings. Qualitative research would complement this work well, by providing a better understanding of the social and psychological factors that influence household savings decisions and anchoring policy discussions to the voices of low-income renters themselves.

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Appendix A. List of independent variables and control variables

Variable	Predicted sign
Independent variables	
Monthly rent	-
Rent burden	-
Economic controls	
Household income-to-poverty ratio	+
Number of earners	+
Whether a working-age household member was unemployed for three months, excluding household members out of the labor force (binary)	-
Householder’s educational attainment (categorical)	+
Demographic controls	
Householder age	+
Gender: Whether the householder identifies as a woman	-
Race: Whether any working-age household member identifies as African American, Asian, or another race other than white (binary)	-
Ethnicity: Whether anyone in the household identifies as Hispanic (binary)	-
Whether the householder is married (binary)	+
Presence of children (binary)	-
Household size	?
Whether the household includes multiple, related families (binary)	-
Institutional controls	
Household receipt of government transfers (binary): Medicaid, Medicare, Supplemental Nutrition Assistance (SNAP), Supplemental Security Income (SSI), Temporary Assistance for Needy Families (TANF)	-
Whether the household had health insurance coverage	+

Variable	Predicted sign
Whether the household was located in a metro area	
Census division (for measuring geographic fixed effects)	
Reference year	

Appendix B. Complete probit model average marginal effects

B1. Model 3 and 4: Any Savings

	(3)	(4)
Dependent variable	Any savings	Any savings
Independent variables		
Rent amount (\$100's)	0.006*** (0.003, 0.009)	
Rent burden		0.0007** (0.0003, 0.0012)
Economic controls		
Household income-to-poverty ratio	0.072*** (0.052, 0.092)	0.098*** (0.077, 0.119)
Number of earners	0.052*** (0.036, 0.069)	0.054*** (0.037, 0.070)
Whether a working-age household member was unemployed for three months (binary)	-0.007 (-0.029, 0.015)	-0.007 (-0.029, 0.015)
<i>Householder educational attainment (categorical)</i>		
High school diploma	0.107*** (0.078, 0.136)	0.109*** (0.080, 0.138)

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	(3)	(4)
Some college	0.172*** (0.142, 0.202)	0.175*** (0.145, 0.205)
Bachelor's degree	0.239*** (0.206, 0.272)	0.243*** (0.210, 0.276)
Demographic controls		
Householder age	-0.002*** (-0.003, -0.001)	-0.002*** (-0.003, -0.001)
Whether the household- er is female (binary)	-0.031** (-0.050, -0.013)	-0.031** (-0.049, -0.012)
<i>Household racial and eth- nic composition. Whether any working-age house- hold member is:</i>		
Black (binary)	-0.076*** (-0.098, -0.054)	-0.075*** (-0.098, -0.053)
Asian (binary)	0.130*** (0.075, 0.185)	0.133*** (0.078, 0.188)
Other race (bi- nary)	-0.009 (-0.044, 0.027)	-0.01 (-0.045, 0.026)
Hispanic (binary)	(0.064)*** (-0.087, -0.042)	-0.062*** (-0.084, -0.039)
<i>Household Composition</i>		
Whether the householder is married (binary)	0.003 (-0.022, 0.028)	0.006 (-0.019, 0.031)
Presence of chil- dren (binary)	-0.042** (-0.070, -0.013)	-0.038** (-0.067, -0.009)
Number of peo- ple in the house- hold	0.015** (0.006, 0.023)	0.020*** (0.011, 0.028)

