Discussion of Cooper, Garga, and Luengo-Prado's

"The Mortgage Cash Flow Channel of Monetary Policy Transmission"

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Very quick summary

- Paper estimates elasticity of consumption to mortgage rates at the household level in U.S. and Spain, 2007 – 2018.
- Differences in institutional features make this an interesting comparison.
- Elasticities are larger in U.S. than Spain, especially for rate *reductions*.
  - This is slightly puzzling because Spain has mostly ARMs.
- Also interesting cross-sectional patterns.

Minor comments 1

- Why is *r* not colinear with time dummies?
  - Within-quarter variation in mortgage rates?
- Can we separate mortgage rates from other interest rates?
  - Highly colinear.
  - In Spain, renters do not respond to shocks, but owners w/o mortgages respond more than owners w/ mortgages. In US, renters respond *more* than owners.
  - Possible to see which consumers respond to which rates?
- Which mortgage rate?
  - Rates can differ across borrowers based on loan size, LTV, credit risk, etc.
  - These factors may be correlated with consumption.
  - Could be worse in Spain, where there are no GSEs.

Minor comments 2

- Using 10Y Treasury as policy instrument – not clear this is correctly duration matched to mortgages.
  - Could use MBS yields instead.

Other possible confounding factors:

- Cash-out refi/home-equity loans
- Wealth effects from stock market or other assets

Interpreting results in terms of monetary policy

- Paper examines relationship between mortgage rates and consumption. The monetary policy aspect is a bit hidden.

- During most of the sample, the Fed and ECB were at the ELB. So "policy" here mostly means *unconventional* policy.
    - At the ELB ECB could affect Euribor through:
        - Rates on lending/deposit facilities
        - Near-term forward guidance
        - Actions to stabilize credit and liquidity in banks
    - The Fed could affect long-term Treasuries and MBS through:
        - Asset purchases
        - Long-term forward guidance