

# **THE EFFECT OF THE FINANCIAL CRISIS ON DEFAULT BY SPANISH HOUSEHOLDS**

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Discussion of the paper

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# Main Research Question and Framework

- ❑ The aim of the paper is to analyse the default behaviour of Spanish households before and after the recent financial crisis.
- ❑ Particular interest in the Spanish financial system.
- ❑ Data: Survey of Household Finances (EFF), Bank of Spain.
  - ❑ Individual data at household level.
  - ❑ Four waves: 2002, 2005, 2008, 2011.

# Main Research Question and Framework

- ❑ The estimation framework is based in logistic regression predictive analysis.
- ❑ Logit estimations for each wave of data
- ❑ Model the probability of default as a function of a set of household characteristics.
  - ❑ Applications and acceptances have a role in explaining arrears.

# Main Research Question and Framework

- To understand the changes in default rate over time:

Decomposition of the overall change in default rate between two periods for a household with characteristics  $X$ :

- changes in the default behaviour;
- changes in acceptance behaviour;
- changes in application behaviour.

# Comments and suggestions

- ❑ Clear statement of research question;
- ❑ Topic of interest that take into account the decomposition of the change in default, with a distinction between changes in borrower and lender behaviour.

# Comments and suggestions

- ❑ Why not consider other characteristics
  - Regular expenditure; value of debt...
- ❑ Control for the type of loan (housing / others)
  - Probability of default for housing loans may be smaller in comparison to other types of credit?
- ❑ Future work
  - Default and financial stability (high share of debt concentrated in households with more probability of default)