

Macro Roundup Article

Headline: [Household Mobility and Mortgage Rate Lock](#)

Article Link: <https://www.nber.org/papers/w32781>

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Tweet: [@liebersohn](#) and [@rothstein_jesse](#) estimate that since rate hikes began in mid-2021, “around 1,000,000 fewer people with a mortgage moved than would have if there had been no rate lock,” resulting in a deadweight loss of \$20 billion per year.

Summary: Figure B.1 shows the actual and counterfactual mobility hazards by quarter. In 2021q2, when the average rate gap was essentially zero, both the actual and counterfactual quarterly ZIP code mobility hazard in our sample were around 1.5%. Over the entire last year of our sample, which extends from 2022q3 to 2023q2, rate lock reduced cumulative mobility from about 7.3% to 6.1%; 800,000 moves across ZIP codes were prevented. To calculate the deadweight loss [from reduced mobility we] consider the demand for moving as a linear function of the present value of the payment gap and decreasing in wealth; by integrating under the demand curve for moving, we can calculate the welfare losses. We calculate that a 2.7 percentage point rate gap is equivalent to a difference in average mortgage balance value – the “price” of moving – of \$49,400. This implies a deadweight loss of about \$296 per household from 2022q3-2023q2, the last year of the sample. In aggregate, these losses amount to around \$20bn in that year.

Related Articles: [A Huge Number of Homeowners Have Mortgage Rates Too Good to Give Up and The Transmission Mechanism of Monetary Policy Is Much Slower than Normal](#) and [The Lock-In Effect of Rising Mortgage Rates](#)

Primary Topic: Housing

Topics: Academic paper, GDP, Housing

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