Lending Relationships, Loan-to-Value Shocks and Macroeconomic Stability

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Introduction

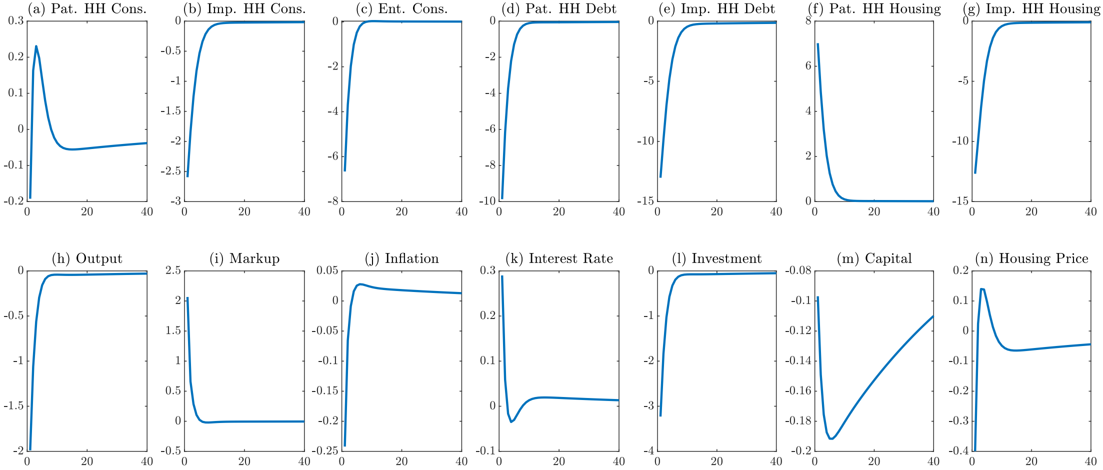
- How does LTV tightening affect macroeconomic outcomes in a model in which both households and firms form endogenously-persistent lending relationships with banks?
- Impact of other shocks?

This paper

- A Three-Agent New Keynesian (THANK) model comprising of patient households, impatient households and entrepreneurs
- Impatient households and entrepreneurs borrow from banks which are funded from deposits by patient households
- Contrary to most other models in literature which are real, a nominal model featuring a role for inflation and monetary policy

(extremely preliminary!) Results

Impact of a Monetary Policy Tightening



Impact of a Housing Demand Shock