

# Mobility-Tenure Decisions and Financial Credit: Do Mortgage Qualification Requirements Constrain Homeownership?

Peter M. Zorn

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## Abstract

Housing analysts have generally assumed that mortgage qualification requirements significantly constrain homeownership, however there has been no empirical evidence of this effect. By explicitly modeling and estimating the impact of mortgage qualification requirements on households' mobility and tenure decisions, this paper provides the first empirical evidence of the effect of these criteria on homeownership. The estimation results suggest that in 1986, mortgage qualification criteria did not provide a large constraint on homeownership. However, they also show that the impact of these criteria increases as the flow costs of owning decrease relative to those of renting. This implies that the nationwide significance of these constraints will vary with fluctuations in the macro economy, and that policies designed to limit the effect of these requirements will be more successful in economic environments favorable to homeownership.

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