Social Research Call

Title:

The Mortgage Piggy Bank, Household Saving And Wealth Inequality

Acronym: MORT-PIGGY

Project leader: João B. Duarte

Host organisation: Nova School of Business and Economics

Main purpose of the project: To shed light on how household saving behavior through mortgage contracts affect wealth inequality and how to design mortgage contracts that can reduce wealth inequality and make housing more affordable for a more significant fraction of the population.

Design/methodology/approach: First, we will use microdata to document the Portuguese and Spanish homeowners' saving behavior through mortgages across the income and wealth distributions. Second, we will build a quantitative model that replicates the savings through mortgages in Portugal and Spain to study how mortgage contracts affect wealth inequality and housing affordability.

Potential results: Our project will allow us to understand how different mortgage contracts and their regulation affect wealth inequality and housing affordability in Portugal and Spain.

Social relevance of the research: Uncovering the link between mortgage contracts and wealth inequality is crucial to design mortgage contracts and regulations that better mitigate the rise in wealth inequality and the housing affordability crisis that Portugal and Spain are experiencing.

Originality/value of the project: Recent literature has begun to find evidence on how mortgage contract design affects household saving patterns. Our project will be the first to document how households saving through mortgages change across the income and wealth distributions and, more importantly, to study how these saving patterns shape the wealth distribution.