

## HOUSE PRICES AND RISK SHARING

### ABSTRACT

Homeowners in the Panel Study of Income Dynamics are able to maintain a high level of consumption following job loss (or disability) in periods of rising local house prices while the consumption drop for homeowners who lose their job in times of lower house prices is substantial. These results are consistent with homeowners being able to access wealth gains when housing appreciates as witnessed by their ability to smooth consumption more than renters. A calibrated model of endogenous homeownership and consumption is able to reproduce the patterns in the data quite well and provides an interpretation of the empirical results. (C) 2010 Elsevier B V All rights reserved

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#### AUTHORS

Hryshko, Dmytro  
Luengo-Prado, Maria Jose  
Sorensen, Bent E.

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