Political Alignment and Household Risk-Taking: Evidence from U.S. Mortgage Market*

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March 19, 2025

Abstract

This paper investigates the impact of political alignment with the U.S. president on household risk-taking in the mortgage market. Using a sample of 37 million mortgages acquired by Fannie Mae and Freddie Mac from 2000 to 2023, we show that borrowers in politically aligned zip codes take on greater financial risks, as indicated by higher leverage ratios, loan amounts, and interest rates, relative to borrowers in misaligned areas with similar risk profiles and economic conditions. We find no evidence of lax screening from lenders, suggesting that borrower-side factors such as heightened optimism and risk tolerance drive this partisan risk-taking effect. We further provide aggregate evidence of increased mortgage origination volumes in politically aligned areas. Our findings reveal an important yet underexplored connection between partisanship and household financial decisions, with potential implications for financial stability.

Keywords: Political Alignment; Mortgage; Household Risk-Taking
JEL Codes: D14, D91, G21, G41, G51

*We thank the conference and seminar participants at the 2025 EFA and University of Rochester for helpful comments. The authors have no conflicts of interest to disclose.

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1 Introduction

In recent decades, political polarization in the United States has increasingly shaped not only public opinion and voting patterns but also economic behaviors, including household financial decisions. While prior research highlights how political alignment with the U.S. president influences household sentiment,[1] its impact on household risk-taking remains underexplored, particularly in the context of mortgage borrowing. Politically aligned households, viewing the economy more optimistically, may be inclined to take on higher levels of debt in pursuit of financial opportunities, such as homeownership. Such optimism can lead to increased borrowing in the U.S. mortgage market, raising concerns about long-term financial stability. This paper fills the research gap by establishing the link between political beliefs and household mortgage decisions.

We investigate how political alignment with the U.S. president influences households' mortgage market participation (extensive margin) and their risk-taking in mortgage debt (intensive margin). This research faces two key empirical challenges: the first is to disentangle the effect of partisan beliefs driven by political alignment from other macroeconomic or policy changes during different political administrations, and the second is to separate borrower-side factors, such as optimism and risk tolerance, from lender-side factors, such as credit supply and approval biases that could be driven by political alignment. We address these challenges by employing detailed loan-level controls and high-dimensional fixed effects. Our empirical strategy compares the risk-taking behavior of politically aligned borrowers to that of misaligned borrowers with similar credit risk profiles, borrowing from the same lender, residing in the same state, and within the same time period.

Our first set of empirical analyses focuses on the intensive margin. We rely on a sample of 37 million conforming mortgage loans acquired by Fannie Mae and Freddie Mac (also known as the government-sponsored enterprises, or the GSEs) from 2000 to 2023, combined

[1] See, for example, Bartels (2002); Ladner and Wlezien (2007); Alesina et al. (2020); Bursztyn et al. (2023).

with voting patterns in presidential elections to infer borrowers' political leaning. Using both discrete and continuous measures of political leanings, we show that borrowers in Republican-leaning zip codes engage in greater risk-taking behavior during Republican presidencies, compared to borrowers in Democratic-leaning zip codes with similar economic conditions and risk profiles. We measure borrowers' risk-taking by leverage ratios, namely loan-to-value (LTV) and debt-to-income (DTI), loan size, and interest rates. The partisan effect is economically meaningful: for every 20% increase in Republican voting shares, loan size increases by 1.7%, and LTV ratio increases by 31 basis points (1.9% of its standard deviation). This suggests that political alignment with the president increases the level of financial risk households are willing to assume.

A competing explanation for the observed partisan risk-taking effect could be that lenders relax their lending standards and approve riskier loans for politically aligned borrowers.[2] However, our analysis utilizing data from the Home Mortgage Disclosure Act (HMDA) reveals the opposite: lenders have lower approval rates in politically aligned zip codes. This contradicts a supply-side theory arguing that households in aligned zip codes would receive preferential treatment from partisan lenders. Moreover, we establish that the partisan risk-taking effect is not specific to loans acquired by the GSEs. Political alignment correlates with higher loan-to-income ratios and loan amounts across (1) all mortgage applications and (2) originated mortgages. Notably, the partisan effect is weaker for GSE-acquired loans, likely due to stringent screening by lenders. Our findings indicate that the partisan effect on mortgage-taking arises largely from the borrower side, such as increased household optimism and risk tolerance, rather than from changes in credit supply. Our baseline estimates, based solely on GSE-acquired loans, may have underestimated the general partisan risk-taking effect.

Further, we explore the heterogeneity in the effect of political alignment on mortgage borrowers' risk-taking. We find that the partisan effect is particularly pronounced among

[2]For example, previous studies show that political alignment with the president can affect the behavior of credit rating analysts (Kempf and Tsoutsoura, 2021) and loan officers (Dagostino et al., 2023).

households residing in strongly partisan areas, where political beliefs tend to be more polarized. This effect is also amplified among households with lower LTVs, higher incomes, or those seeking refinancing. The results seem to suggest that households with lower financial constraints (i.e., those with high income but low LTVs) can better translate their optimism into actions.

