The impact of borrower-based macroprudential policies on financial stability, inequality, and housing stock

with a high-resolution, data-driven model

Discussant note

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Overview

NÁRODNÁ BANKA SLOVENSKA EUROSYSTÉM

- **Sensitivity analysis of LTV / DSTI limits through 10 policy scenarios**

- **Based on**
  - ✓ 1:1 agent-based microsimulation of Hungarian housing and credit market
  - ✓ Combination of credit registry, income and RRE transaction data

- **Very relevant study pushing the research frontier**
  - ✓ Captures regional & income heterogeneity
  - ✓ Integrated demand–credit–construction framework
  - ✓ Credit accessibility (CA) identifies binding constraint (LTV, DSTI, min. consumption)
  - ✓ Scenario and macro sensitivity ('historical' vs. 'flat macro')

Key findings and policy implications

LTV strongly drives market activity, RRE prices and risk

- Asymmetric effects (loosening >> tightening)
- DSTI has smaller impact (conditional on interest rates)
- Housing stock: LTV → new builds, DSTI → renovations

Relevance to policy makers

✓ Links financial stability with inequality and housing stock quality

✓ Detailed outcome metrics: credit, prices, defaults, housing renovations

Policy implications

✓ No rational for LTV tightening

✓ Higher LTV + tighter DSTI as a promissing policy options → more activity, similar defaults

Potential questions (1)

Role of unsecured credit

- Only for renovations, no consumption/down-payment financing
- DSTI impact is relatively low (incl. on PDs)

Impact of higher interest rates

- DSTI might become more important
- Impact on credit availability

Feedback loops

- Macroeconomics - no feedback to income or policy rates
- Banks - unlimited credit supply, no capital/liquidity feedback
- Construction sector – no capacity constraints

Potential questions (2)

Impact on expected loss / LGD

- Financial stability impact limited to default rates
- Looser LTV might increase LGD

Role of non-professional BTL investors

- Professional investors behave countercyclicaly
- Role of buying of 2nd/3rd real estates by HHs, mainly in high RRE price growth

Role of expectations

- Currently higher LTV implies higher rental prices (RRE price growth dominates higher vacancies)
- Empirical link between rental prices and RRE prices

Conclusions

- A major step towards micro-founded evaluation of borrower-based tools
- Insights into dual role: maintaining resilience while shaping who can buy and what gets built.
- The next challenge: bring the macro feedback and banking supply fully into the loop