Discussion of "More Credit, More Babies? Bank Credit Expansion, House Prices, and Fertility"

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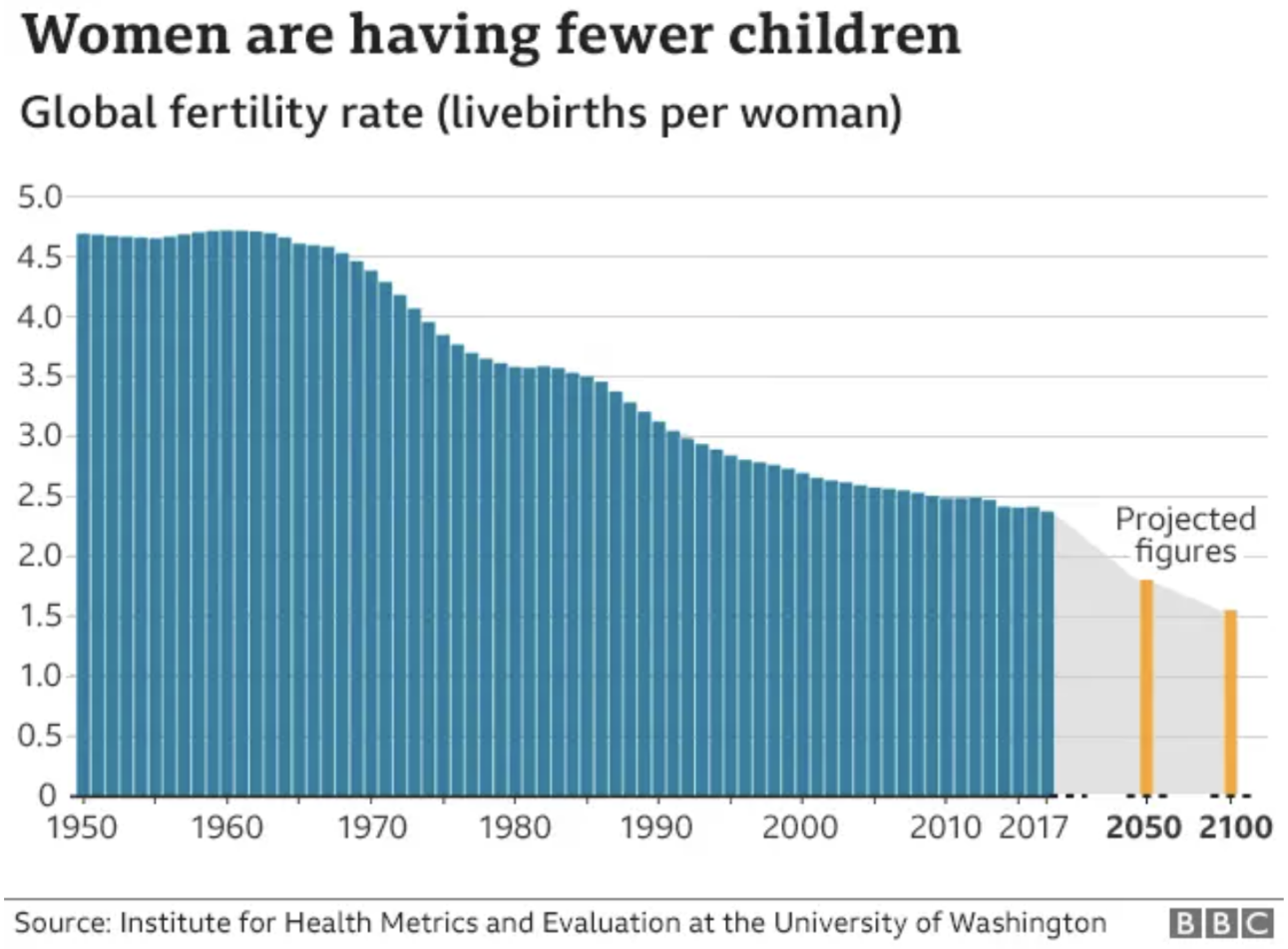
Motivation and Context

Global fertility rates have declined steadily by almost 50% since 1950.



Motivation and Context

- Academics and policymakers are interested in policies that can change this trend.
- A large academic literature has examined the effect of different policies:
  - → Childcare policies (Dow 2025, Guner et al 2020)
  - → Paid parental leave (Lalive and Zweimüller 2009, Dahl et al 2016)
  - → Cash transfers and tax credits (Gonzalez and Trommlerova 2023)
  - → Affordable housing (Couillard 2025, Dettling and Kearney 2014)
  - → Access to homeownership (Hacamo 2020, Dimas et al 2024)

This paper

- Focus on the equilibrium effects of increased bank competition that leads to an expansion of credit supply (Rice and Strahan, 2010; Favara and Imbs, 2015).
- This is an ambitious task!
- The author considers several mechanisms:
  - **Housing market**: housing cost effects ($\downarrow$) and housing wealth effects ($\uparrow$).
  - **Labor market**: opportunity cost ($\downarrow$) and higher earnings ($\uparrow$).
  - **Financial market** (access to homeownership): access to credit ($\uparrow$).

My Assessment

- There is a lot to like about this paper:
  - → Important question
  - → Plausible identification strategy
  - → Careful execution
  - → Well written

- This is a paper that, in my view, needs to clearly identify the underlying mechanisms.

