

Discussion of:

Income-based tools to mitigate housing market risks: Where might we have been without them?

by Lu Zhang et al.

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All views are mine and do not necessarily reflect the views of the Deutsche Bundesbank or the Eurosystem.

Summary

Research questions: do I-BBMs (i.e. DTI and DSTI) have stabilizing effects? Costs vs. benefits?

- Data: proprietary micro-data and macro-data from national sources.
- Empirical analysis: novel approach applied for 6+1 countries (FR, HK, IE, KR, NL, UK, +NZ)
 - combining micro-level identification and broader GE insights
 - considering the actual bindingness

Results:

- 1) I-BBMs act as stabilizers.
- 2) Benefits of measures exceed their costs.

Overall:

- Important and relevant topic!
- Notable effort to exploit micro-level data for assessing macro-level implications across countries.

1) On country specificities

- Countries covered differ along many dimensions that go well beyond macro-dynamics, e.g.
 - Design of the I-BBMs.
 - Timing and motivation of implementation.
 - Broader macroprudential stance.
- More disclosure and discussion of the country-specific implications would be useful.
 - Inputs as well as outputs, go beyond showing pooled results.
- Comparison of e.g.:
 - Bindingness of measures
 - Narratives and objectives
 - Macro-outcomes
- Understanding the implications of particular features is crucial also for external validity!

2) On the costs of I-BBMs

Costs: „share of high DSTI/DTI lending constrained by the I-BBM measure“

- Computed values for costs rather low: mean of 2% and median of 0.5% of new lending.

Questions:

- How can these quantities counter general lending dynamics and affect broader aggregates?
- Can not-extended high risk loans really be considered costs? And the only costs?
- How does this measure align with the objectives of the policymakers?
 - Are policy objectives aligned across countries?
 - IE intervened early / earlier than other countries, and with a consumer protection motive rather than financial stability concerns → downward bias of costs if measures are not immediately binding.
 - How to communicate such macropru policy decisions effectively?

3) On the circumvention of I-BBMs

- I-BBMs limit borrowing households' mortgage debt relative to their income.
- Circumvention:
 - Extending maturity limits
 - DTI in IE; DSTI limits in FR, NL accompanied by amortisation requirements but not in HK
 - Switching to other forms of debt that is not secured by real estate
 - Leakage to corporate lending ([Bhargava et al. 2023](#))

Questions:

- Are „debt“ definitions comparable across countries and do measures account for other debt?
- Once I-BBMs are in place (and binding),
 - how do aggregate household debt evolve?
 - how does the overall risk taking of the banking sector evolve?
 - how do mortgage loan maturities evolve?



Overall, the analysis

- Is a remarkable effort!
- Addresses relevant and timely issue.
- Shows the challenges of applying one approach to a diverse group of countries.

Good luck with the project 😊