New Perspectives on Consumer Behavior in Credit and Payments Markets

October 1–2, 2015

Federal Reserve Bank of Philadelphia

A conference co-organized by the Research Department and the Payment Cards Center
About the Program in Consumer Credit and Payments

The Program in Consumer Credit and Payments (PCCP) is an initiative at the Federal Reserve Bank of Philadelphia focused on investigating and analyzing a broad range of issues related to consumers' use of payment instruments and credit. The program uses a cross-functional approach, working with individual areas of the Bank to identify relevant research and analysis. The program provides communication tools and opportunities to share information with all interested parties, with the ultimate goal of informing policy and policymakers.

About the Conference

The papers selected for this eighth edition of our biennial joint research conference explore a number of longstanding questions using new data and techniques. Several papers examine the design, and sometimes renegotiation, of financial contracts and the consumers who choose to use them. Others examine the rich interactions of consumer credit markets and the business cycle, either directly through the credit channel or via the labor market. Another revisits the efficacy of consumer disclosures by examining how college students respond to timely messaging about the cost of their education and their borrowing.*

*The views expressed in the papers and presentations are those of the authors and discussants and do not necessarily reflect the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.
AGENDA

**Thursday, October 1**

5:00 p.m.  Registration

5:30 p.m.–7:30 p.m.  Welcome and Reception

**Friday, October 2**

8:00 a.m.–8:45 a.m.  Breakfast and Registration

8:45 a.m.–9:00 a.m.  Opening Remarks
Patrick T. Harker, President and CEO, Federal Reserve Bank of Philadelphia

9:00 a.m.–10:30 a.m.  Panel 1: Contract Design

**Adverse Selection on Maturity Choice: Evidence from On-Line Consumer Credit**
*Presenter:* Andrew Hertzberg, Columbia University
*(Coauthors: Andres Liberman, New York University, and Daniel Paravisini, London School of Economics)*
*Discussant:* Anthony DeFusco, Northwestern University

**Loan Contracting in the Presence of Usury Limits: Evidence from Auto Lending**
*Presenter:* Aaron Schroeder, Consumer Financial Protection Bureau
*(Coauthor: Brian Melzer, Northwestern University)*
*Discussant:* Karen M. Pence, Board of Governors of the Federal Reserve System

10:30 a.m.–11:00 a.m.  Break

11:00 a.m.–12:30 p.m.  Panel 2: Credit and the Real Economy

**How Credit Constraints Impact Job Finding Rates, Sorting and Aggregate Output**
*Presenter:* Kyle Herkenhoff, University of Minnesota
*(Coauthors: Ethan Cohen-Cole, Econ One Research, and Gordon Phillips, University of Southern California)*
*Discussant:* Lukasz A. Drozd, Federal Reserve Bank of Philadelphia
AGENDA

Household Credit and Employment in the Great Recession

*Presenter:* John Mondragon, Northwestern University

*Discussant:* Kristoph Kleiner, Indiana University

12:30 p.m.–1:45 p.m.  Lunch

1:45 p.m.–3:15 p.m.  Panel 3:  Government Policy in the Great Recession

**Do Banks Pass Through Credit Expansions? The Marginal Profitability of Consumer Lending During the Great Recession**

*Presenter:* Neale Mahoney, University of Chicago

*(Coauthors: Sumit Agarwal, National University of Singapore; Souphala Chomsisengphet, Office of the Comptroller of the Currency; and Johannes Stroebel, New York University)*

*Discussant:* Gregory Nini, Drexel University

**The Effect of Negative Equity on Mortgage Default: Evidence from HAMP’s Principal Reduction Alternative**

*Presenter:* Therese C. Scharlemann, U.S. Department of the Treasury

*(Coauthor: Stephen H. Shore, Georgia State University)*

*Discussant:* Tomasz Piskorski, Columbia University

3:15 p.m.–3:30 p.m.  Break

3:30 p.m.–4:15 p.m.  Panel 4:  Information Interventions

**Does Salient Financial Information Affect Academic Performance and Borrowing Among College Students?**

*Presenter:* Maximilian D. Schmeiser, Board of Governors of the Federal Reserve System

*(Coauthors: Christiana Stoddard and Carly Urban, Montana State University)*

*Discussant:* Basit Zafar, Princeton University and Federal Reserve Bank of New York

