

The Impact of Diminished Housing Wealth on Health: Evidence from the Great Recession

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Abstract

This study examines how the housing crisis affected the psychological and physical health of homeowners. We focus on two mechanisms that the decline in housing and nonhousing wealth might affect health: increase in stress and negative changes in health-related behaviors. Controlling for the changes in nonhousing wealth and employment status during the recession, we show that the decline in housing equity is associated with a small but significant increase in psychological distress. We also find that psychological health deteriorates more as housing equity relative to wealth decreases. Finally, homeowners who have difficulties with mortgage payments report substantial increases in psychological distress and have higher rate of depression. Our findings provide evidence that the increase in stress is the main cause of the adverse health outcomes.

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