

A micro view on home equity withdrawal and its determinants

Evidence from Dutch households

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Abstract

Home equity is the most important part of a household portfolio, but only recently has it become more accessible through innovations in the mortgage market and financial deregulation. This study looks at the factors driving home equity withdrawal on a household level using Dutch survey data, and assesses to which degree different theoretical predictions can be empirically supported. There is little evidence that equity withdrawal is used as a buffer against adverse income shocks, with financial motives and life-cycle effects likely to dominate a household's decision. Finally, the study provides first evidence of the impact of changing supply side conditions on home equity withdrawal.

Keywords: home equity withdrawal, Dutch housing market, consumption models

JEL Classification: E2, E4, G2

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