Politics and the Price of Housing

by Grotteria, Naaraayanan and Pagliuca

Discussion: Thomas Lambert (Erasmus University Rotterdam)

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What this paper does

Asks whether HFSC members deliver housing-related benefits to their constituents

Uses near-universe data on U.S. housing transactions matched to congressional districts

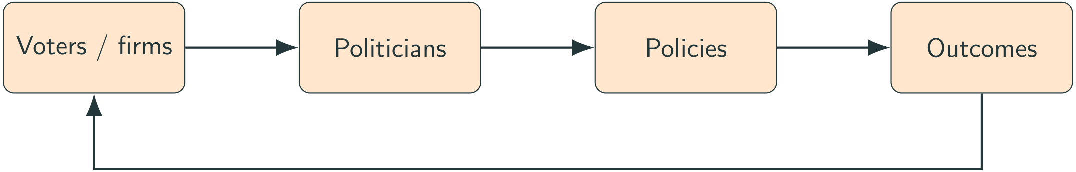
Finds that, since the 1990s:

- House prices rise (fall) when a district's representative joins (exits) the HFSC
- Mortgage credit expands through greater securitization and GSE purchases
- HFSC incumbents benefit electorally in districts with stronger house price growth and receive more contributions

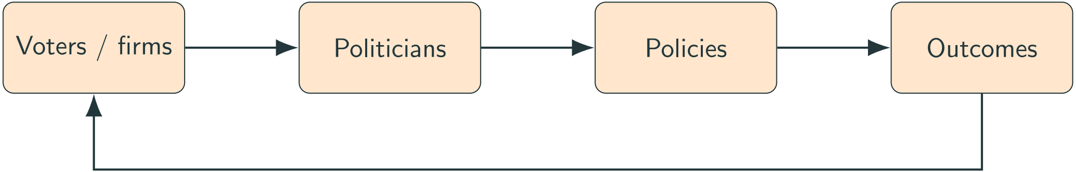
Concludes that political power has important wealth distribution consequences

Contributes to the literature on political economy and housing and credit markets

Contribution to the political economy of finance literature



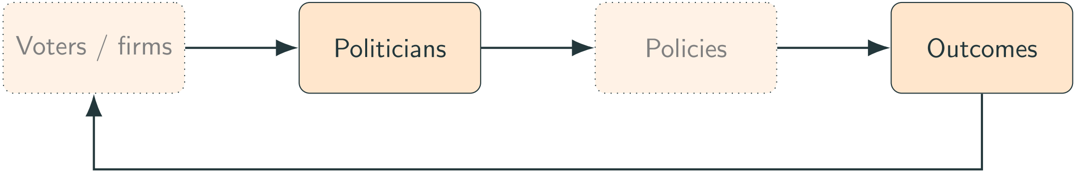
Contribution to the political economy of finance literature



One of few papers on politics of housing finance:

- Congressional voting on housing/credit policies (Mian, Sufi and Trebbi, 2010 [8])
- Expansion of mortgage lending (Igan, Mishra and Tressel, 2012 [5])
- House prices affect voter participations (McCartney, 2021 [7])
- See Lambert and Volpin, 2018 [6] for a survey

A missing link



This paper:

- documents the link between politicians and housing-market outcomes
- shows evidence of an housing-finance channel
- suggests an electoral feedback effect

My discussion

1. HFSC membership "plausible" exogeneity
2. Political power vs. HFSC housing influence
3. Discretion of HFSC
4. Political payoffs: striking, but how informative?

District housing priorities

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‘I'm On A Mission’: Ritchie Torres Goes to Washington to Save Public Housing

January 12, 2021 | by Samar Khurshid

Rep. Ritchie Torres (photo: William Alatriste/City Council)

- “After seven years advocating for his district on the New York City Council, Torres now takes to the halls of Congress to exert whatever influence he can for his constituents, particularly through a plum committee assignment not often given to freshman lawmakers.”
- “The future of NYCHA is a deeply personal issue for Torres, who grew up in public housing and went on to chair the City Council’s public housing committee. “My highest priority is affordable housing. I would not be where I am today but for affordable housing and the stability it gave me and my family,” Rep. Torres said in an interview.”

