

# Banking on Housing: spending the home

Project team:  
Susan J Smith  
Beverley A Searle  
Nicole Cook

**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.**

## 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 insistent 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 from housing wealth to buy other things. Traditionally, mortgages simply provide the leverage people need to secure a home; they are large loans gradually cleared. In recent years, a combination of financial deregulation and product innovation means that, within certain limits, home buyers can draw *from* their loan as readily as they 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 MEW;

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 that you've only got a certain amount of money to play with, then you put it into the house'** [1022]. But for others this strategy is adopted as much by design as necessity, not least because:

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Housing is a 'legible' investment:

**'I've never understood the stock market and pensions baffle me'** [1418]

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The alternatives are not attractive:

**'Given the pensions market at the moment, I think I'd have been better off putting the money on number nine red at Las Vegas'** [1004]

**'I have no confidence in the financial market'** [1528]

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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'** [2201]

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Home assets perform well:

**'Whatever else I had 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:

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Housing is a financial instrument:

**It's more valuable than other assets... because the**

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Figure 1:  
Objects people  
choose to represent  
their spend from  
housing wealth



**banks will take it as security for other financial things**  
[1502]

...and a welfare resource:

**'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 a tool. 'Banking on housing' has acquired new relevance as a strategy which, with a mortgage at the interface, is as much about decumulating wealth as it is about accumulating assets.

### 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

'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.

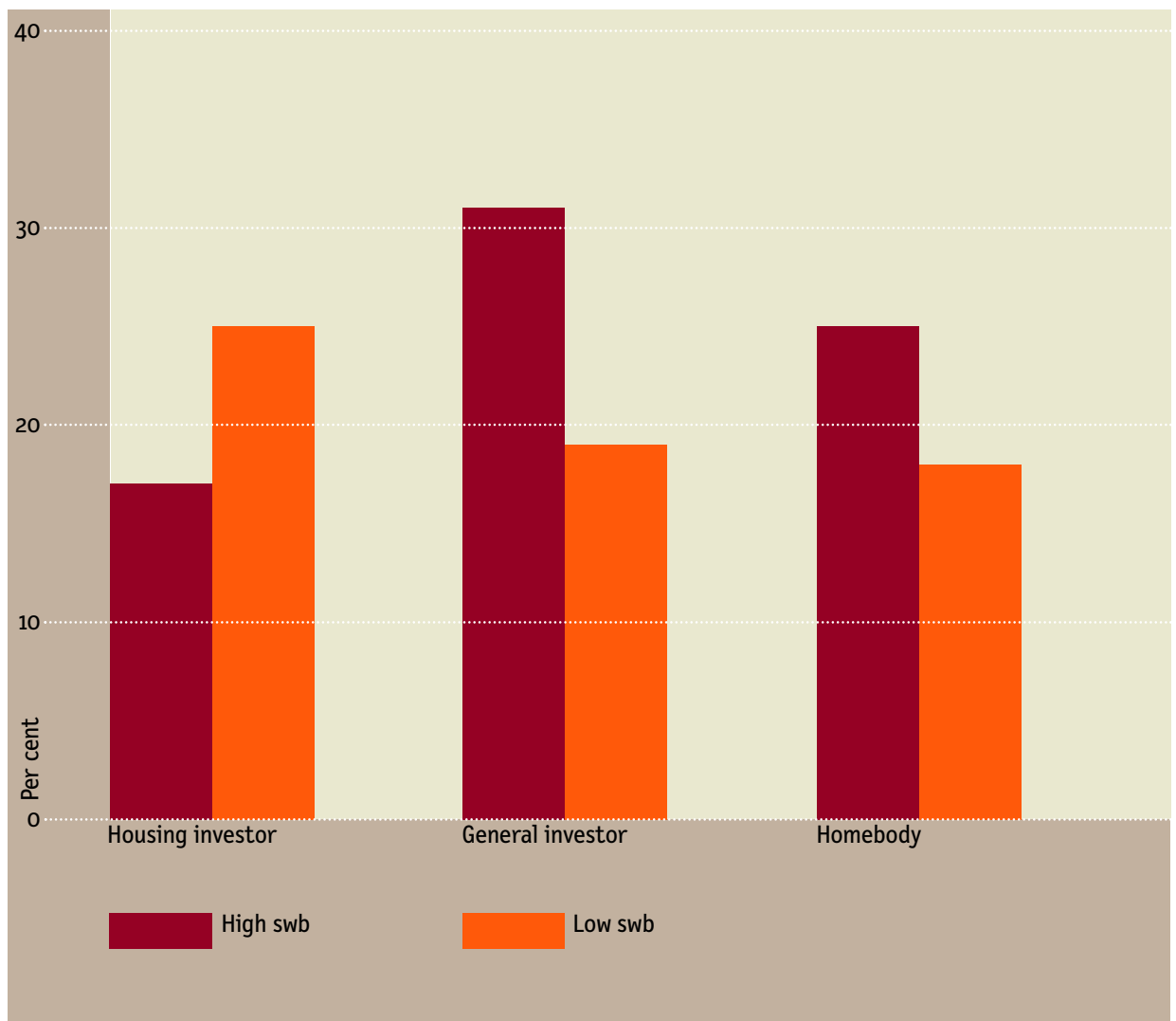
Mainly, though, the research points to the financial capabilities people acquire as they put their mortgage to work rather than to the way debtors are duped. All but five of those (94) drawing from, as well as paying into, their loan, are most aptly described as 'sassy' spenders or 'care-full' consumers. 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,