	(3)	(4)
Whether the household includes multiple related families (binary)	-0.044** (-0.070, -0.018)	-0.043** (-0.069, -0.016)
Institutional controls		
<i>Household receipt of government transfers</i>		
Medicaid (binary)	-0.055*** (-0.080, 0.030)	-0.056*** (-0.081, -0.032)
Medicare (binary)	0.02 (-0.008, 0.049)	0.02 (-0.008, 0.049)
SNAP (binary)	-0.052*** (-0.073, -0.032)	-0.054*** (-0.074, -0.034)
SSI (binary)	-0.001 (-0.034, 0.031)	-0.002 (-0.035, 0.031)
TANF (binary)	0.043 (-0.091, 0.006)	-0.047 (-0.095, 0.002)
Whether anyone in the household is covered by health insurance (binary)	0.130*** (0.100, 0.160)	
Whether the household is in a metropolitan area (binary)	0.005 (-0.020, 0.031)	0.01 (-0.015, 0.035)
Observations	12,434	12,434
Pseudo R-squared	0.140	0.139

B2. Model 5 and 6: Financially stable

	-5	-6
Dependent variable	Financially stable	Financially stable

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Independent variables		
Rent amount (\$100's)	-0.018*** (-0.022, -0.015)	
Rent burden		-0.005*** (-0.005, -0.004)
Economic controls		
Household in- come-to-poverty ratio	-0.002 (-0.029, 0.025)	-0.121*** (-0.150, -0.092)
Number of earners	0.036*** (0.016, 0.056)	0.029** (0.010, 0.049)
Whether a working-age household member was unemployed for three months (binary)	-0.011 (-0.043, 0.021)	-0.008 (-0.041, 0.024)
<i>Householder educational attainment (categorical)</i>		
High school diploma	-0.005 (-0.039, 0.028)	-0.009 (-0.042, 0.024)
Some college	0.015 (-0.019, 0.050)	0.015 (-0.019, 0.049)
Bachelor's degree	0.150*** (0.104, 0.196)	0.153*** (0.107, 0.199)
Demographic controls		
Householder age	-0.002*** (-0.003, -0.001)	-0.002*** (-0.003, -0.001)
Whether the householder is female (binary)	-0.037** (-0.060, -0.013)	-0.040** (-0.063, -0.017)
<i>Household racial and ethnic composition. Whether any working-age household member is:</i>		
Black (binary)	-0.045** (-0.076, -0.013)	-0.045** (-0.076, -0.014)
Asian (binary)	0.117*** (0.069, 0.166)	0.117*** (0.069, 0.165)

