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Mortgage Lock-In, Mobility, and Labor
Reallocation
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Discussion by Olga Goldfayn-Frank (Deutsche Bundesbank)

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Important question: Unintended consequences of (mortgage) interest rates increase

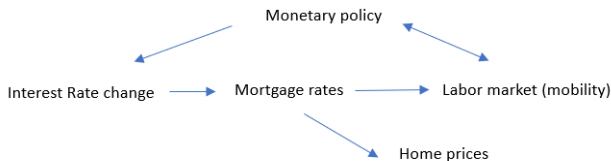
- Financial (transaction) costs may lock-in households and reduce labor market mobility
- Does increase in mortgage interest rates affect labor market allocations?

This paper does a lot: In a simple framework relates change in mortgage interest rates and moving choices; Identify source of variation in mortgage rate differences, estimate the relation with moving behavior of households.

My reading of the paper: Important discussion about potential consequences of monetary policy tightening, on labor markets and inequality.

From the point of view of a ~~central banker~~ monetary policy analysis...

- 1 Many factors co-move with a decision to move key interest rates (and thus mortgage interest rates). The situation in the housing or labor market could be some of the factors.



- How long does it take to have a spill-over in the real economy? And back?
- 2 Would expect studying monetary policy shocks at higher frequency (see Bergman, Born, Matsa and Weber, 2023)
 - 3 Price is only one aspect. Mortgage conditions tightening / higher rejection rates is another one.

Considering treatment effect: Heterogeneity

Let Δr be a **treatment**. Your estimations give average response. Significant heterogeneity in treatments effects is likely:

- 1 Liquidity constrained / Hand-to-mouth / Those who lost job
 - Most likely will move to new job opportunity *regardless* of the Δr .
- 2 Well-off professionals
 - Most likely will move to new job opportunity *only if* other benefits present (career growth). Δr is likely to be less relevant.
- 3 Would "average" people move given *better* employment opportunity (and the costs, financial and otherwise)?
 - Δr is likely to be relevant.
 - *Home prices tend to be higher in the areas with better labor market.*

New reality for mobility?

After pandemic, there is higher acceptance of work from home ..

- How will this affect your estimates?
 - Will it increase inequality (blue vs. white collar workers)?
 - What effects will it have on housing market in your setting?

Thank you for the paper: important topic, great execution!