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Volume 75, 2017 - Issue 2

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# House arrest: the effects of underwater and low-equity mortgages on small business failure and mobility

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Pages 231-249 | Received 23 Jan 2016, Accepted 03 Aug 2016, Published online: 08 Sep 2016

 Cite this article  <https://doi.org/10.1080/00346764.2016.1226511>



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## Abstract

This paper studies the effects of the recent housing crash on small business survival and household geographic mobility. Although a number of other works have studied these issues, our analysis differs from these because we do not focus only on underwater mortgages (less than 0% home equity), but also those slightly above water (0-10% equity). Homeowners with little or no equity face considerable constraints regarding moving, starting a business or keeping a current business open. They are more like underwater homeowners, but they differ enough to deserve a separate categorization in comparative studies, rather than being conflated with all other homeowners that have positive equity. We use the Federal Reserve's Survey of Consumer Finances panel data for 2007 and 2009, which allows us to track the exact same households during this critical time in the housing crisis.

 Keywords: [Mortgage debt](#) [household mobility](#) [small business financing](#) [underwater mortgages](#)

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## Acknowledgment

The authors thank an anonymous referee and Michael Carr for their insight and guidance. The Monmouth University Business Council provided grant support for aspects of this research.

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## Notes

<sup>1</sup> Home foreclosure filings peaked in 2011 at 3,920,418 (completed foreclosures totaled 3,580,000) (Statistic Brain 2015).

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