

[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*). 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.

AUTHORS AND/OR EDITORS

[López-Piñeros, Martha Rosalba](#)

[Sarmiento-Gómez, Eduardo](#)

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:

Tuesday, 26 November 2024

Abstract

The housing sector is one of the most relevant in terms of economic and financial stability. Understanding its behavior can prevent bubbles and busts in the economy. There are many studies about the corporate bond's spreads, but the studies about mortgage interest rate spread and its volatility remain scarce. Similarly, the analysis of the subsidies on the housing sector on different dimensions have not been investigated enough. We ask the questions: Which are the determinants of the mortgage interest rates at the micro level? What are the main determinants of mortgage interest rate spread and its volatility at the macro level? Is there room for macroprudential tools in the housing sector to improve financial stability in terms of credit growth? We analyze the mortgage interest rate using three datasets: the Data Register information from Colombia, an individual level social security dataset "PILA" and the data of country wide macroeconomic variables. Our findings are that collateral is an important variable that explains mortgage interest rates, an increase of 1% in collateral decreases the mortgage interest rate in 0.28%. The impact of a change of housing subsidies focalization on the assignation of the disbursements of the beneficiaries with respect to the individuals that do not use the subsidies is an increase with a difference of 1.02%. We found that a GARCH (1,1) model with output growth explains very well the spread volatility.