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Figure 2:  
Well-being reported  
by *Banking on Housing*  
participants



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'** [1248]  
**'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?

Although 'banking on housing' generally shows good long run returns, growing dependence on a single financial

asset is not always conducive to well-being. It is intriguing that 'housing investors', who choose and use their homes to maximise their assets, report lower overall levels of well-being than either 'general investors' (whose wealth is spread across a wider investment portfolio) or 'homebodies' (who are less conscious of their homes as a financial resource). Among those who have all their financial eggs in the housing basket, there is talk of diversification, and an appetite for products designed for hedging housing risk.

### MESSAGES FOR POLICY AND PRACTICE

**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 work well, housing wealth and well-being do not always go together. Maximising the financial value of housing is hard work, mortgage debt can be damaging, and the utility of housing wealth as a financial buffer cannot be taken for granted.

**The challenge of equity leakage.** From an economic policy perspective MEW provides a welcome and protective boost to consumption: it is a valued driver of high street spending, even in recession. From a housing policy perspective, however, this transmission of home assets

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into the wider economy can signal a risky drain on the quality and condition of the housing stock. Securing an appropriate balance between 'wealth effects' and 'equity leakage' might be key to neighbourhood regeneration and sustainable homeownership.

**A new kind of risk.** Home buyers' financial risks are traditionally couched in terms of mortgage default, following economic shocks or biographical disruption. But households' growing dependence on a narrow investment portfolio (the wealth in a single owned home) is also a challenge for governments, for the providers of financial services and of course for housing consumers.

**The value of practical knowledge.** Mortgage holders are as likely to be 'competent consumers' as 'duped debtors' and this is a valuable resource.

**The merits of home stewardship.** Home owners have strong views about the wise and prudent use of housing wealth. We propose the concept of 'home stewardship' as an alternative to prevailing ideologies of home ownership. This new style of home occupancy could transcend old tenure divides as governments look for ways to spread the risks and share the gains of a volatile property market

### BACKGROUND TO THE STUDY

*Banking on Housing: spending the home* was funded by the ESRC/AHRC Cultures of Consumption research programme (grant number RES-154-25-0012) and ran between December 2004 and February 2006. The project

team – Susan J Smith, Nicole Cook and Beverley A Searle – was based in the Department of Geography at Durham University

### PUBLICATIONS INCLUDE

Smith S. J., Cook N. and Searle B. A. 'From Canny Consumer to Care-Full Citizen: Towards a Nation of Home Stewardship', *Cultures of Consumption Working Paper No.35* at: <http://www.consume.bbk.ac.uk/publications.html>. (forthcoming).

Smith S. J. and Searle B. A. 'Dematerialising Money: Observations on the Flow of Wealth from Housing to Other Things', *Housing Studies* (forthcoming).

Searle B. A., Smith S. J. and Cook N. 'From Housing Wealth to Well-Being?' (forthcoming).

### CONTACT

Professor Susan J Smith  
Geography Department  
Durham University  
Science Site  
South Road  
Durham  
DH1 3LE  
telephone  
+44 (0)191 334 1946  
email  
[susanj.smith@durham.ac.uk](mailto:susanj.smith@durham.ac.uk)



## 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, London's fashionable West End to 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 co-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
- 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](http://www.consume.bbk.ac.uk)

or contact

**Professor Frank Trentmann**  
Programme director  
telephone +44 (0)20 7079 0603  
email [esrcConsumePd@bbk.ac.uk](mailto:esrcConsumePd@bbk.ac.uk)

or

**Stefanie Nixon**  
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 [esrcConsume@bbk.ac.uk](mailto:esrcConsume@bbk.ac.uk)