Housing Affordability

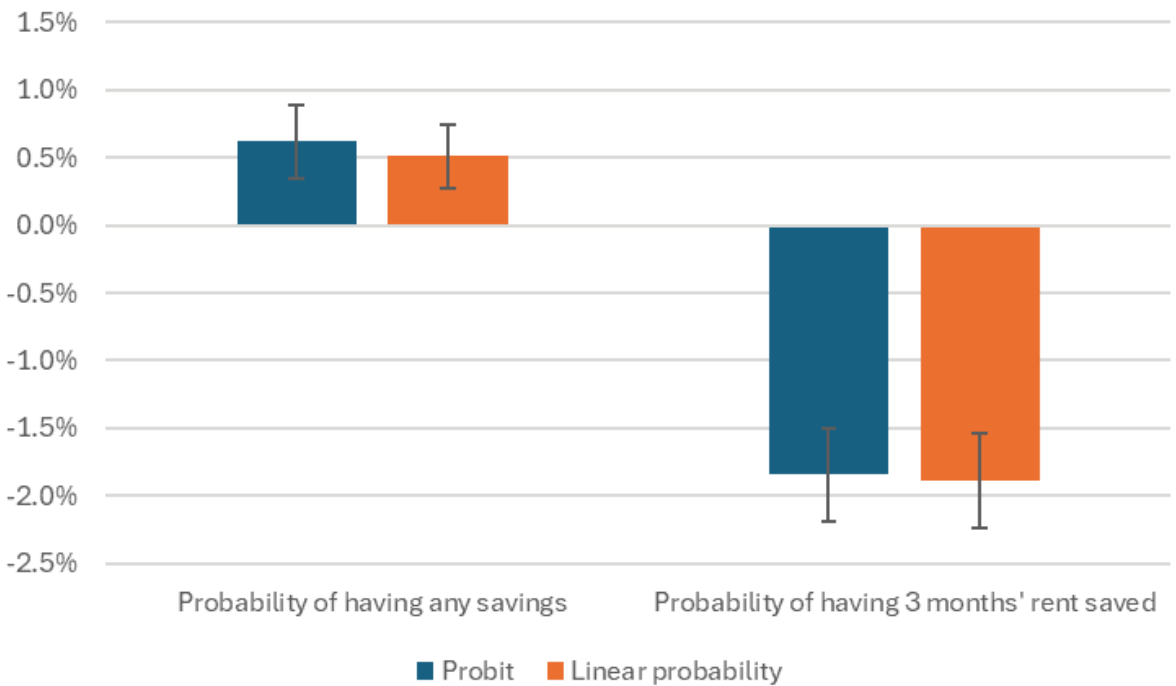
Other race (binary)	-0.014 (-0.056, 0.028)	-0.011 (-0.053, 0.030)
Hispanic (binary)	-0.001 (-0.032, 0.029)	-0.002 (-0.032, 0.028)
<hr/>		
<i>Household Composition</i>		
Whether the householder is married (binary)	0.017 (-0.014, 0.48)	0.007 (-0.023, 0.038)
Presence of children (binary)	-0.082*** (-0.119, -0.046)	-0.096*** (-0.133, -0.060)
Number of people in the household	0.030*** (0.018, 0.042)	0.008 (-0.004, 0.019)
Whether the household includes multiple related families (binary)	0.002 (-0.034, 0.038)	-0.012 (-0.048, 0.023)
<hr/>		
Institutional controls		
<i>Household receipt of government transfers</i>		
Medicaid (binary)	-0.144*** (-0.172, -0.115)	-0.141*** (-0.169, -0.113)
Medicare (binary)	0.011 (-0.029, 0.052)	0.009 (-0.030, 0.048)
SNAP (binary)	-0.099*** (-0.127, -0.071)	-0.096*** (-0.123, -0.068)
SSI (binary)	-0.009 (-0.055, 0.037)	-0.007 (-0.053, 0.038)
TANF (binary)	-0.052 (-0.160, 0.055)	-0.052 (-0.156, 0.052)
<hr/>		
Whether anyone in the household is covered by health insurance (binary)	0.158*** (0.117, 0.198)	0.153*** (0.114, 0.193)
<hr/>		

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Whether the household is in a metropolitan area (binary)	0.032	0.034*
	(0.000, 0.065)	(0.002, 0.066)
Observations	9,101	
Pseudo R-squared	0.108	

*p<0.05, **p<0.01, ***p<0.001; Model includes baseline controls and regional and year fixed effects

Appendix C. Linear probability model regression results



C1. Rent and rent burden coefficient comparison charts

Figure C1-1. Average marginal effect of a \$100 increase in rent on likelihood of meeting specified savings threshold