District finance exposure

[House Hearing, 110 Congress]
[From the U.S. Government Publishing Office]

HEDGE FUNDS AND SYSTEMIC
RISK IN THE FINANCIAL MARKETS

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HEARING

BEFORE THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

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MARCH 13, 2007

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Printed for the use of the Committee on Financial Services

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- *"Mr. Shays. [...] I live in a district, in the greater New York area–we say that about 60 percent of the hedge funds exist and in my district there is a claim that one-fourth to one-third of all assets under management are in actually the district I represent. I tell people that if you are from Iowa, you want to get on the Agriculture Committee, and if you are from Fairfield, Connecticut, you want to get on the Financial Services Committee."*
- "[Jim] Himes' other major Washington focus, the HFSC, also has a local nexus because of his district's large number of hedge funds [...]," in *CT Insider* (2015), "Himes Juggles House Intelligence and Finance Roles."

Median house prices in the districts of HFSC members (119th Congress)

30 Republican members	State	District	House price ($ median)	24 Democrat members	State	District	House price ($ median)
J. French Hill (Chairman)	AR	2	211.300	Maxine Waters	CA	43	699.300
Frank D. Lucas	OK	3	160.900	Nydia M. Velazquez	NY	7	859.200
Pete Sessions	TX	17	239.500	Brad Sherman	CA	32	1.086.900
Bill Huizenga	MI	4	248.200	Gregory W. Meeks	NY	5	671.700
Barry Loudermilk	GA	11	392.200	James A. Himes	CT	4	663.200
Warren Davidson	OH	8	228.800	Bill Foster	IL	11	345.200
John W. Rose	TN	6	318.100	Joyce Beatty	OH	3	301.400
Bryan Steil	WI	1	262.400	Juan Vargas	CA	52	690.200
William R. Timmons IV	SC	4	275.000	Josh Gottheimer	NJ	5	582.700
Marlin A. Stutzman	IN	3	201.600	Vicente Gonzalez	TX	34	125.100
Ralph Norman	SC	5	249.400	Sean Casten	IL	6	341.500
Daniel Meuser	PA	9	205.800	Ayanna Pressley	MA	7	694.900
Young Kim	CA	40	988.100	Rashida Tlaib	MI	12	184.000
Byron Donalds	FL	19	421.300	Ritchie Torres	NY	15	532.500
Andrew R. Garbarino	NY	2	628.600	Sylvia R. Garcia	TX	29	189.000
Scott Fitzgerald	WI	5	262.400	Nikema Williams	GA	5	371.800
Mike Flood	NE	1	259.500	Brittany Pettersen	CO	7	613.800
Michael Lawler	NY	17	628.600	Cleo Fields	LA	6	177.900
Monica De La Cruz	TX	15	169.200	Janelle S. Bynum	OR	5	566.000
Andrew Ogles	TN	5	457.700	Sam T. Liccardo	CA	16	1.851.300
⋮	⋮	⋮	⋮	⋮	⋮	⋮	⋮
Median			**277.150**	**Median**			**549.250**
Mean			**336.860**	**Mean**			**540.671**

*Median (mean) house price across all districts, 119th Congress: 334.100 (401.501)

Comment 1: HFSC membership "plausible" exogeneity

HFSC assignments reflect housing and finance dynamics, not only seniority or party bargaining

Elements consistent with non-random assignment:

- Table 3: treated properties are valued more than US$30,000 above control ones
- Figure 2: pre-trends already visible at $t = -1$ and confidence intervals are wide

Possible ways to strengthen identification:

- Estimate entry and exit hazard models
- Extend the event-study design to show longer pre-treatment trends
- Distinguish treatment types: incumbent appointment, HFSC successor, redistricting-induced treatment, and party-control reorganization

French Hill (R-AR)

- Early HFSC assignment $\rightarrow$ rising visibility on banking and housing
- Increasing role in party and policy debates (go-to voice on financial regulation)
- Built strong donor ties to financial institutions
- Ultimately becomes Chairman