- Areas of improvement:
  - More work identification of mechanisms, especially access to homeownership (Comment 1)
  - Understanding the sample (Comment 2)

Comment 1: Access to homeownership

- The paper considers access to homeownership as part of access to financial channel, which makes sense. But given the importance of homeownership, I'd consider this channel in isolation.
- I am a bit *surprised* that the paper does not find much support for the importance of access to mortgage credit.
- This is surprising to me for three reasons:
    1. The effect on house prices must stem from increased demand for housing, which must stem from increased access to mortgage credit.
    2. Favara and Imbs (2015) document a large impact on mortgage origination.
    3. Several papers document a significant positive impact of access to homeownership (via mortgage credit) on fertility rates (Hacamo 2020, Dimas et al 2024).

Comment 1: Access to homeownership

Table 3 from Favara and Imbs (2015)

Table 3—The Importance of Bank Location and of Bank Branches

	A. Out-of-State Banks - local branches					
	Dependent Variables					
	Number of Originations	Volume	Number of Denials	Loan to Income Ratio	Number Sold	Number Local Branches
Deregulation	0.161**	0.167***	0.069	0.165***	0.055	0.077**
	(0.060)	(0.061)	(0.059)	(0.061)	(0.082)	(0.030)
Observations	4514	4514	4108	4513	3356	4783
N. of counties	767	767	738	767	700	790
N. of states	49	49	49	49	47	49
R2 within	0.159	0.145	0.221	0.140	0.258	0.108

The offer really solid evidence of an expansion of mortgage credit, and also that the impact on house prices stems from this credit expansion.

Comment 1: Access to homeownership

Table 7 in the existing paper shows *puzzling* evidence. In counties with more land, there's no impact on prices. Effect on access to mortgage credit should dominate and lead to a positive impact on fertility, but there is no impact on fertility rates.

Table 7: Mechanism Test II: Effect of Bank Branching Deregulation on Fertility: by County-Level Land Availability

	Fertility Rate		Maternal Age		House Price	
	Less Land	More Land	Less Land	More Land	Less Land	More Land
	(1)	(2)	(3)	(4)	(5)	(6)
Deregulation Dummy	-0.010***	-0.004	0.218**	0.138	0.060**	0.013
	(0.002)	(0.002)	(0.089)	(0.084)	(0.024)	(0.010)
Test		[0.004]		[0.317]		[0.019]
Observations	4147	2384	4147	2384	3862	2206
County FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Notes: This table studies the effect of the interstate bank branching deregulation on the county-level fertility rate and average maternal age calculated based on the Vital Statistics Natality Files (449 counties between 1990 and 2004) by county-level land availability. The deregulation dummy indicates whether the state has implemented the interstate bank branching deregulation. The outcome variable in columns (5) and (6) is the log change in the FHFA house price index at the county level. Counties of $lessland = 1$ and $lessland = 0$ are defined as counties with developable land that is less or more than 70% of the total areas based on satellite data collected by Lutz and Sand (2022). Each regression adopts the CSDID model as in Table 2 column (2). Standard errors are clustered at the state level. *Test* reports p-values associated with the null hypothesis that the coefficients in this column are equal to those in the first column of this category. * p<0.10, ** p<0.05, *** p<0.01.

Comment 2: Sampling

Table 6: Mechanism Test I: Effects of Bank Branching Deregulation on County-Level Housing and Labor Market Outcomes

	FHFA	All Industries		Female-Dominated Industries	
	House Price	Employment	Wage	Employment	Wage
	(1)	(2)	(3)	(4)	(5)
Deregulation Dummy	0.038**	0.007	-0.001	0.003	0.015
	(0.019)	(0.006)	(0.005)	(0.014)	(0.012)
Observations	6074	5381	5348	6378	6378
County FE	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes

Favara and Imbs (2015) document a house price elasticity that is 4 times smaller.

TABLE 4—HOUSE PRICES, HOUSING STOCK, AND DEREGULATION

	House prices			Housing stock	
	(1)	(2)	(3)	(4)	(5)
Index of interstate branching deregulation	0.0103**	0.0242***	0.0122***	0.00176***	0.00028
	(0.004)	(0.005)	(0.002)	(0.0005)	(0.0002)
Index of interstate branching deregulation × house supply elasticity		−0.008***	−0.005***		
		(0.002)	(0.000)		
Index of interstate branching deregulation × house supply inelasticity				−0.00258***	−0.00083***
				(0.0006)	(0.0003)

Comment 2: Sampling

- Why is there a difference when the specification and data sources are similar?
- One possible explanation: This paper covers approximately *400 counties*, while Favara and Imbs (2015) cover a sample of roughly *1000 counties*.
- The 400 counties in this paper seem to oversample from large costal cities.
- Why is this important? In cities in the middle of country, the price impact is smaller and access to homeownership is likely more important.
- This sample might be overstating the impact of *housing costs*, and understating the impact of *access to homeownership*.

Conclusions

- Important research agenda!
- I think the paper could gain by:
  - $\rightarrow$ sharpening the identification of the mechanism;
  - $\rightarrow$ potentially bring household level data (PSID?);
  - $\rightarrow$ clarifying some sample issues.