

Michael Varley

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ACADEMIC APPOINTMENTS	University of Kentucky Gatton College of Business and Economics Assistant Professor of Finance	2024-Present
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EDUCATION	University of Chicago Ph.D., Joint Program in Financial Economics M.A., Economics	2018-2024 2016-2017
	University of Florida B.A., Economics & Mathematics	2010-2014

RESEARCH INTERESTS	Household Finance, Public Finance, Corporate Finance
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WORKING PAPERS	Contract Rigidity in Municipal Financing and Monetary Policy Transmission to the Real Economy (with Igor Cunha)
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Abstract: We study how financial contract structures in municipal financing influence regional heterogeneity in monetary policy transmission to the real economy. We identify our results exploring variation in municipal bond callability during the 2008 Federal Reserve easing cycle. We show that contractual flexibility led to greater bond issuance, expanded investments, and reduced interest expenses. These fiscal activities translated into higher income and lower unemployment at the local level. Our findings highlight local governments' significant role in shaping monetary policy transmission, revealing how their financial flexibility can either amplify or diminish the broader economic effects of monetary policy.

Contractual Lock-In: Mortgage Prepayment Penalties and Mobility

Abstract: Do prepayment penalties lock-in borrowers, reducing mobility? Using mortgage performance and borrower panel data, I study mobility before and after the expiration date of prepayment penalties. I find that borrowers increase mobility once the penalty expires: a penalty expiration leads to a 38% higher moving rate post-expiration relative to baseline moving rates in my sample. These expiration induced moves are to places with higher economic opportunities: the effect is just as strong for small and long distance moves and the moves are disproportionately to zipcodes with high levels of average income and high levels of upward income mobility. I then study what can explain these effects on mobility. I find that, consistent with credit constraints impacting housing markets, housing equity at the time the penalty expires is an important input into the mobility response of borrowers: very low and underwater LTV borrowers responses are muted, while most of the response comes from high, but < 100 LTV borrowers. These results imply that mortgage contract features can interact with credit market imperfections that result in large frictions to moves that would otherwise improve economic circumstances, even when borrowers are above water on their mortgage.

AWARDS AND GRANTS	CURATE Research Grant	2025-2026
	Stigler Center PhD Dissertation Award and Bradley Fellow	2023-2024
	Rosen Memorial PhD Fellowship	2023-2024
	John and Serena Liew Fama-Miller Research Grant	2022-2024
	Financial Economics PhD Program Fellowship	2019-2023
	Kenneth C. Griffin Department of Economics PhD Fellowship	2018-2019
	Neubauer PhD Fellowship	2018-2019
TEACHING EXPERIENCE	University of Kentucky	
	FIN405: Capital Investment and Financing Decisions	2025-Present
	University of Chicago	
	PhD Corporate Finance II (TA for Amir Sufi)	2021-2023
	MBA Financial Markets and Institutions (TA for Doug Diamond)	2021-2022
CONFERENCES AND SEMINARS	2025: Virtual Municipal Finance Workshop, JCF Information, Contracts and Firms Conference (scheduled), European Finance Association Meeting (scheduled)	
	2024: University of Chicago Stigler Lunch, University of Kentucky (Gatton,) x2, Georgia Institute of Technology (Scheller), Florida State University (College of Business), Pennsylvania State University (Smeal), Indiana University (Kelley) and Chicago Fed Conference On Housing Affordability, Office Real Estate, And Remote Work (Student Session).	
	2023: Amir Sufi's Corporate Finance Reading Group, Chicago Booth Finance Brownbag, University of Chicago (Booth Faculty Seminar)	
	2022: Amir Sufi's Corporate Finance Reading Group, Chicago Booth Finance Brownbag, Economics Department Public/Labor Lunch Spring and Fall 2022, NBER Behavioral Public Economics Boot Camp	
	2021: Amir Sufi's Corporate Finance Reading Group, Chicago Booth Finance Brownbag, Economic Dynamics Working Group, G3 Finance Student Seminar, Student Applied Microeconomics Lunch	
	2020 G3 Finance Student Seminar, Macrofinance Student Workshop	
OTHER EMPLOYMENT AND POSITIONS	Princeton University	
	Julis-Rabinowitz Center for Public Policy and Finance	
	Research Assistant to Atif Mian	2017-2018
	Federal Reserve Bank of St. Louis	
	Research Division	
	Research Assistant to David Andolfatto and Guillaume Vandenbroucke	2014-2016
ADDITIONAL INFORMATION	Citizenship: USA	
	Languages: English, Spanish	
	Computer Skills: Stata, Matlab, R, Python	

April 2025