4:15 p.m.  Conference Adjourns

*Conference Organizers:* Manuel Adelino, Mitchell Berlin, Ronel Elul, Robert M. Hunt, and Vyacheslav Mikhed
Kyle Herkenhoff is an assistant professor at the University of Minnesota and a visiting scholar at the Federal Reserve Bank of Minneapolis. Herkenhoff has coauthored several papers with Lee E. Ohanian that assess the impact of mortgage market interventions on employment recoveries. Herkenhoff’s dissertation research, which was awarded the University of California, Los Angeles’ Welton Graduate Prize in Macroeconomics and the Institute of Humane Studies’ Humane Studies Fellowship, looks at the rise of unsecured credit access among the unemployed during the mid-1980s and its role in jobless recoveries.

Herkenhoff’s latest research, which is coauthored with Ethan Cohen-Cole and Gordon Phillips, combines new sorting theory and newly merged administrative credit records and employment histories to measure the impact of credit on the labor market. This research has been recognized with several grants from organizations including the National Bureau of Economic Research and the Washington Center for Equitable Growth.

Andrew Hertzberg is an assistant professor at Columbia University. Previously, he was on the faculty of the Finance Department at the Kellogg School of Management at Northwestern University. In his research on financial intermediation, he has studied impediments to the communication of borrower information within banks and has measured the degree of strategic complementarity between corporate lenders. He also has studied the way household savings and investment decisions are impacted by the interaction between household members and the way loan terms can be used to screen borrowers on unobservable creditworthiness.

Hertzberg has a Ph.D. in economics from the Massachusetts Institute of Technology.

Neale Mahoney is an assistant professor of economics and Neubauer Family Faculty Fellow at the University of Chicago Booth School of Business and a Faculty Research Fellow at the National Bureau of Economic Research. Mahoney is an applied microeconomist with interests in health insurance and consumer credit markets. His research has been published in the American Economic Review and The Quarterly Journal of Economics; he also has received coverage in the New York Times and the Wall Street Journal. He was awarded a National Tax Association Outstanding Doctoral Dissertation Award (first runner-up) and the Samuel C. Lamport Prize for the best undergraduate thesis in economics at Brown University. Before joining Chicago Booth, Mahoney was a Robert Wood Johnson Fellow in Health Policy Research at Harvard University. He also worked as an associate at McKinsey & Company and on health-care reform for the Obama administration.

Mahoney has a Ph.D. and an M.A. in economics from Stanford University and a B.S. in applied mathematics-economics from Brown University.

John Mondragon is an assistant professor of finance and Donald P. Jacobs Scholar at Northwestern University. He joined the Kellogg School of Management in July 2015. His research focuses on household finance and empirical macroeconomics. His recent work has focused on the extent to which the 2007–2008 financial crisis reduced the supply
of credit to households and how much this contributed to the decline in employment during the Great Recession. He also studies the interaction between household leverage, default, and the severity of deleveraging shocks.

Mondragon has a Ph.D. in economics from the University of California, Berkeley.

**Therese (Tess) C. Scharlemann** is an applied microeconomist whose research focuses on mortgage finance and federal housing policy. She spent the years following the financial crisis in the Office of Economic Policy at the U.S. Department of the Treasury working on crisis-related housing programs, including the Home Affordable Modification Program and the Home Affordable Refinance Program. She is currently a researcher in the Office of Financial Research at the U.S. Department of the Treasury.

Scharlemann has a B.A. in economics from Princeton University and a Ph.D. in economics from the University of California, San Diego.

**Maximilian D. Schmeiser** is a senior economist at the Federal Reserve Board of Governors, where he conducts research in the areas of household finance, financial literacy, and financial behavior. His work further involves supporting production of the Board’s triennial Survey of Consumer Finances and providing technical assistance on other Board surveys. Before joining the Board, Schmeiser was an assistant professor at the University of Wisconsin–Madison. His research has been published in numerous academic journals, book chapters, and government publications. He also serves on the editorial board of the *Journal of Consumer Affairs*.

Schmeiser has an M.S. and a Ph.D. in policy analysis and management from Cornell University, an M.A. in economics from McMaster University, and a B.A. in economics from the University of Regina.