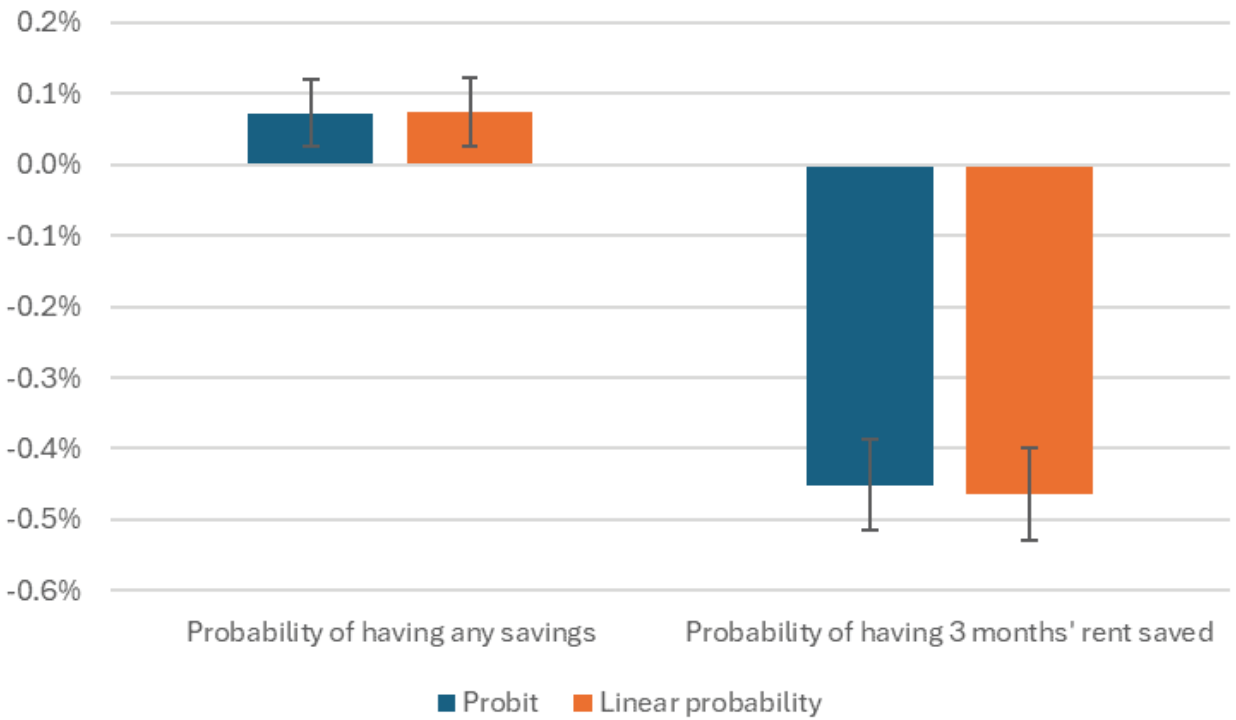


Figure C1-2. Average marginal effect of a 1 percent increase in rent burden on likelihood of having enough saved to cover three months' rent

C2. Baseline regressions

	(1.lp)	(2.lp)
Dependent variable	Any savings	Financially stable
Economic controls		
Household income-to-pov-erty ratio	0.089*** (0.069, 0.109)	-0.041** (-0.069, -0.013)
Number of earners	0.052 *** (0.037, 0.066)	0.034 ** (0.013, 0.055)

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	(1.lp)	(2.lp)
Whether a working-age household member was unemployed for three months (binary)	-0.01	-0.017
	(-0.033, 0.014)	(-0.049, 0.015)
<i>Householder educational attainment (categorical)</i>		
High school diploma	0.119 *** (0.089, 0.148)	-0.014 (-0.048, 0.020)
Some college	0.189 *** (0.158, 0.219)	-0.005 (-0.039, 0.030)
Bachelor's degree	0.241 *** (0.209, 0.273)	0.119*** (0.073, 0.164)
Demographic controls		
Householder age	-0.001*** (-0.002, -0.001)	-0.002*** (-0.004, -0.001)
Whether the householder is female (binary)	-0.028** (-0.046, -0.010)	-0.040** (-0.065, -0.015)
<i>Household racial and ethnic composition. Whether any working-age household member is:</i>		
Black (binary)	-0.078*** (-0.102, -0.054)	-0.051** (-0.081, -0.022)
Asian (binary)	0.070 *** (0.041, 0.098)	0.112 *** (0.055, 0.169)
Other race (binary)	-0.005 (-0.040, 0.029)	-0.014 (-0.058, 0.029)
Hispanic (binary)	-0.058*** (-0.081, -0.035)	-0.018 (-0.048, 0.012)
<i>Household Composition</i>		

