

Stimulating Housing Markets : Comments

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Question/Method

- ▶ A Study of phase II and III of First Time Home Buyer Credit(Tax): Can policy help reallocation after debt induced overhang?
 - Able to use as downpayment
- ▶ Method: Cross-market variation in program exposure across Zip codes: timing is non-random.
- ▶ Cohort analysis of age distribution of first-time buyers
- ▶ Regression-kink design on income cutoffs.

Results

- ▶ Increased home sales, effect lasting for 2 years : reallocation from institutional owners-banks/inventory to high-value users.
- ▶ House prices increased \$2400..
- ▶ Increase in home ownership largely in stock of homes in constrained young buyers

Results: Discussion I

- ▶ Increased home sales, effect lasting for 2 years : reallocation from institutional owners-banks/inventory to high-value users.
- ▶ House prices increased \$2400.. : does the effect remain if tested against macroeconomic indicators(the only one is u)? Liquidity conditions? Is this overall HP or among those who participate: are they buying the most expensive house they can buy?
- ▶ Increase in home ownership largely in stock of homes in constrained young buyers: spurred intention to buy?, are they renters who entered the market or would be buyers anyway (pg 18 vs 44) asset quality: Who is the reference group for defaults? And Two factors: portfolio quality among 'better' borrowers or macroeconomic factors, difference among top-off loan users vs. FTHC.

Results: Discussion II

- ▶ “Income is weakly correlated with program exposure”
- ▶ ZIP code assignment from tx returns is critical for the study.
- ▶ Could it be due to self selection into a state with profitable tax rules?
 - If I work in NJ, but chose to live in Connecticut for the lower property tax
 - TX has no income tax LA has the lowest property tax. Work in Houston and live in OrangeLA
- ▶ Border counties/ZIP code areas between states with different practices should be excluded from the analysis.

Results: Further Suggestions

- ▶ Supply side factors: Are credit conditions uniform across ZIP codes?, Loan Officer Surveys, control for interest rate..
- ▶ The effect persisting 17m after the policy: What is the mechanism? What about consumer confidence and rising prices (\$2400) supporting housing as an investment? Macroeconomic vars, liquidity conditions?
- ▶ Any indication if these are purchase to live or purchase to let? What is the return of alternative investment options at the time? Could this lack of options play a role in the uptake?
- ▶ Zip code area matching
- ▶ Model references to capital overhang and tax policies should motivate earlier
- ▶ Exploit known non-linearities in the model: age and age²

International Setting on Household Indebtedness

- ▶ In the post-global crisis episode, loose liquidity conditions have increased debt levels in the public sector, real sector and households globally.
- ▶ The expansionary monetary policies and search for yield have resulted in an upward trend in capital flows to emerging countries with rising liquidity opportunities.
- ▶ Several academic studies argue that increasing debt has led to revival of economic activity and boosted internal demand with a multiplier effect in the short-run.
- ▶ However, in the medium and long run, high indebtedness can also be a source of financial vulnerability with a spill-over effect.