

Tenga en cuenta

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

Autor o Editor

[Juan Esteban Carranza](#) [Dairo Estrada](#)

This paper examines the relationship between mortgage default decisions and relevant observable variables under the light of a random utility model. The focus of the study is the Colombian mortgage market between 1997 and 2004 using two separate data sets that are matched using simulation techniques. The estimation allows the computation of mortgage default probabilities that are directly related to an underlying model of optimal default. Results are sharp and indicate that variation in current income has little effect on mortgage default, compared to housing prices and mortgage balances.

---

The series Borradores de Economía is published by the Economic Studies Department at the Banco de la República (Central Bank of Colombia). The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.