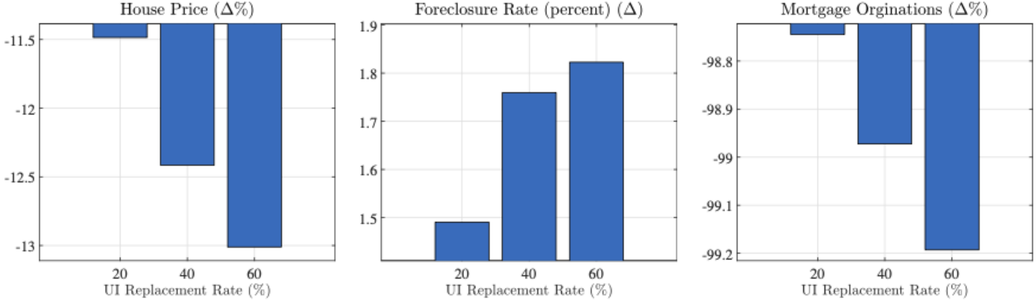
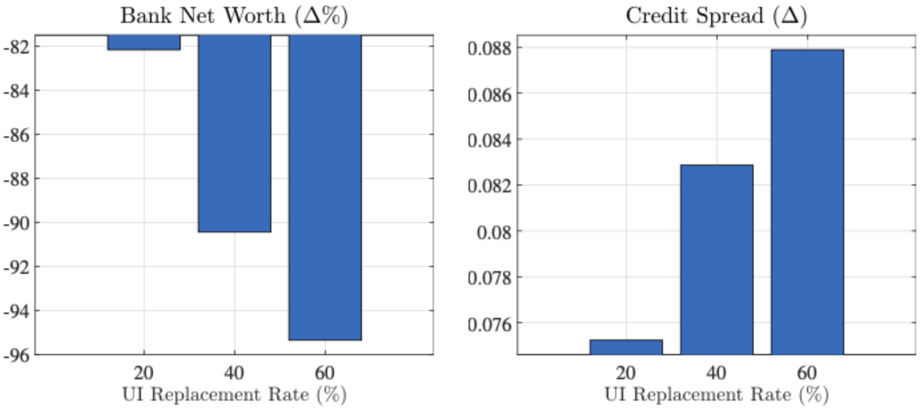
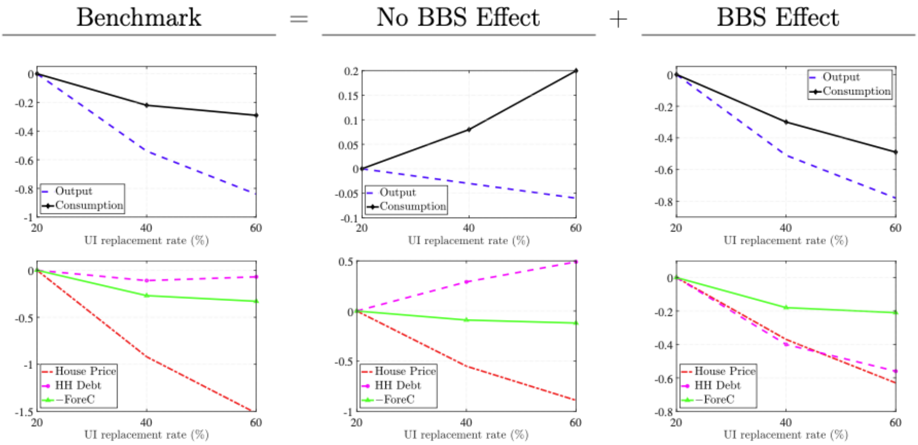
Our heterogenous-agent GE model shows that when UI is more generous, the decline in mortgages, home prices and the increase in foreclosures are higher during an economic bust period



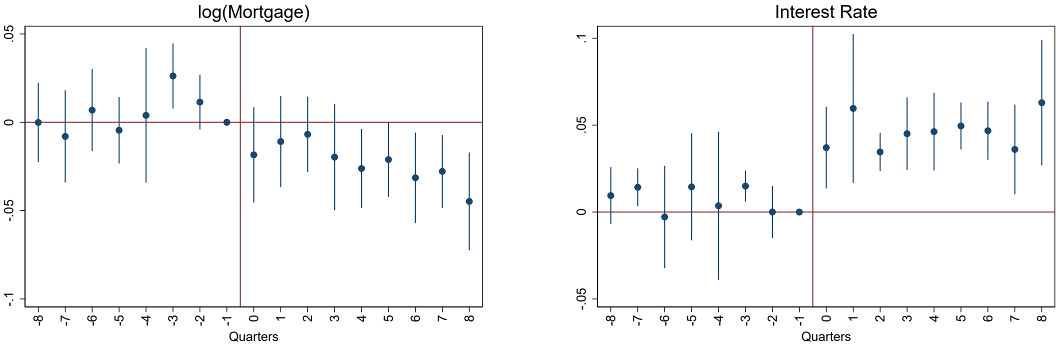
These effects reduce bank net worth and reduce loan supply indicated by higher credit spreads in economies with higher UI



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 a decline in UI reduces mortgage amounts and increases mortgage rates



We use a state-border discontinuity design to show that counties with higher UI experienced higher foreclosure rates, and larger declines in mortgages and house prices after the GFC

	ΔForeclosure			Decline in Mortgages			Decline in House Prices		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$\log(\text{UI})_{94-99}$	0.007**	0.008**	0.008**	0.099*	0.105**	0.099**	0.180**	0.185**	0.183**
	(0.003)	(0.003)	(0.003)	(0.053)	(0.047)	(0.047)	(0.080)	(0.072)	(0.071)
County-Pair FEs	✓	✓	✓	✓	✓	✓	✓	✓	✓
Other state policies		✓	✓		✓	✓		✓	✓
County controls			✓			✓			✓
Obs.	1,966	1,966	1,966	1,966	1,966	1,966	1,966	1,966	1,966
R^2	0.668	0.675	0.679	0.682	0.684	0.687	0.687	0.690	0.692
Mean(Dep. var.)	0.012			0.498			0.684		