Banking on Housing: spending the home

Britons hold more wealth in their homes than ever before, and are spending more freely from these assets now than they are ever likely to again. Banking on Housing is concerned with when, where, why and how, people choose and use their mortgages to roll equity out of housing and into other things. The researchers worked in depth with a cross section of 150 British mortgage holders to explore the role of housing wealth as a driver of consumption.

**Findings**

**Banking on housing, whether by chance, necessity or design is a common financial tactic. Two in three study participants hold most of their wealth in their homes. In the wake of a fourth upswing in prices in less than fifty years, this strategy seems effective. The nation’s largest class of assets is widely distributed and highly valued. This newly accumulated housing wealth is displacing an older welfare ideal as the touchstone for social and financial security.**

**Shopping for mortgages** is a recent innovation, but now that home loans are actively marketed rather than tightly rationed, consumers are torn between low interest rates and high flexibility. Flexible features allow people to draw from, as well as pay off, their loans. Those who go shopping with, as well as for, their mortgages, are often at home with their borrowings; they are competent consumers whose routine mortgage management can enhance financial skills.

**Spending the home** is increasingly popular. The proceeds of mortgage equity withdrawal are most often spent on the home, but there is also a steady flow of equity out of housing and into other things. Holidays, luxuries and lifestyles are a popular destination. Another insistent theme is the deployment of housing wealth to meet welfare needs.

**Home values**

A decade of price appreciation means that, for many home buyers, there is no alternative to ‘banking on housing’: ‘...given that you’ve only got a certain amount of money to play with, then you put it into the house’ [2002]. But for others this strategy is adopted as much by design as necessity, not least because:

- It’s more valuable than other assets… because the environment is enjoyable
- It’s more valuable than other assets… because the home is legible
- A decade of price appreciation means that, for many home owners, home assets perform well:
  - Owner occupation is ‘money in the bank’:
  - Home ownership is ‘spendable’:
  - Home assets are ‘productive’:
  - Home assets are ‘controllable’:
  - Home assets are ‘insurable’:
  - Home assets are ‘emotional’:

**HIGHLIGHTS**

- From housing wealth to cultures of consumption
- Mortgage equity withdrawal (MEW) is a means of borrowing from housing wealth to buy other things. Traditionally, mortgage holders pay it off. This routinisation of MEW amounts to a sea-change in how housing wealth works. To explore its impact, Banking on Housing provides the first detailed qualitative record of when, where and why borrowers engage in it;

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**CULTURES OF CONSUMPTION RESEARCH PROGRAMME**

The Cultures of Consumption Programme is a joint initiative of the ESRC, AHRC, EPSRC and the ESRC/AHRC Joint Programme in Cultures of Consumption, and is funded by the ESRC, AHRC and the Arts and Humanities Research Council. The programme is based in the Department of Geography at Durham University.

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**PUBLICATIONS INCLUDE**


**REFERENCES**


**SUSTAINABLE CONSUMPTION**

- To understand the practice, ethics and knowledge of consumption
- To assess the changing relationship between consumption and citizenship
- To explain the shifting local, metropolitan and transnational boundaries of cultures of consumption
- To explore consumption in the domestic sphere
- To investigate alternative and sustainable consumption
- To develop an interface between cutting edge academic research and public debate.

For further details take a look at our website www.consume.bbk.ac.uk or contact Professor Frank Trentmann Programme director Telephone +44 (0)20 7079 0603 email esreConsume@bbk.ac.uk or Stefanie Nixson Programme administrator Cultures of Consumption Research Programme Birkbeck College Malet Street London WC1E 7HX Telephone +44 (0)20 7079 0601 Facsimile +44 (0)20 7079 0602 email esreConsume@bbk.ac.uk

**REFERENCES**


**CULTURES OF CONSUMPTION RESEARCH PROGRAMME**

The Cultures of Consumption Programme funds research on the changing nature of consumption in a global context. The Programme investigates the different forms, development and consequences of consumption, past and present. Research projects cover a wide range of subjects, from UK public services to drugs in east Africa, fashionable youth in Paris and global consumer politics. The £5 million Cultures of Consumption Programme is the first to bring together experts from the social sciences and the arts and humanities. It is funded by the ESRC and the AHRC.

The aims of the Cultures of Consumption Programme are:

- To understand the practice, ethics and knowledge of consumption
- To assess the changing relationship between consumption and citizenship
- To explain the shifting local, metropolitan and transnational boundaries of cultures of consumption
- To explore consumption in the domestic sphere
- To investigate alternative and sustainable consumption
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banks will take it as security for other financial things.

'I’ve been able to remortgage it, it’s got me through a divorce... it is there for my children' [1418]

The transcripts contain scattered references to housing wealth as a shield, a comfort zone, a buffer, even that is often overlooked. Mortgages are like elephants, 'just plodding along': like the tortoise who moves slowly 'but gets there in the end.' Some borrowers (as many as one in three) feel challenged by the sheer variety in the mortgage market; they report problems with the legibility of products and the quality of financial advice. A minority (one in six) experience their loans as something wild and potentially out of control: they speak of lions, snakes and tigers which 'aren’t there to be your friends', are generally 'after your money', and are liable to snap, scratch or bite when you least expect it.

