IMF RESEARCH DEPARTMENT

Macroprudential policies to mitigate housing market risks

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Discussion by Nina Biljanovska*
Research Department
International Monetary Fund

* The views herein are my own and do not necessarily represent those of the IMF, the Executive Board or its management.

Roadmap

1. Report summary
2. Some observations
3. Suggestions
   - Data
   - Policy questions and considerations
4. Ongoing work at the IMF for the April 2024 WEO

Report summary—highlights

- **Lesson 1**: Macroprudential policies complement other housing-related policies
  - Particularly tax and land supply policies
- **Lesson 2**: Governance frameworks influence policy effectiveness
  - One authority, clear legal framework, operational independence, analytical framework
- **Lesson 3**: Tools that meet objectives w/o active adjustment are especially effective
  - LTVs → more effective for lenders / DTIs more effective for borrowers
- **Lesson 4**: Openness about cost-benefit trade-offs foster support

Some observations

- Excellent, rich, and in-depth analyses!
- This is a mere wish list…
  - More precise definition of effectiveness: What are the exact target variables? Is it only slowdown in credit growth? Defaults? Healthier finances of lenders and borrowers? Lower volatility in housing markets? All of the above (and some that I might have missed)?
  - Effectiveness in slowing down house prices: To what extent can macroprudential policies slow housing cycles (not only borrowing)?
  - More on the interaction of macroprudential and monetary policy: Do they reinforce or offset each other and under what circumstances?

Suggestions: Data, micro-level + macropru policies

- To better assess the effectiveness of macroprudential policies, we need:
  - Micro-level data for analyses
    - Better identify the effects on target variables
    - Understand the effects across different borrower/lender characteristics as well as across the distribution
  - Standardized cross-country macroprudential measures
    - …not only identifying policy changes (1/0/-1),
    - …but their intensity, too (that goes beyond measures of LTV and DTI ratios)

Suggestions: Policy questions and considerations

- Macroprudential regulation has distributional effects (Acharya et al, 2022; Biljanovska and Chen, 2023)…
  - …not limited to borrower- but also lender-based measures
- Question for policy makers: How to deal with the distributional effects?
  - What are the welfare costs of a singular / non-tailored macroprudential policy (e.g. LTVs or DTIs)? (Biljanovska et al, forthcoming)
  - Should they be offset by fiscal policy, or…?
  - …tailored to the distribution?

Ongoing work at the IMF

- Shifting gears, but still under the realm of housing markets for the **April 2024 WEO Chapter**
- How do differences across housing markets play out for the transmission of monetary policy?
- Significant cross-country heterogeneity in terms of
  - Mortgage market characteristics: loans' maturity, fixation periods, lending standards, etc.
  - Local housing market characteristics: supply-constraints, "market hotness", etc.
- These differences across and within countries also evolve over time
- What does this mean for the transmission of monetary policy?

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Thank You!