

Association of Negative Home Equity with Military Households and their Financial Behaviors

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This study examines one of the most important vehicles for building wealth in the U.S., home equity, with a particular focus on military households. Military households experience unique job-related constraints that could significantly impact their ability to build long-term wealth through this important asset class. We use data from the National Financial Capability Study, a project of the FINRA Investor Education Foundation, to examine the relationship of negative home equity rates among military and civilian households and use three focal financial predictors: 1) financial confidence, 2) willingness to take investment risk, and 3) difficulty covering expenses. We also control for a rich set of demographics, socioeconomic, and financial variables. Binary logistic regression results confirmed our hypothesis that, all else equal, military households report significantly higher rates of negative home equity than their civilian counterparts, controlling for demographic, socioeconomic, and financial variables. When interacting the military household variable with the three focal financial predictors, all three interaction terms are associated with higher predictive probabilities of negative equity for military households. These findings indicate that existing financial literacy interventions for military households may benefit from specifically addressing financial confidence, willingness to take investment risk, and difficulty covering expenses.

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