

Tax-exempted inter-generational transfers: do they reduce household mortgage debt?

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 - Mortgage interest deduction (MID) \rightarrow 'financial innovation': non-amortizing, interest only loans (60%)
 - Very high LTV (loan to value) ratios. (Cap: 120% (before 2008q2) \rightarrow 106% (since 2013) \rightarrow 100% (in 2018))

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 - 2 **Increase the threshold of tax-exempted inter-generational transfers, aiming at debt-repayment of younger generation.** → focus of this study.

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- Consider Large & irregular drops in outstanding loan balance
- Low limit impose by banks due to administrative costs. → Large & irregular drops ≥ 2000 euro → voluntary repayment.

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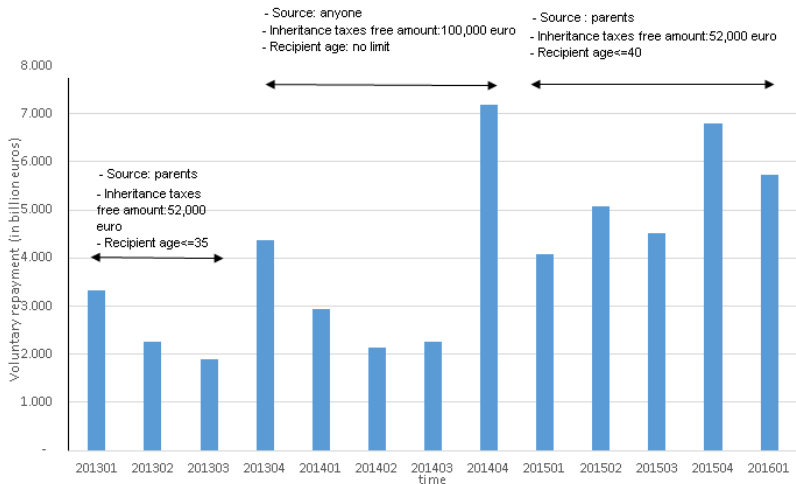
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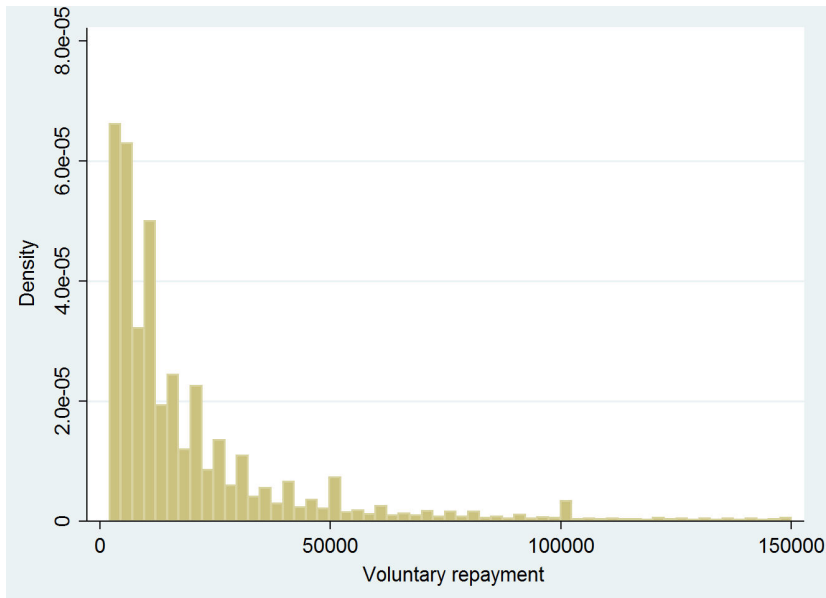
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- Cannot control financial situation of parents.

National total amount of voluntary mortgage repayments (in billion euro)



Density of voluntary mortgage repayments



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- \mathbf{X}_{it} : Age, income, interest rate, NHG, occupation, housing value, loan to value, loan to income, payment frequency, maturity....

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- Forthcoming: does it reduce indebtedness of highly indebted households, for instance underwater mortgage loans?

Thank you for your attention!