**Aaron Schroeder** is an economist in the Office of Research at the Consumer Financial Protection Bureau, based in the San Francisco area. At the bureau, he has played a role in examining regulatory impacts, developing compliance analytics, and informing policymaking regarding automobile finance, among other subject areas. His research focuses on the impact of public and private sector policy decisions on transaction characteristics and consumer financial outcomes. He also is interested in investigating how consumers shop for financial products.

Schroeder has a B.A. in international relations and affairs from George Washington University and a Ph.D. in economics from the University of California, San Diego.
Anthony DeFusco recently joined the Kellogg School of Management at Northwestern University as an assistant professor of finance. He is an applied microeconomist with research interests in real estate and urban economics, household finance, and public finance. His recent work focuses on the residential mortgage market, with a particular emphasis on understanding the drivers of household demand for mortgage debt, including collateral constraints and interest rates.

DeFusco has a Ph.D. in applied economics from the Wharton School of the University of Pennsylvania. He also has a B.A. in economics and mathematics from Temple University.

Lukasz A. Drozd is a senior economist at the Federal Reserve Bank of Philadelphia. He joined the Research Department in July 2015. In 2007, he worked at the University of Wisconsin–Madison, and then, in 2009, he joined the Finance Department of the Wharton School of the University of Pennsylvania. His research focuses on consumer finance, with a particular focus on bankruptcy, regulation and unsecured credit markets. In his work, he studies the growth and expansion of the credit card market, its implications for personal bankruptcy filings, and the role of technological progress and regulation in driving these recent changes. His other active area of research interest is international economics, within which he focuses on understanding the sources of deviations from the law of one price and international transmission of business cycle.

Drozd has an M.S. in quantitative methods and information systems from the Warsaw School of Economics and a Ph.D. in economics from the University of Minnesota.

Kristoph Kleiner is an assistant professor of finance at the Kelley School of Business, Indiana University. His research focuses on how a financial crisis becomes an economic recession, and he builds on work in applied macroeconomics, consumer and small business finance, and real estate finance.

Kleiner has a Ph.D. in economics from Duke University and a B.S. and an M.S. in mathematics from North Carolina State University. As a Ph.D. student, he completed dissertation internships with the Federal Reserve Bank of New York and the Federal Reserve Board of Governors.

Greg Nini is an assistant professor at Lebow College of Business at Drexel University. Before Lebow, Nini was an assistant professor at the Finance Department of the Wharton School of the University of Pennsylvania. Upon completing his Ph.D., he served as an economist at the Federal Reserve Board of Governors. Nini works in the areas of corporate finance, financial institutions, and risk management. He is interested in the role that corporate creditors play in shaping firms’ decisions and is currently working to understand how securitization has changed the intermediation process.

Nini has a Ph.D. in managerial science and applied economics from the Wharton School.
Karen M. Pence is an adviser in the Research and Statistics Division of the Federal Reserve Board of Governors. Her expertise is in the areas of consumer credit, mortgage, housing, and securitization markets. Her research has been published in the Review of Economics and Statistics, the Journal of Monetary Economics, the Journal of Economic Perspectives, and the Journal of Urban Economics. She serves on the Board of Overseers of the Panel Study of Income Dynamics.

Pence has a Ph.D. in economics from the University of Wisconsin and a B.A. from Swarthmore College.

Tomasz Piskorski is the Edward S. Gordon Associate Professor of Real Estate at Columbia Business School and the Paul Milstein Center for Real Estate. His research interests include real estate finance, household finance, asset securitization, security design and contracting, and market structure and regulation.

Piskorski has an M.S. in mathematics from New York University’s Courant Institute of Mathematical Sciences and a Ph.D. in economics from New York University Stern School of Business.

Basit Zafar is a visiting researcher in the Department of Economics at Princeton University for 2015–2016 and a research officer in the Microeconomic Studies Function at the Federal Reserve Bank of New York. He is an applied microeconomist with interests in the areas of education, labor, and household finance. His research focuses on how individuals make decisions under uncertainty, particularly in the context of human capital accumulation. The core of his research has focused on using subjective expectations data, directly elicited from respondents, to make inferences on behavior (such as the choice of college major) and on understanding how individuals form expectations. His work uses a disparate set of empirical methods and techniques.

Zafar has a Ph.D. in economics from Northwestern University and a B.S. in engineering and economics from the California Institute of Technology.
For more information on the conference, other events that we sponsor, or the research we produce, please visit our website.

www.philadelphiafed.org/consumer-credit-and-payments/