

Discussion of Pattison's “Landlords as Lenders of Last Resort”

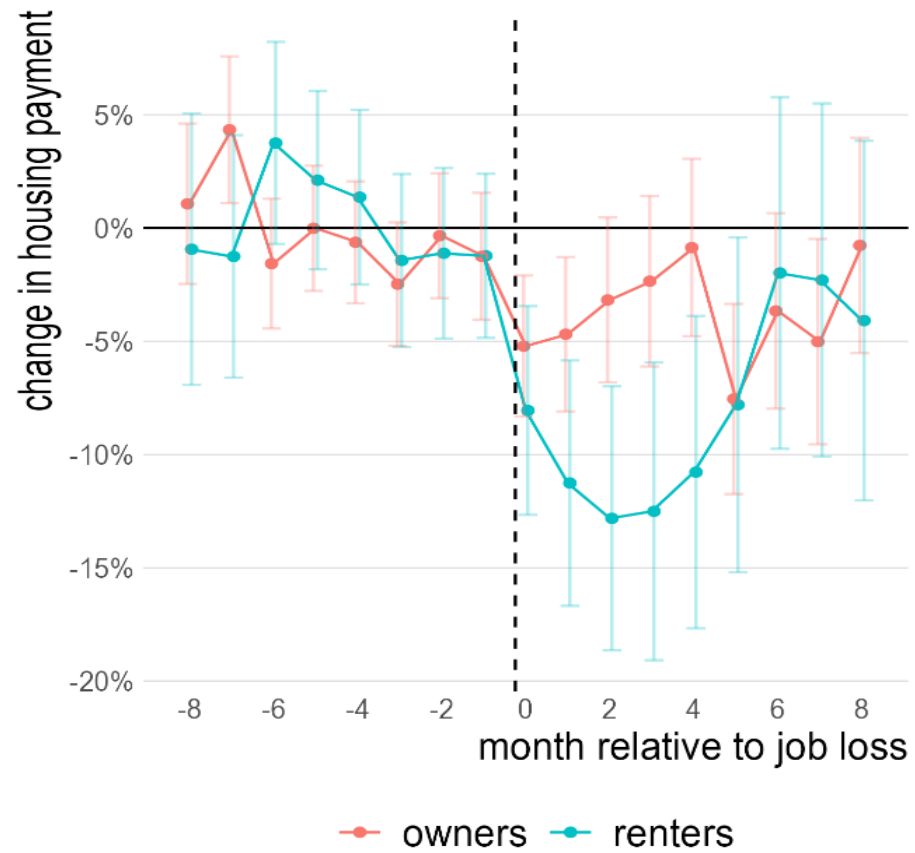
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Summary

- Missed payments represent credit from landlords/lenders to tenants/borrowers.
- Simple model shows late payments can smooth consumption over time under certain conditions.
- Data on delinquencies and other household characteristics from SIPP and ALP.
- Empirical results:
 - Job loss increases chances of missed payment by 7.5%
 - Housing expenditure falls by 4.8% (~\$4,000)
 - Small increase in eviction probability

Main result...



Summary

- Many other interesting quantitative results that will be useful for calibrating future work.
- Three related comments (from an outsider)...
 - What are the implications of this “credit” view of missed payments?
 - Can we say more about the pecking order of delinquencies?
 - What do we learn from the differences between renters and owners?

What are the implications of the “credit” view?

- Model clarifies that late payments can relieve credit constraints. But where is this in the data?
 - Job loss leads to reduced consumption, but is this *reduced* by late payments?
- Times of missed payments also tend to be times of reduced credit.
 - And delinquent borrowers are less likely to receive it.
- Are there differences during periods of banking stress?
 - Much of the variation likely comes from such periods.

Pecking order

- Conventional wisdom says housing payments take priority over most others.
 - Is there a way to see this?
 - Do households reduce housing payments only when they are credit constrained?
 - Is missed-payment credit substituting for some other type of credit?
- Results show bill payments also decline, but would this be worse without housing forbearance?
- Size of housing payment is a constraint – use this for identification?

Renters vs. owners

- Renters are:
 - more likely to miss payments and be evicted after job loss
 - but *less* likely to move out
- What does this tell us?
 - Possible omitted variables
 - But possibly there is something different about rental contracts
 - Is eviction as costly as foreclosure for borrowers?
 - For lenders?