Discussion of “Take it to the Limit: The effects of household leverage caps” by Van Bekkum, Gabarro, Irani and Peydro

Paul Willen

Federal Reserve Bank of Boston and NBER

Capital Markets and the Economy Workshop
NBER Summer Institute, Cambridge, July 17, 2022

These notes reflect the views of the author and don’t necessarily reflect the official positions of the Federal Reserve Bank of Boston or the Federal Reserve System.
`discussions/VanBekkumDiscussion.tex`

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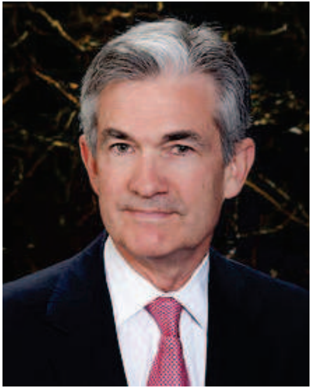

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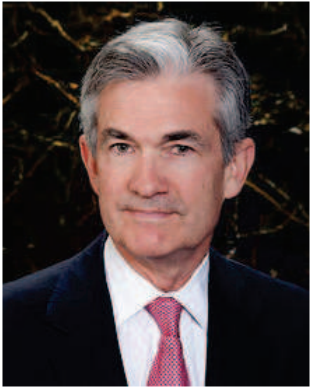

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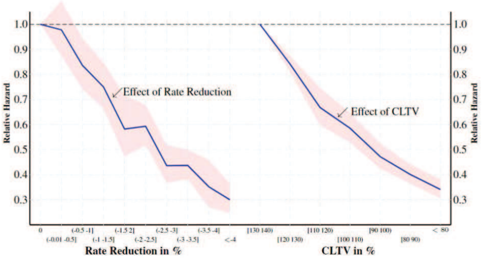
- Consider a policy to cap LTV ratio.

Figure 3: Estimated effects of rate reduction and CLTV on default hazard

Figure displays hazard ratios for bins of interest rates (relative to loan's original rate) as well as combined loan-to-value (CLTV) ratios in our baseline proportional hazard regressions of 60-day delinquency. Bands are 95 percent confidence intervals (based on standard errors clustered at state level). Regressions controls for a large set of additional variables, as described in Section 2.3. Coefficients and standard errors are shown in column (1) of Table A.1 in the appendix.



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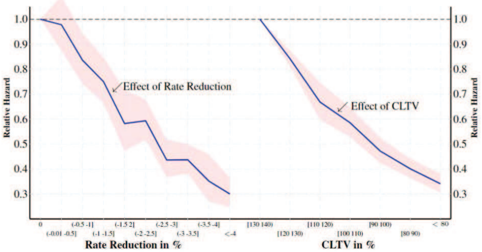

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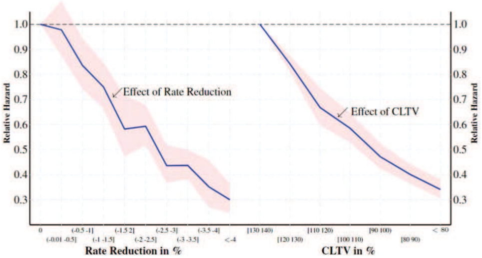

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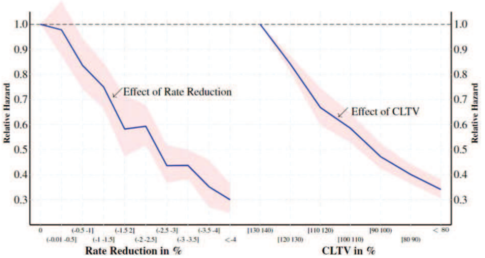

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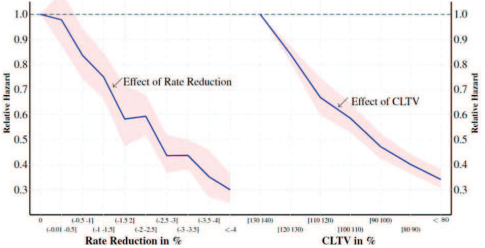

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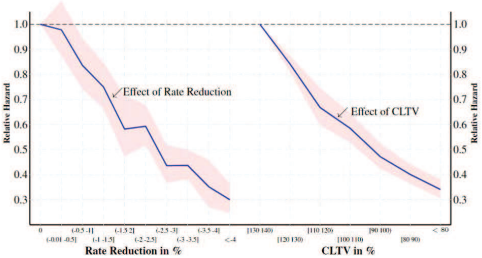

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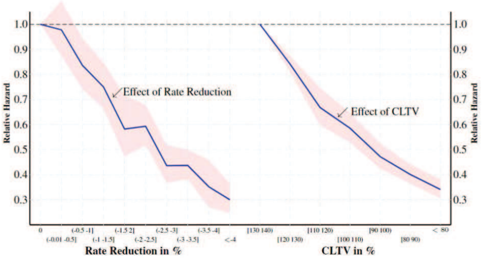

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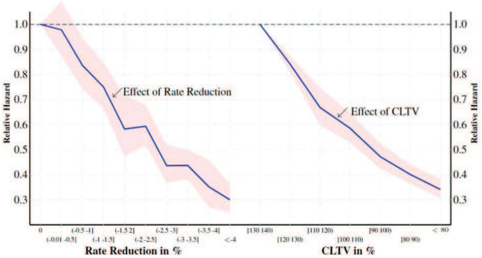

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- Policy: 8/1/2011: >106 LTV off menu for most borrowers in Netherlands

