Working Papers on Economics - Consumer Debt Moratoria

Download Keep in mind
The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR Guler, Bulent Kursat-Onder, Yasin Villamizar-Villegas, Mauricio Villegas, Jose
The series Working Papers on Economics contributes to the dissemination and promotion of the work by researchers from the institution. On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. This series is indexed at Research Papers in Economics (RePEc). The opinions contained in this document are the sole responsibility of the author and do not commit Banco de la República or its Board of Directors.

Publication Date: Thursday, 22 of August 2024 **Abstract**
We evaluate the effectiveness of consumer debt moratoria, one of the earliest policy interventions aimed at alleviating debt burdens. Using administrative data from Colombia, our study compares households that narrowly qualified for the moratorium (eligible up to 60 days overdue on their mortgages) against those who narrowly missed eligibility. Our analysis indicates that the moratorium policy boosts consumption among financially strained households while reducing delinquency rates on mortgages and other loans. We then develop a life-cycle incomplete market model, incorporating households subject to idiosyncratic income shocks, to examine both the general equilibrium and longrun effects of the policy. Our model shows that the policy increases aggregate output, consumption, and welfare for both households and bank owners. The policy also facilitates financial stability by attenuating the decline in house prices and increasing aggregate housing demand. Finally, we use our model to explore potential outcomes of debt forgiveness.

Fuente: https://www.banrep.gov.co/en/publications-research/working-papers-economics/consumer-debt-moratoria