

Opioid Epidemic and Mortgage Default

Pitch discussion

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What this paper does/will do

The question:

Does *widespread* opioid abuse lead to increased mortgage distress?

The strategy:

- Take very granular data on mortgage delinquency, borrower characteristics + county level data on opioid supply and overdose rates (measure of abuse)
- Use opioid supply as instrument for abuse
- Measure effect of opioid supply on local delinquency rate

The results so far:

- 1 standard deviation \uparrow in opioid supply \Rightarrow 0.4 std. dev. \uparrow in mortgage distress
- "Treated" counties show no systematic differences in income and employment
- But \downarrow credit supply and \downarrow home equity / house price growth

What I like about the idea

Socially very relevant topic

Opioid abuse is a huge problem in the US with profound social consequences

- 450k deaths is 50% of Covid-19 casualties so far!

But: why care about effect on mortgages specifically? Other effects come to mind first e.g. on labor supply as in Ouimet et al. (2021). (Becomes clear from results!)

Focus on externality / "spillovers" interesting

Argument for an indirect effect through credit markets - and its measurement - is cool + allows link to different literatures

But: Should be clear from the outset! External validity may come from here: might apply to other public health crisis or anything with a heterogeneous impact on defaults

Identification of spillovers?

Identification of an overall effect of the opioid crisis looks very solid: instrument story very plausible and strongly backed by recent literature. And for the spillovers?

1. Could more granular data be needed to uncover some direct effects (which may be small)?

- Any chance of using borrower-level data on income shocks?

2. What ensures the difference in house price growth is due to the epidemic intensity?

- Probably can be easily checked just as easily with your methodology?
- Current home equity is linked to age of loan?

3. Observed effect on approval rates very convincing!

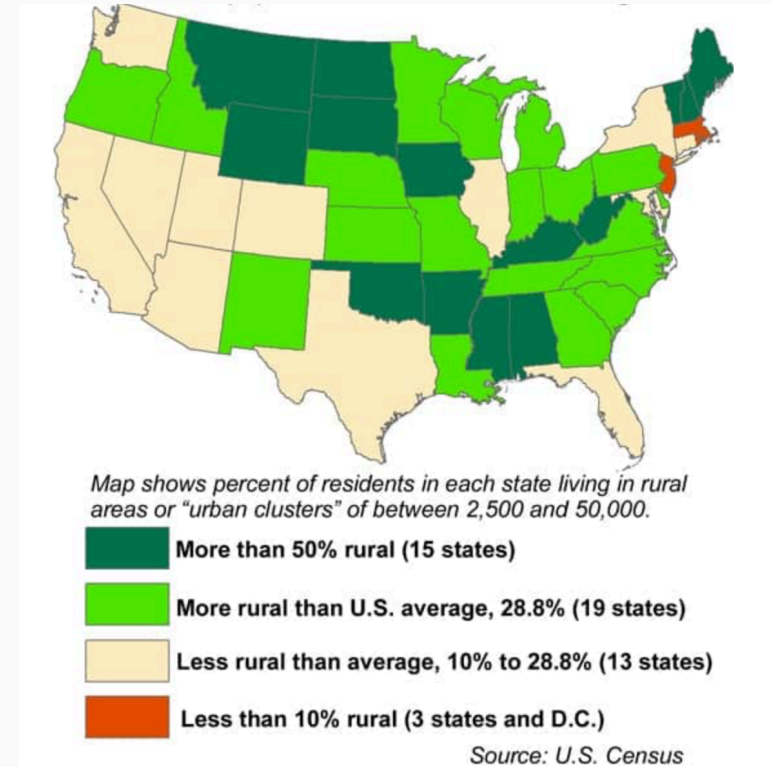
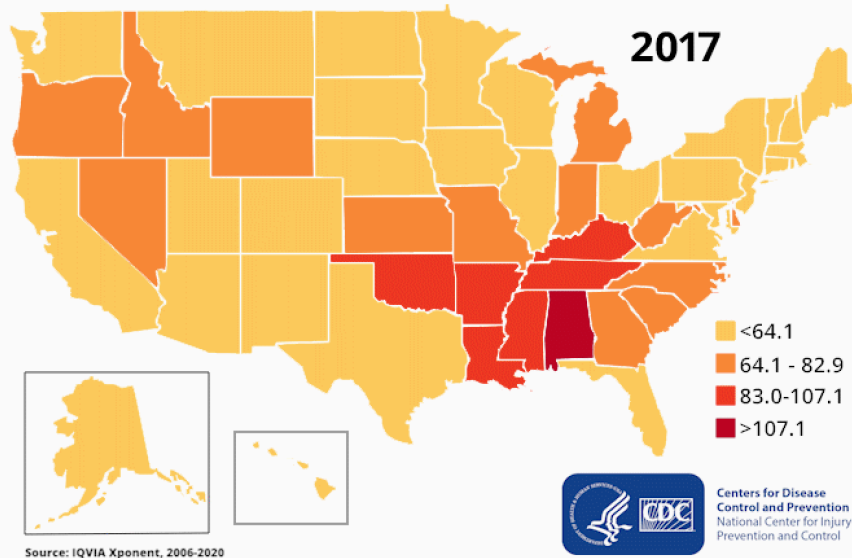
- Also a plausible mechanism for impact on house prices

One last thing

Systematic differences from the rural / urban divide?

U.S. Opioid Dispensing Rates per 100 people, from 2006 to 2020

How have rates improved over time?



- Is this sufficiently captured by state FEs? If not how?

Thanks!