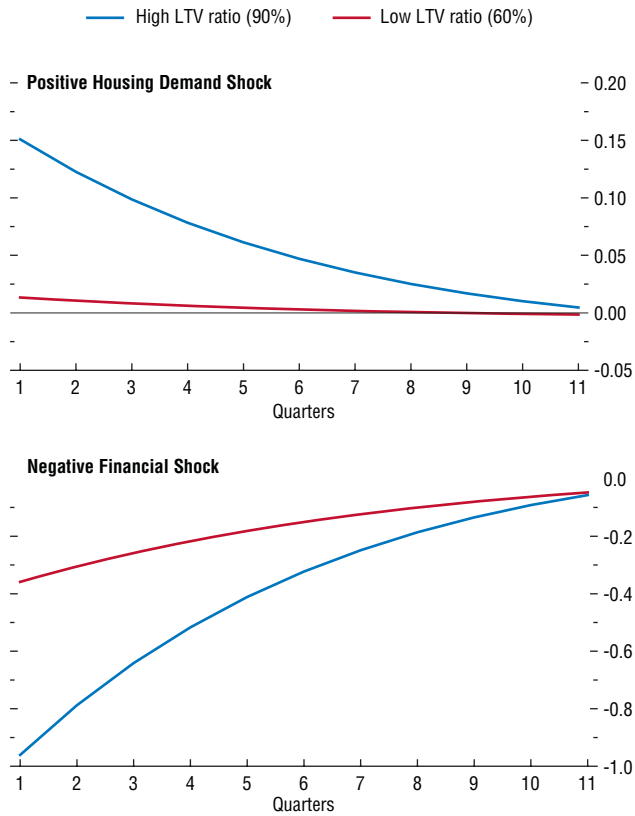


**Figure 3.14. Macroeconomic Model with Housing as Collateral: Response of Nominal Interest Rates to a Positive Housing Demand Shock and a Negative Financial Shock for Various Loan-to-Value (LTV) Ratios**  
*(Percent deviation from model steady state)*

After a positive housing demand shock and in order to fully stabilize inflation, interest rates have to increase more strongly in economies with higher LTV ratios. In these economies, interest rates have to decrease more following a negative financial shock.



Source: IMF staff calculations.