COMMENTS

"THE INCIDENCE OF THE FIRST-TIME HOMEBUYER CREDIT" BY ADAM J. COLE, STAN HUMPHRIES, AND MICHAEL F. LOVENHEIM

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INTRODUCTION

THIS IS A VERY PRELIMINARY STUDY. INDEED, there is no evidence presented on the incidence question identified in the presentation title. The authors briefly suggest in the final slide the method they plan to implement in the future, so I will comment on their proposed modeling approach. Nonetheless, there are fascinating questions raised in the presentation of the preliminary data on the credit. If policy variation is an economist's bread-and-butter for estimation and identification, these authors have a wonderful opportunity to model the credit and its effects since it has gone through so many changes.

ECONOMETRIC ISSUES

It is unclear how the authors intend to merge Zillow house price data with tax return data. Are actual taxpayer addresses going to be used? Reliability of the Zillow house price estimates seems questionable. Zillow estimates appear to be quite highly variable over time, even in relatively stable market areas.

The authors suggest that they will include geographic data, but it is not clear what data and/or what sources are going to be used. Sources, matching processes, and other indications would be helpful.

The authors propose to compare properties that received the homebuyer credit with observationally similar, nearby properties that sold during the period without the credit. But, the proposed model in the final slide does not incorporate any selection model suggestions or indication for how this will be done.

The proposed X matrix in the house price model is said to capture characteristics of the property, but surely some characteristics of the homebuyer are essential as well. In addition, housing market conditions and mortgage market conditions will matter as well.

In modeling the effect of the credit(s) on price, it will be necessary take account of endogeneity as well. The house price and the amount of the credit are endogenous. You cannot assume that the credit is exogenous of the house price and house characteristics.

POLICY ISSUES

Incidence is surely the most fascinating issue to examine with this credit. But, what implications for policy design will follow depending on whether the buyer or seller is found to benefit from the credit?

Consider other policy aspects of the credit design. How does the credit change the likelihood of purchase vs. renting? How does the credit affect tax liability? Is the credit fully useable by those that claim it?