Mainly, though, the research points to the financial capabilities people acquire as they put their mortgage to work rather than to the way debtors are duped. All but five of those (92) drawing from, as well as paying into, their loan, are most aptly described as 'sassy' spenders or 'care-full' consumers. Their expertise and experiences constitute a valuable and largely untapped resource.

Spending money

Flexible borrowing enables some home buyers to switch high interest loans into lower interest mortgages. Others use secured credit to buy more, sooner and better than they would otherwise have done. Either way, the proceeds of MEW are most often used to fund home repairs, renovations, extensions and improvements.

However, as MEW becomes easier and more routine, 'equity leakage' is gaining ground over reinvestment. One in four of the 'MEW-active' group only spends money outside the home, or on goods and services within it. As figure 1 shows, there is no shortage of options, and it is widely recognised that MEW is a boost to some key sectors of the economy, even in times of recession. Now that home assets can be borrowed against today as well as conserved for tomorrow, they can act as a financial buffer against a range of unexpected life events:

I’d be scuppered if I had a major expenditure to fund without drawing on the mortgage' [1246] 'most of it’s just gone on survival' [2296]

There is a tendency to rely on housing wealth for this 'income smoothing' role, since it is seen as safer and more reliable than paying into private insurance. Drawing from housing wealth in this way may be a last rather than first resort, but it is very squarely on the agenda. From wealth to well-being?

An asset base for welfare? Newly acquired home assets are replacing an older welfare ideal as the touchstone for social security. But while aspects of home ownership are replacing an older welfare ideal as the touchstone for social security. But while aspects of home ownership
banks will take it as security for other financial things.

...and a welfare resource: ‘I’ve been able to remortgage it, it’s got me through a divorce... it is there for my children’ [12/18]

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Spending money

Flexible borrowing enables some home buyers to switch high interest loans into lower interest mortgages. Others use secured credit to buy more, sooner and better than they would otherwise have done. Either way, the proceeds of MIV are most often used to fund home repairs, renovations, extensions and improvements.

However, as MIV becomes easier and more routine, ‘equity leakage’ is gaining ground over reinvestment. One in four of the ‘MIV-active’ group only spends money outside the home, or on goods and services within it. As figure 1 shows, there is no shortage of options, and it is widely recognised that MIV is a boost to some key sectors of the economy, even in times of recession.

Now that home assets can be borrowed against today as well as conserved for tomorrow, they can act as a financial buffer against a range of unexpected life events:

If your mortgage were an animal...

What would it be? The chances are that it would be tame, manageable and homely: four out of five people refer to cats and dogs, even puppies and kittens, to describe products which, in their experience, form an inevitable and integral part of the domestic economy.

The more actively mortgages are used (to roll equity out of housing), the more they are characterised as workable, reliable and broadly under control: ‘a well-behaved dog’ or ‘a workhorse doing its job’. All in all, life as a mortgage holder has an inevitability— an ‘ordinary-ness’— that is often overlooked. Mortgages are like elephants...
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KEY FINDINGS

- Banking on housing, whether by chance, necessity or design is a common financial tactic. Two in three study participants hold most of their wealth in their homes. In the wake of a fourth upswing in prices in less than fifty years, this strategy seems effective. The nation’s largest class of assets is widely distributed and highly valued. This newly accumulated housing wealth is displacing an older welfare ideal as the touchstone for social and financial security.
- Shopping for mortgages is a recent innovation, but now that home loans are actively marketed rather than tightly rationed, consumers are torn between low interest rates and high flexibility. Flexible features allow people to draw from, as well as pay off, their loans. Those who go shopping with, as well as for, their mortgages, are often at home with their borrowings; they are competent consumers whose routine mortgage management can enhance financial skills.
- Spending the home is increasingly popular. The proceeds of mortgage equity withdrawal are most often spent on the home, but there is also a steady flow of equity out of housing and into other things. Holidays, luxuries and lifestyles are a popular destination. Another consistent theme is the deployment of housing wealth to meet welfare needs.

HIGHLIGHTS

- From housing wealth to cultures of consumption
- Mortgage equity withdrawal (MEW) is a means of borrowing money on.
- It’s more valuable than other assets… because the ‘spendability’ today:
  - Britons had more mortgage equity withdrawal than the market expected.
  - The market has failed to understand the value of housing wealth.
  - It also provides new evidence of what they spend this money on.

Home values

A decade of price appreciation means that, for many home buyers, there is no alternative to ‘banking on housing’.

- ‘Given the pensions market at the moment, I think I would have been better off putting the money on number nine red at Las Vegas’ [2004]
- ‘I have no confidence in the financial market’ [1998]

Owner occupation is ‘money in the bank’.

- ‘It’s secure, it’s not going to go anywhere; it’s not like it’s going to fall down, it’s not like it’s going to depreciate’ [2001]

Home assets perform well.

- ‘Whatever else I have done with the same amount of money, I would never have made the same return on my investment’ [2295]

What has changed in recent years is that owned homes are not only available to be cashed in if ‘the worst came to the worst’; they are a resource to be borrowed against if the going gets tough. Owned homes are valued, therefore, not just for their financial worth tomorrow, but also for their ‘spendability’ today.

Home is a financial instrument.

- It’s more valuable than other assets… because the...