HOUSING AND MORTGAGE MARKETS WITH CLIMATE CHANGE RISK

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### Table 4: Wildfire Risk in the United States

<table>
<thead>
<tr>
<th>Risk</th>
<th>Total Residences</th>
<th>Total Estimated RCV in Billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>28,716,516</td>
<td>$7,888.00</td>
</tr>
<tr>
<td>Moderate</td>
<td>326,838</td>
<td>$108.95</td>
</tr>
<tr>
<td>High</td>
<td>924,623</td>
<td>$318.38</td>
</tr>
<tr>
<td>Extreme</td>
<td>775,654</td>
<td>$220.20</td>
</tr>
</tbody>
</table>
AN INCREASING NUMBER OF HOMES ARE LOCATED IN HARM’S WAY
This study uses rich microdata to explore several related questions:

- What is the relationship between weather and damaging wildfires?
- How do houses and neighborhoods change after wildfires?
- What happens to mortgage delinquency and default?
This study adds importantly to our understanding:

- Rich data on housing, income, and loan performance
- Explicit empirical design comparing exposed and almost-exposed homes
- Closely related to pressing policy discussions around homeowner’s insurance and wildfire management
POINT 1: HOMES INSIDE VS. OUTSIDE WILDFIRE PERIMETERS

- Wildfires are random natural events, but final perimeters may still reflect management decisions

- Fires more likely to be extinguished at edges of densely populated areas (Plantinga, Walsh, and Wibbenmeyer, 2020 WP)
WOOLSEY FIRE (2018)
A balance table comparing treatment and control housing & occupant characteristics before the fire.

Depending on results of above, perhaps an additional specification comparing to further-away homes.
POINT 2: LARGE FIRES AND MORTGAGE DEFAULT

• Fascinating result: exposure to large fires decreases mortgage stress

• Why?

  • Coordination economies in damage inspection, claim filing, etc.?

  • Political pressure leads to insurance payouts exceeding contract terms?

  • Political pressure leads to insurance payouts equaling contract terms?
POINT 3: HOW WILL INSURANCE MARKET CHALLENGES AFFECT HOUSING MARKETS?

- What happens to existing homeowners if property insurance becomes unavailable or unaffordable?
- Solvency considerations for insurers?
- Merced Property & Casualty

AN IMPORTANT CONTRIBUTION ON AN IMPORTANT TOPIC!