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Is Housing Wealth an “ATM”? The Relationship Between Household Wealth, Home Equity Withdrawal, and Saving Rates

| Published: 16 August 2007

| Volume 54, pages 539–561, (2007) [Cite this article](#)



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Notes

1. [Goldman Sachs \(2006\)](#) is a typical example of analysis that posited a strong link between HEW and U.S. consumption. [Duca \(2006\)](#) argued that the increasing reliance of U.S. households on HEW in the first part of the decade

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(near-prime) and subprime lending grew. Subprime loans constituted 9 percent of U.S. securitized mortgage debt and financed 15 percent of home sales in 2005 ([JPMorgan, 2006](#), p. 29).

6. [Boone, Girouard, and Wanner \(2001\)](#) find that financial deregulation and innovation raised the marginal propensity to consume in Canada, the United Kingdom, and the United States (Australia was not included in the sample). Borrowers may also seek to reduce interest costs by refinancing unsecured consumer credit through cheaper secured debt, especially if interest on mortgage debt is tax-advantaged relative to unsecured debt (as it has been in the United States since the Tax Reform Act of 1986).
7. This study examined the degree to which HEW as a proportion of disposable

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the proceeds. A lifetime mortgage involves the borrower remortgaging his or her house to take a cash lump sum or annuitized income stream. Interest accumulates and is settled on the sale of the property. In the United Kingdom, roughly £1¼ billion of home reversion mortgages and home income plans were sold each year during 2003–05 ([United Kingdom Financial Services Authority, 2006](#)).

11. This analysis uses comparable definitions across countries; hence it does not necessarily reproduce national accounts definitions.
12. In addition, the Dutch National Bank surveys households in the Netherlands annually to assess their use of HEW ([van Els, van den End, and van Rooij, 2005](#)). In 2003, respondents said that increases in secured debt were used

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alternative measure excludes the latter. Both measures are derived using the Federal Reserve's Flow of Funds Table 10: *Derivation of Measures of Personal Saving*. A different measure can be derived from Table 100: *Households and Nonprofit Organizations*, but it tracks the first very closely and yields identical regression results.

18. Housing net worth is the difference between the value of residential assets and loans secured by housing. Financial net worth is the difference between financial assets and unsecured debt.
19. The regression on quarterly data included a lagged dependent variable, because otherwise residuals exhibited mild autocorrelation. Coefficients on HEW were not significant in a quarterly regression that omitted the lagged

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