French Hill, Chairman of the HFSC

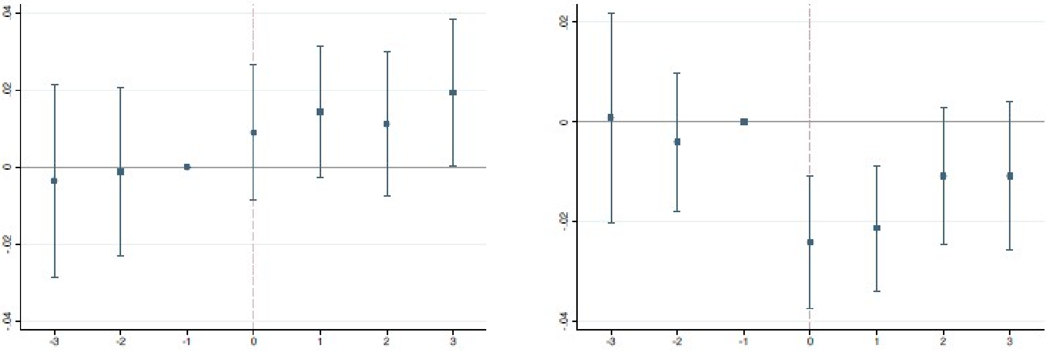
Comment 2: Political power vs. HFSC housing influence

Entry into HFSC may coincide with a broader increase in political power, not only housing-policy exposure (see e.g. Igan et al., 2025 [4] in the PPP lending context)

Possible ways to strengthen identification:

- Compare HFSC entry with entry into other major House committees, especially prestigious committees with limited housing jurisdiction
- Compare HFSC entry with committees relevant for federal spending but not mortgage finance
- Test whether effects are stronger for (aligned) members serving on HFSC subcommittees most relevant to housing and GSE oversight

GSE purchases around HFSC transitions



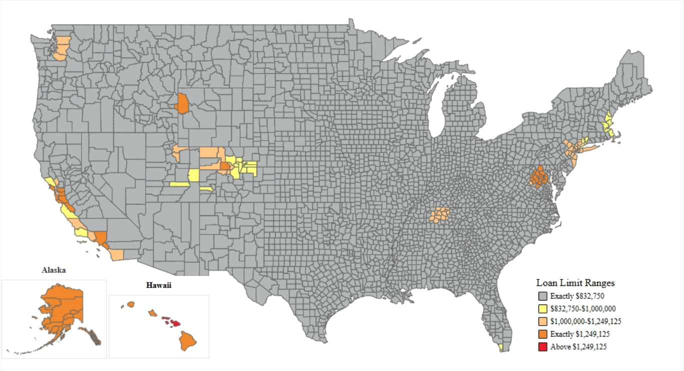
(a) Entry into the House FSC

(b) Exit from the House FSC

Figure B.2

Conforming loan limits (CLLs) are set at county level under national formulas

1. Baseline CLLs are set by FHFA statute
2. Local variation is formula driven
3. The geography is county based



FHFA conforming loan limit values map

Comment 3: Discretion of HFSC

The CLL process itself leaves limited room for direct discretionary manipulation by HFSC, weakening the claim that its members steer local loan limits

HFSC members rather matter through legislation, oversight, agenda-setting, or regulatory pressure (Mian, Sufi and Trebbi, 2010 [8])

Table 10: economic magnitudes also appear small (limits only increase by $5,000)

Suggestions:

- Provide more institutional details on exactly where discretion enters
- Decompose into formula-driven vs. discretionary components
- Show robustness post-2008 where formal FHFA rules are clearer
- Show that the CLL results are not driven by a few salient high-cost episodes

Comment 4: Political payoffs: striking, but how informative?

The electoral result is striking: +8.3 pp reelection likelihood

But the alternative seems tautological: why wouldn't politicians favor their constituents (cf. abstract, first sentence)?

The mechanism is then ambiguous: wealth or collateral effect (Cloyne et al., 2019 [2])?

And the electoral result is also more exposed to confounds such as incumbent advantage and other favorable district conditions (Cox and Katz, 1996 [3])

Suggestions:

- Reframe as supportive evidence on incentives, not a second causal headline
- Test whether the effects are stronger in districts with a higher share of mortgagors or renters (Choi, Quigley and Wang, 2025 [1])

My take

Nice contribution to the political economy of finance literature: political power gained through HFSC membership is associated with local asset prices and electoral benefits

Highly recommended!

My suggestions center around:

1. HFSC membership “plausible” exogeneity
2. Political power vs. HFSC housing influence
3. Discretion of HFSC
4. Political payoffs: striking, but how informative?

Good luck!

Thank You

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