Macroprudential Policies and Market Competition in Mortgage Lending Markets: Evidence for Chile

by Pedro Roje-Larreboure

Discussion by Jorge Ale-Chilet (UAndes)

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The Paper

The paper studies the consequences of loan-loss-provisioning (LLP) regulation in Chile's 2016

- Regulation increased provisions for mortgages with LTV $> 80\%$
- Paper documents the effects in plots. Then, estimates a structural model of the mortgage market, and run counterfactuals.

Main findings:

1. LLP policy affected interest rates (as in Calani and Paillacar, 2022)
2. Degree of response varied by bank, which changed loan offerings
3. High LTV loans started to be given more to higher income people
4. Reason for response is in part a change in consideration probabilities and change in MCs.

Comments: Heterogeneous bank responses

"Most-reactive" vs "least-reactive" banks

- Why two bank categories? Show (at least) plots for every bank. (e.g., in Figure 6: Interest rates by type of bank)
- What bank characteristics determine difference in interest rates between high/low LTV and heterogenous responses to the ban?

Comments: Differential responses

The paper gives 3 potential reasons for differential responses

1. Increase in MC
2. Changes in the composition of borrowers

   → Figure 5 may not be the best way of showing shift to less risky borrowers. Show regressions, plot distributions

3. Less competition because fewer products available, "likely catalyzes an uptick in market concentration"

   → Prices respond to number of firms, *not necessarily* to product offering (see Armstrong and Vickers, 2018)

Comments: Model

Demand

- Paper builds around consideration sets but no methodological contribution (eg, in Cuesta and Sepulveda 2021 is half a page).
- I wonder if it makes more sense to have a more flexible demand system (eg, random coefficients or demographics). Also, if you want to push this, maybe consider using the search model of Moraga-González, Sándor, and Wildenbeest (2025)
- Do you see consumers switching to outside option?

Supply: Product offering

- Key missing part (in my opinion) is changes in product offering: (show summary stat Table 1 pre/post)
- Show fit of price prediction. Maybe random forest works better? Also, you estimate sample with borrower FE but first time borrowers are probably different than repeated borrowers.

Comments: Counterfactuals

Two CF in the paper:

1. Restore consideration probability of high-LTV products from most-reactive banks back to pre-2016 levels.
2. Restore consideration probability + Restore MC

Suggestions

- Why would consideration probabilities change with LLP regulation??
- The counterfactuals you estimate try to quantify changes but, can you come up with policy relevant ones?
- Can you calculate increase in MC that would rationalize the post data, mainly products disappearing?
- Can you calculate effects on consumer surplus?

Minor Comments

- What was market share of most/least reactive banks?
- Why "log" risk? Do units matter?)
- Cluster standard errors (market or even person level; in the paper it says they are robust). This is probably why coefficients are super significant.