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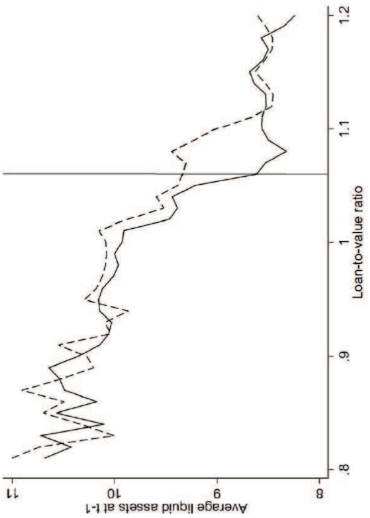

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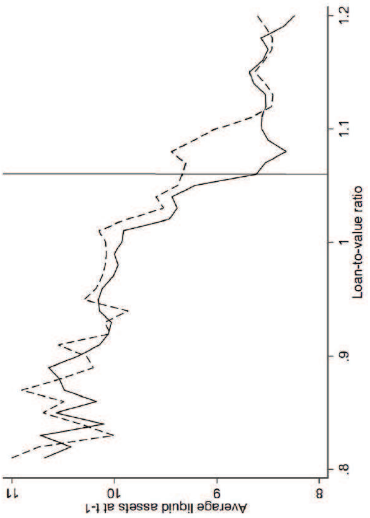

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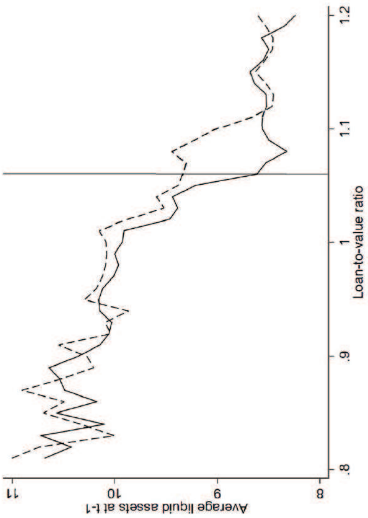

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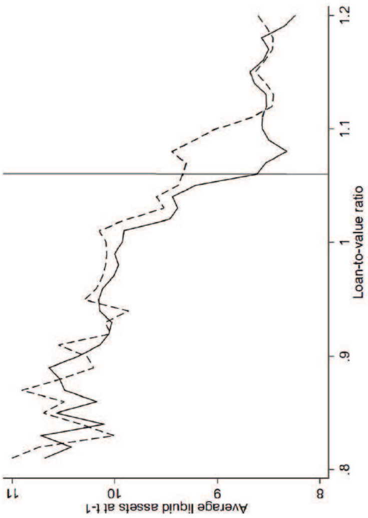

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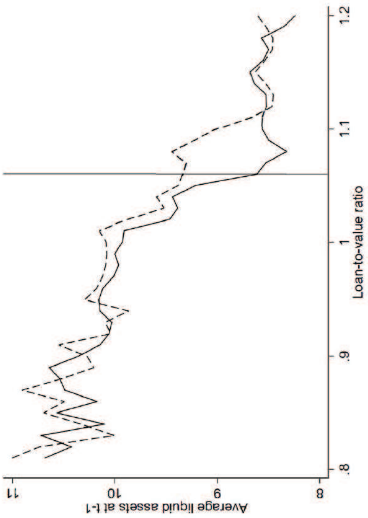

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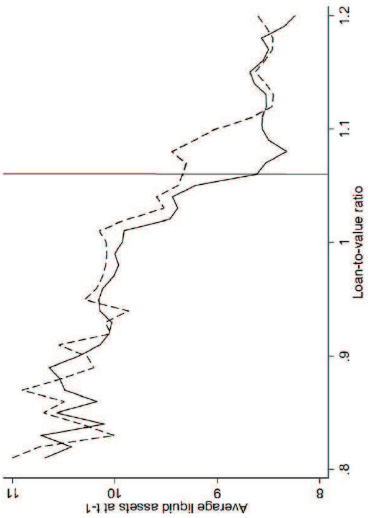

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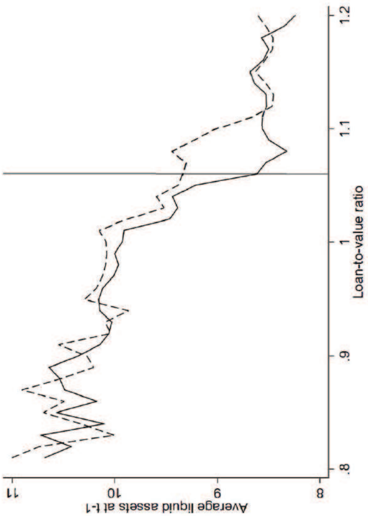

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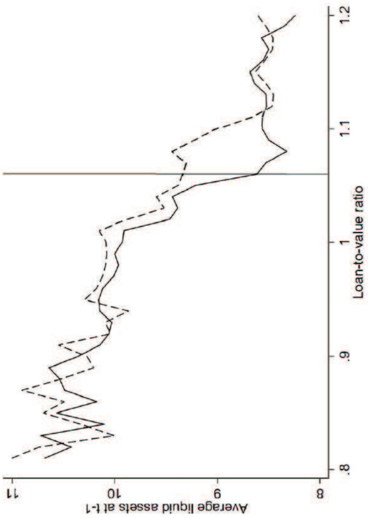

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- Does it matter? Fairness versus financial stability

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- The end.