	(1.lp)	(2.lp)
Whether the householder is married (binary)	0.008 (-0.016, 0.033)	0.000 (-0.031, 0.032)
Presence of children (binary)	-0.035* (-0.064, -0.007)	-0.094*** (-0.130, -0.057)
Number of people in the household	0.018 *** (0.009, 0.026)	0.018** (0.007, 0.030)
Whether the household includes multiple related families (binary)	-0.044** (-0.071, -0.016)	-0.007 (-0.043, 0.030)
Institutional controls		
<i>Household receipt of government transfers</i>		
Medicaid (binary)	-0.050*** (-0.072, -0.028)	-0.147*** (-0.178, -0.116)
Medicare (binary)	0.022 (-0.006, 0.051)	0.014 (-0.026, 0.054)
SNAP (binary)	-0.062*** (-0.084, -0.040)	-0.080*** (-0.106, 0.053)
SSI (binary)	-0.005 (-0.043, 0.032)	-0.004 (-0.046, 0.039)
TANF (binary)	-0.062 (-0.124, 0.000)	-0.029 (-0.106, 0.048)
Whether anyone in the household is covered by health insurance (binary)	0.135*** (0.101, 0.170)	0.170*** (0.128, 0.213)

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	(1.lp)	(2.lp)
Whether the household is in a metropolitan area (binary)	0.014	-0.001
	(-0.012, 0.039)	(-0.035, 0.032)
Observations	12,434	9,101
Pseudo R-squared	0.138	0.105

C2. Models 3 and 4: Any Savings

Dependent variable	(3.lp) Any savings	(4.lp) Any savings
Independent variables		
Rent amount (\$100's)	0.005*** (0.003, 0.007)	
Rent burden		0.0007** (0.0003, 0.0012)
Economic controls		
Household income-to-poverty ratio	0.079*** (0.059, 0.100)	0.104*** (0.082, 0.125)
Number of earners	0.051*** (0.036, 0.065)	0.052*** (0.037, 0.067)
Whether a working-age household member was unemployed for three months (binary)	-0.01 (0.033, 0.013)	-0.01 (-0.033, 0.013)
<i>Householder educational attainment (categorical)</i>		
High school diploma	0.117*** (0.087, 0.146)	0.118*** (0.089, 0.148)
Some college	0.183*** (0.153, 0.214)	0.186*** (0.155, 0.216)

Bachelor's degree	0.231*** (0.199, 0.263)	0.234*** (0.202, 0.266)
Demographic controls		
Householder age	-0.002*** (-0.002, -0.001)	-0.002*** (-0.002, -0.001)
Whether the householder is female (binary)	-0.028** (-0.046, -0.010)	-0.028** (-0.046, -0.010)
<i>Household racial and ethnic composition. Whether any working-age household member is:</i>		
Black (binary)	-0.079*** (-0.103, -0.056)	-0.079*** (-0.102, -0.056)
Asian (binary)	0.064*** (0.035, 0.092)	0.066*** (0.037, 0.095)
Other race (binary)	-0.005 (-0.039, 0.029)	-0.005 (-0.040, 0.029)
Hispanic (binary)	-0.085 (-0.085, -0.039)	-0.083 (-0.083, -0.037)
<i>Household Composition</i>		
Whether the householder is married (binary)	0.005 (-0.020, 0.029)	0.008 (-0.017, 0.032)
Presence of children (binary)	-0.038** (-0.067, -0.010)	-0.035** (-0.063, -0.006)
Number of people in the household	0.015*** (0.006, 0.023)	0.019*** (0.011, 0.028)
Whether the household includes multiple related families (binary)	-0.045** (-0.072, -0.017)	-0.043** (-0.071, -0.015)
Institutional controls		

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Household receipt of government transfers

