

Discussion of:
“Price Negotiation in Differentiated
Product Markets: The Case of
Insured Mortgages in Canada”

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The views expressed are those of the authors and do not necessarily represent those of the
Federal Reserve Board or its staff.

What I Like About this Paper



- A structural approach
- A search model is fundamentally the right way to think about mortgage markets
 - Particularly for borrowers with less-than-pristine credit

~~What I Don't Like So Much~~

How I Learned to Stop Worrying and Like the Paper

- Credit risk is central to mortgage pricing and competition
- But this paper talks about Canada!

Things the Paper Might Address



- Is credit risk really not important?
- Is this really a “differentiated product”?
 - Why is branch network important to mortgages?
- What determines switching costs?
- Main takeaway: This is a carefully done and very promising paper