Mortgage Finance and Climate Change: Securitization Dynamics in the aftermath of Natural Disasters

By: Amine Ouazad and Matthew E. Kahn

Discussion by: Kristle Romero Cortés

Summary

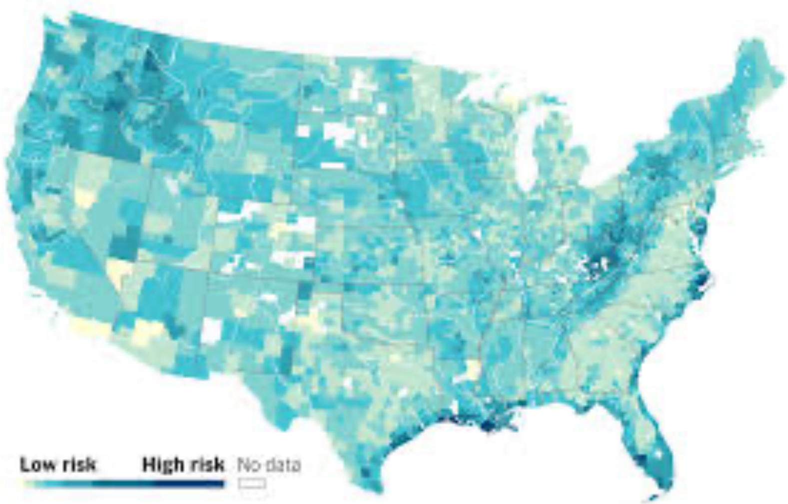
- Asks if securitization is affected by massive natural disasters

  - Finds increased bunching at conforming loan limits years after a billion-dollar event in treated zip codes

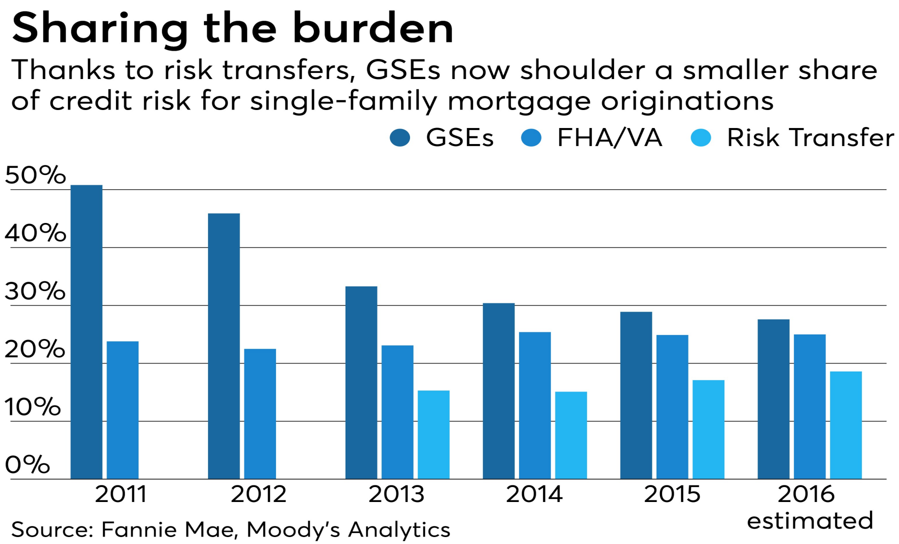
  - Argues that GSEs are inadvertently providing lenders with a way to "originate and distribute" climate risk.

What do we learn?

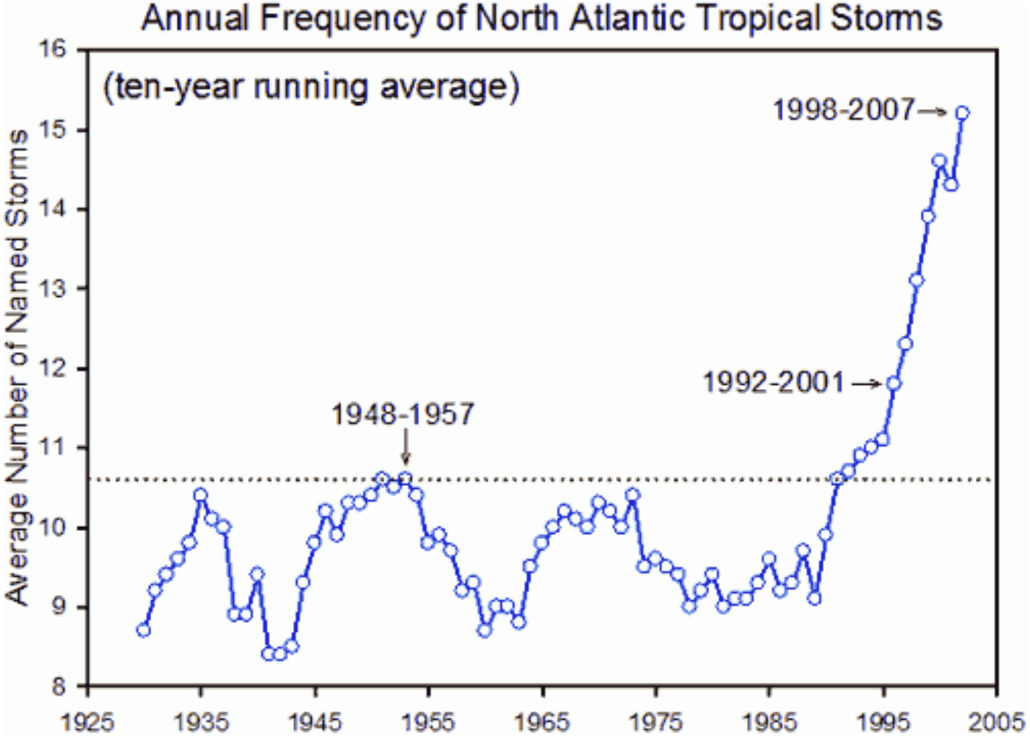
1. That flood maps are out of date



2. That banks use GSEs to pass on risk?



Mechanism



Why is this still "new news?"

And **HOW** do banks bunch loans at the limits?