Lingnan University 嶺南大學 香港 Hong Kong

Department of Economics

Seminar

"Rebuilding Household Credit Histories: Slow Jobless Recovery from Mortgage Crises "

(in English)

Dr. LUO Guannan
Assistant Professor
Department of Economics and Finance
City University of Hong Kong

Biography:

Guannan received her PhD and MA in economics from Northwestern University and her BSc in mathematics, economics, and finance from the University of Hong Kong. She works on issues in macroeconomics and labor economics. Her current projects include investigation on how credit friction affects household investments, employment, and public benefit under imperfect information.

Date: 6 April 2017 (Thursday)
Time: 4:30pm – 6:00pm
Venue: WYL314, Dorothy Y. L. Wong Building

Abstract:

This paper demonstrates that credit reporting -- banks observing households' default histories -- can cause slow recoveries of housing prices and employment from mortgage crises. Comparing credit cycles with and without credit reporting and capturing the impact of mortgage default on employment by extending the Diamond-Mortensen-Pissarides search framework, I find that with credit reporting, banks offer higher loan-to-value ratios on mortgages but the default risks on them are higher. The recovery after a bank liquidity tightening is slower because: (i) excluding defaulting borrowers from obtaining mortgages decreases demand for housing; (ii) foreclosure tightens firms' available credit; and (iii) further default constrains banks' liquidity. These effects are absent without credit reporting.

All Are Welcome

For enquiry: 2616 7190 (Carrie)