Medicaid (binary)	-0.048*** (0.070, 0.026)	-0.049*** (-0.071, -0.027)
Medicare (binary)	0.023 (-0.005, 0.052)	0.023 (-0.005, 0.052)
	-0.059***	-0.060***
SNAP (binary)	(-0.081, -0.037)	(-0.082, -0.038)
	-0.005	-0.005
SSI (binary)	(-0.043, 0.033)	(-0.043, 0.033)
TANF (binary)	-0.057 (-0.119, 0.006)	-0.059 (-0.122, 0.003)
Whether anyone in the household is covered by health	0.134***	0.135***
Whether the household is in a metropolitan area (binary)	0.004 (-0.022, 0.030)	0.007 (-0.019, 0.033)
Observations	12,434	12,434
Pseudo R-squared	0.140	0.139

*p<0.05, **p<0.01, ***p<0.001; Model includes baseline controls and regional and year fixed effects

C3. Models 5 and 6: Financially Stable

Dependent variable	(5.lp)	(6.lp)
	Financially stable	Financially stable
Independent variables		
Rent amount (\$100's)	-0.019*** (-0.022, -0.015)	

Rent burden		-0.005*** (-0.005, -0.004)
Economic controls		
Household income-to-pov- erty ratio	-0.005 (-0.033, 0.023)	-0.132*** (-0.162, 0.102)
Number of earners	0.038*** (0.017, 0.059)	0.031** (0.010, 0.052)
Whether a working-age household member was un- employed for three months (binary)	-0.012 (-0.044, 0.020)	-0.009 (-0.040, 0.023)
<i>Householder educational attainment (categorical)</i>		
High school diploma	-0.006 (-0.040, 0.027)	-0.011 (-0.045, 0.034)
Some college	0.015 (-0.020, 0.049)	0.014 (-0.021, 0.048)
Bachelor's degree	0.153*** (0.107, 0.199)	0.156*** (0.110, 0.201)
Demographic controls		
Householder age	-0.002*** (-0.003, -0.001)	-0.002*** (-0.003, -0.001)
Whether the householder is female (binary)	-0.038** (-0.062, -0.013)	-0.041** (-0.065, -0.017)
<i>Household racial and ethnic composition. Whether any working-age household member is:</i>		
Black (binary)	-0.045** (-0.075, -0.015)	-0.045** (-0.075, -0.016)
Asian (binary)	0.136*** (0.079, 0.192)	0.136*** (0.080, 0.192)

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Other race (binary)	-0.015 (-0.058, 0.027)	-0.013 (-0.054, 0.029)
Hispanic (binary)	-0.003 (-0.033, 0.028)	-0.004 (-0.034, 0.026)
<hr/>		
<i>Household Composition</i>		
Whether the householder is married (binary)	0.014 (-0.017, 0.045)	0.005 (-0.026, 0.036)
Presence of children (binary)	-0.085*** (-0.121, -0.048)	-0.099*** (-0.136, -0.063)
Number of people in the household	0.029*** (0.018, 0.041)	0.006 (0.005, 0.018)
Whether the household includes multiple related families (binary)	-0.001 (-0.037, 0.035)	-0.013 (-0.049, 0.022)
<hr/>		
<i>Institutional controls</i>		
<i>Household receipt of government transfers</i>		
Medicaid (binary)	-0.156*** (-0.187, -0.125)	-0.153*** (-0.184, -0.122)
Medicare (binary)	0.01 (-0.029, 0.049)	0.008 (-0.031, 0.046)
SNAP (binary)	-0.091*** (-0.117, -0.065)	-0.088*** (-0.114, -0.062)
SSI (binary)	0.007 (-0.048, 0.034)	0.007 (-0.047, 0.034)
TANF (binary)	-0.05 (-0.134, 0.034)	-0.047 (-0.128, 0.033)
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Whether anyone in the household is covered by health insurance (binary)	0.174***	0.169***
	(0.133, 0.216)	(0.128, 0.209)
Whether the household is in a metropolitan area (binary)	0.035*	0.037*
	(0.002, 0.067)	(0.005, 0.070)
Observations	9,101	9,101
Pseudo R-squared	0.127	0.136

*p<0.05, **p<0.01, ***p<0.001; Model includes baseline controls and regional and year fixed effects

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