

Does borrowing for consumption or debt consolidation always imply higher interest rates? Evidence from the HFCS

Piotr Bialowolski

Discussion by
Federica Teppa
(De Nederlandsche Bank & Netspar)

Workshop on household finance and economic behaviour
Torino - May 4, 2017

1. Summary of paper

Object:

- Analysis of whether the purpose of credit demand have any effect on the IR households face.
- On top of hhs socio-economic characteristics.
- Use of HFCS; 1st wave.
- Conduct linear and quintile regression analysis for IR; logistic regression analysis for default rates.

Main finding:

- IR found to be highest for debt to consolidate other debts; lowest for debt to finance HMR or education.

2. Comments and questions

- 1 Very interesting topic: are the IR households face purpose-specific?
- 2 Size of the loan (include)?
- 3 Country dummies - comment; proxy for degree of credit market (im)perfection? Include ability to get credit from family and friends.
- 4 Tests of joint significance.
- 5 Interaction terms?

2. Comments - Some suggestions

- Abstract - a bit confusing.
- Introduction - main findings should be reported here.
- Tables - note with methodology used.
- Some suggestions - international comparisons, implications for policy makers.