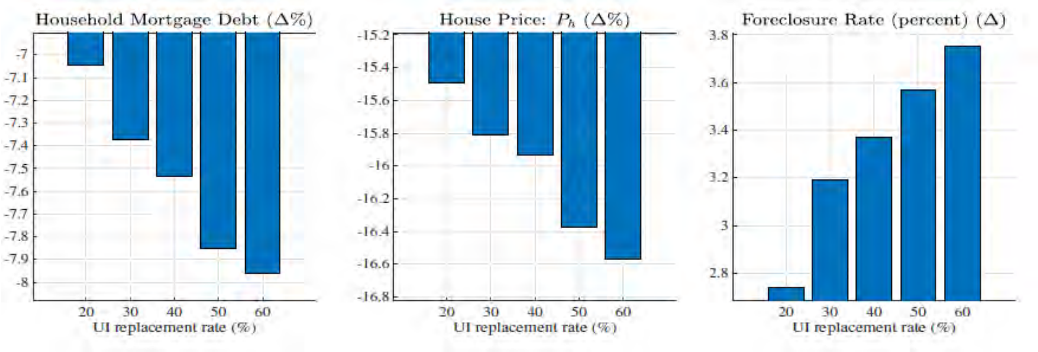
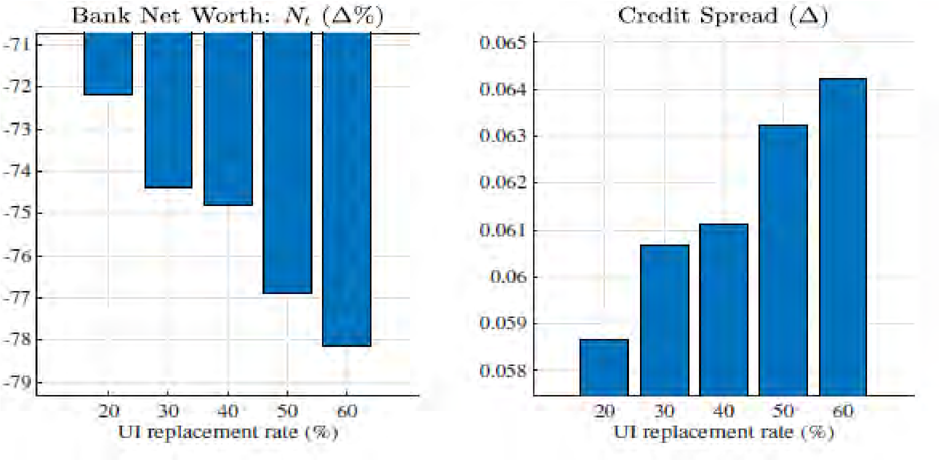
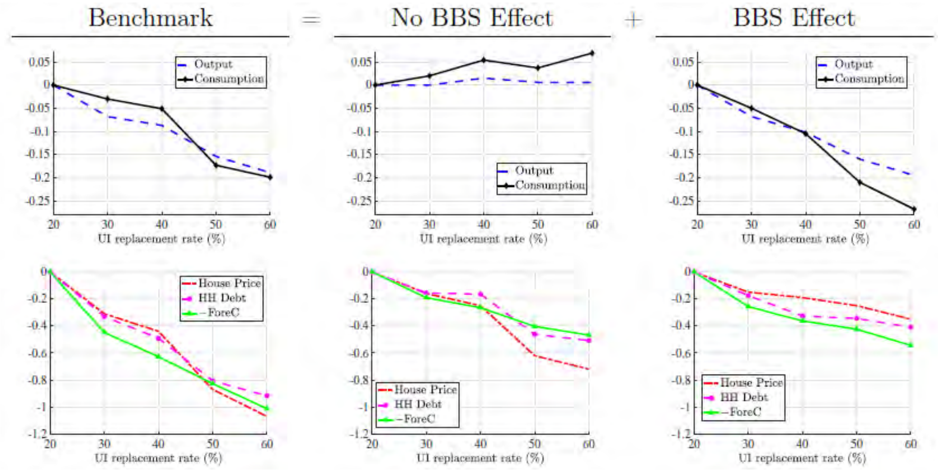
Our heterogenous-agent GE model shows that when UI is more generous, the decline in mortgages, home prices and the increase in foreclosures are higher



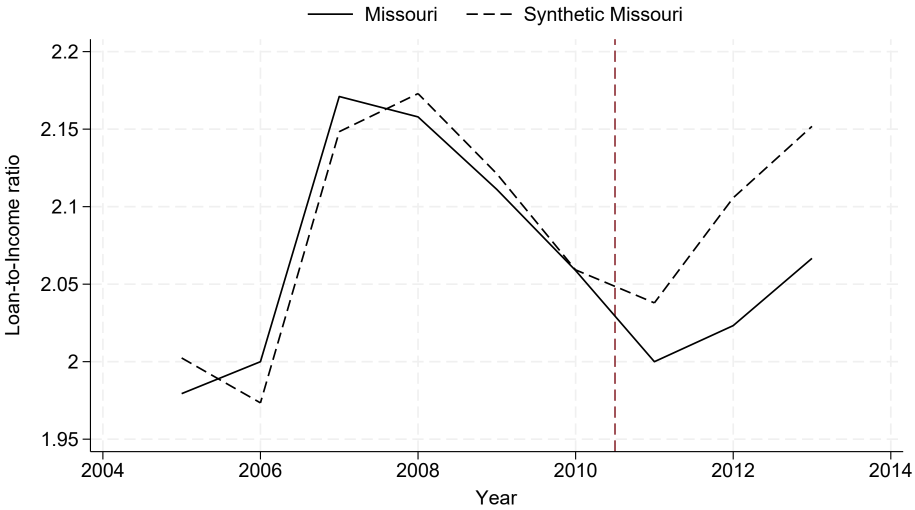
These effects reduce bank net worth and reduce loan supply indicated by higher credit spreads in economies with higher UI



We show that bank balance sheet channel (BBS) that cannot be captured by cross-sectional studies drives the destabilization effects!



We use the unexpected cut in UI duration in Missouri to show that UI increases LTI ratios in newly originated mortgages



We use a state-border discontinuity design to show that counties with higher UI react more to interest rate change with their mortgages and home prices

	$\Delta log(Mortgages)$				$\Delta log(HomePrices)$			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	All	All	Pair(matching)	Pair(border)	All	All	Pair(matching)	Pair(border)
$Int.Rate^{10y}_{q-1}$ X UI Ben.	-0.128***	-0.121***	-0.056*	-0.059*	-0.077***	-0.068***	-0.084***	-0.059*
	(0.031)	(0.037)	(0.031)	(0.030)	(0.014)	(0.018)	(0.024)	(0.033)
$Int.Rate^{10y}_{q-1}$	-1.128***				-0.840***			
	(0.383)				(0.258)			
County Controls	✓	✓	✓	✓	✓	✓	✓	✓
State Controls					✓	✓	✓	✓
Macro Controls	✓	✓	✓		✓	✓		
County FE	✓	✓	✓	✓	✓	✓	✓	✓
Seasonality FE	✓				✓			
Time FE		✓				✓		
Pair(matching)*Time FE			✓				✓	
Pair(border)*Time FE				✓				✓
Obs.	93,873	93,873	29,214	34,932	280,903	280,903	175,826	124,384
R^2	0.491	0.774	0.892	0.933	0.193	0.298	0.705	0.722