

Discussion of “Housing and Fertility”

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Overview of the Paper

- **Paper's hypothesis:** Homeownership provides access to non-pecuniary benefits (e.g., better neighborhoods, space, stability) which in turn, increases fertility rates.
 - **Key friction:** Down payment constraints: most young households in their 20s have zero wealth.
- **Main innovation:** Uses really interesting policy, which provides good identification together with rich administrative data.
- **Headline results:** **1)** Young households (20-25 yo) randomly obtaining housing show increased average probabilities of having children (32%); **2)** The lifetime completed fertility increase for a 20-year-old is twice as large from immediately obtaining housing rather than at age 30.

What do I really like about this paper?

Really cool paper. Why?

- Important research topic and question. It is critical to identify what are determinants of fertility rates.
- Thoughtful work with really good identification and administrative data.

Overall, I believe in the paper's hypothesis, but here are some areas for improvement:

- Contribution to literature (**Comment 1**).
- Mechanism (**Comment 2**).
- Selection into auctions (**Comment 3**).

Comment 1: Contribution

- Demographers and economists suggest a correlation between homeownership and fertility rates due to access to space, better neighborhoods, and residential stability (DiPasquale and Glaeser, 1999; Glaeser and Sacerdote, 2000; Green and White, 1997; Kulu and Vikat, 2007; Strom, 2010; Mulder and Billari, 2010)
- Dettling and Kearney (2014, JPub) examine impact of **housing costs**. Increasing house prices lead to lower fertility for renters, but higher fertility rates for homeowners due to increased in housing wealth.
- Hacamo (2020, RFS) examines easier **access to mortgage credit**. Young households exposed to mortgage market deregulation increase probability of purchasing a home and having a child by 6 pp.

Comment 1: Contribution

- Paper's current stated contribution: Increased access to mortgage credit leads young households to have more children.
- I think the paper could gain by offering a sharper discussion of the contribution to the literature.
- This paper has a really cool (and creative) policy to relax **down payment constraints** (more on in next comments).
- In my view, there is a significant contribution in showing the value of relaxing down payment constraints on transition to homeownership and increased fertility.

Comment 2: Mechanism

Consórcios represent 6% of the mortgage market. Some **benefits** of Consórcios:

- No interest payments (except for administrative costs)
- Monitored by central bank
- No down payment required
- Potentially cheaper than regular financing, but it depends on auction values (more on this in next comment)

Some **shortcomings** of Consórcios:

- Opportunity cost of waiting
- House price risk (despite the inflation adjustment)
- High monthly payments required, which are adjusted for house price inflation (average payment is over 35% of avg inc in Brazil)

Comment 2: Mechanism

- Entrants know that they might need to wait long time, unless they bid to anticipate access. In fact, 60-70% people bid early.
- Who is willing to enter a consórcio?
- In my view, there are 2 types:
 - **Medium-wage and low-wealth households** with low demand for homeownership.
 - **Medium-wage and high-wealth households** with high demand for homeownership, that want to take advantage of no interest rates in consórcios.

Comment 2: Mechanism

- How **representative** are these households?
- Do these households have a high sensitivity of fertility with respect to homeownership?
- Are we **overestimating** the effect of down payment constraints on fertility?
- I don't think so, but it would be helpful to shed more light on this.

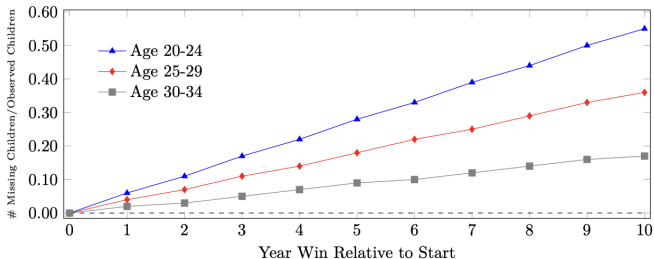
Comment 3: Auction/Selection

- Approximately 60 to 70% of the participants end up obtaining credit by bidding and not by waiting for the lottery.
- The average winning bid is roughly 40-50% in early stages, and 20-30% in later stages.
- You can increase your credit requested to use the money to bid early, but this does not change the amount of house that you can buy. You just get more credit for the same house.

Comment 3: Auction/Selection

- One important result in the paper is that completed fertility is lower for later winners. This is not just shuffling fertility over time.

Figure 5: Complete Fertility by Age Group



- Possible violation of exclusion restriction for fertility outcomes: Are latter winners experience lower fertility because they overbid to buy a home early?

Conclusions

- Great topic, idea, and question.
- Impressive identification and data.
- I think the paper could gain by:
 - increasing the focus on the underlying mechanism;
 - providing clear contribution to literature;
 - address some of the selection issues associated with the auction.