

# Study links credit availability with regional home prices

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Two professors at The University of Texas at Arlington have found that U.S. housing prices have grown more persistently since the mid-1990s,

especially in the Midwest and South. They link this steady incline primarily to the increase in available purchasing power, which makes it easier for people to buy homes and causes demand to rise.

In a recently published study, UTA economics Professor C.Y. Choi and Associate Professor Aaron Smallwood—along with Alexander Chudik, an economic [policy](#) advisor at the Federal Reserve Bank of Dallas—found that this growth varies across regions and significantly influences household consumption, labor mobility, employment and the effectiveness of monetary policy. Some of the main factors behind the increases are the financial deregulations and innovations seen since the mid-1990s.

The paper is [published](#) in the journal *Federal Reserve Bank of Dallas, Globalization Institute Working Papers*.

"While some researchers believe that rising housing prices are due to more people wanting to be homeowners, it wouldn't be possible without more money being available," Dr. Choi said.

The study also noted that the availability of credit strongly influences how [house prices](#) persistently grow over time and across different areas. Contrary to recent thought, however, the expectation that prices will continue to rise, based on recent increases, does not significantly affect this growth.

Choi said the goal of the research was to show how housing prices are largely affected by the availability of credit and how this could inform future monetary policy as policymakers continue to seek solutions for stabilizing home prices.

**More information:** Chi-Young Choi et al, Time-varying Persistence of House Price Growth: The Role of Expectations and Credit Supply,

*Federal Reserve Bank of Dallas, Globalization Institute Working Papers*  
(2024). [DOI: 10.24149/gwp426](https://doi.org/10.24149/gwp426)

Provided by University of Texas at Arlington

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