While the loan-level analysis sharpens identification by granular fixed effects and detailed loan controls, we also seek a broader understanding of how partisanship shapes credit allocation by examining the more aggregated, zip code-level outcomes. This exercise is meaningful because the literature finds mixed evidence on partisan effect at aggregate levels.[3] First, as a robustness check to our baseline results, we employ a propensity score matching method to compare Republican and Democratic-leaning zip codes with similar economic fundamentals, such as employment rates, wage growth, and home price trends. This approach helps ensure that the partisan risk-taking effect is not confounded by underlying economic disparities across different zip codes. Using a matched sample, our analysis still reveals that politically aligned zip codes exhibit higher average LTV ratios, DTI ratios, larger loan amounts, and increased interest rates.

In addition, we conduct zip code-level event studies to examine the dynamic effects of partisan risk-taking across election cycles. The average outcomes, including LTV ratios, DTI ratios, loan amounts, and interest rates, show distinct patterns during different political administrations. Compared to likely-Democratic borrowers, these metrics rise for likely-Republican borrowers following the 2000 Republican victory, decline after the Democratic win in 2008, peak around the 2016 Republican victory, and then fall again after the 2020 Democratic win. Given the slow-moving nature of mortgage decisions, these results highlight a clear trend: Republican-leaning zip codes exhibit heightened financial activity and greater risk-taking during Republican presidencies.

Our second set of empirical analyses focuses on the extensive margin. In particular, we

[3]For example, McGrath (2017) and Mian et al. (2023) find no significant partisan effects at the county or zip code level, while Jha et al. (2024) show political beliefs do not always wash out in aggregate.

investigate the impact of political alignment on the volume of mortgage origination. Our findings indicate that every 10% increase in the Republican voting share correlates with a 3.1% increase in the total loan amount and a 2.6% rise in the number of loans originated in Republican-leaning zip codes during Republican presidential terms. These results suggest that political alignment influences credit expansion by shaping households' willingness to engage with the credit market, thereby enhancing the overall volume of loans originated.

Lastly, we assess the dynamic impact of political alignment on mortgage origination volumes. After the 2004 Republican victory, both loan amounts and the number of loans increased in Republican-leaning zip codes, a trend that reversed around the 2008 election when the Democratic candidate took office. Loan amounts and origination volumes rise again leading up to the 2016 Republican win. However, the post-2020 results are more ambiguous. While Republican-leaning zip codes show higher loan amounts and increased origination, the COVID-19 pandemic, which disproportionately affected Democratic-leaning areas, may have confounded these effects.

In conclusion, this paper shows that political alignment significantly affects household financial decisions, potentially leading to greater financial exposure during favorable political conditions. Our findings highlight an important yet underexplored consequence of partisanship: its distortionary effect on household finance.

1.1 Related Literature

This study contributes to the growing literature on the intersection of political alignment with government and household financial decision-making. While previous research has explored the effects of political alignment on household consumption, findings remain mixed (Gerber and Huber, 2009; McGrath, 2017; Gillitzer and Prasad, 2018; Mian et al., 2023). Some studies have focused on how political beliefs influence portfolio allocation, finding that politically aligned retail investors tend to exhibit increased optimism (Bonaparte et al., 2017). These investors also allocate more to equities and take on higher market beta compared to their

misaligned counterparts (Meeuwis et al., 2022; Pan et al., 2023). Additionally, D'Acunto et al. (2021) show that political alignment influences household participation in a large-scale loan guarantee program in India, highlighting the broader financial effects of political alignment beyond consumption and portfolio decisions. This paper is the first to examine the impact of political alignment on household leverage and credit allocation in the U.S. mortgage market, which represents one of the most consequential financial decisions for households. In particular, we provide evidence that political alignment drives risk-taking and consequent credit allocation in mortgage borrowing. This offers a deeper understanding of the broader financial implications of political polarization and its potential long-term effects on financial stability.

Our study also relates to the literature on political polarization within the real estate market. Previous research predominantly examines partisan sorting, demonstrating how preferences for neighbors' political affiliations and partisan identities can influence residential choices (Brown and Enos, 2021; Bernstein et al., 2022; McCartney et al., 2024). Their findings on partisan segregation lend credibility to our geographic measures of political leaning. However, we shift the emphasis to how political polarization shapes financial behaviors in the mortgage market. In this market, Chu (2024) examines the effect of political affiliation on fair lending, finding that Democratic loan officers originate more loans to minority borrowers than Republican loan officers. In contrast, our study focuses on the active risk-taking behavior of mortgage borrowers, while carefully accounting for potential supply-side biases. Furthermore, we examine how political alignment with the president influences both the intensive margin (riskiness) and the extensive margin (loan origination), thereby expanding our understanding of the interplay between partisanship and financial decision-making in the context of mortgage lending.

Our findings of a partisan risk-taking effect thus add to the extensive literature on the real effect of partisanship. This body of research explores how political beliefs and alignment

can influence a range of economic behaviors and outcomes.[4] The findings of this paper align with this literature by illustrating that political alignment significantly affects household risk-taking decisions.

The remainder of this paper proceeds as follows. Section 2 introduces the data and sample used in the analysis, detailing the empirical methodology employed throughout the study. In Section 3, we present the main findings from our loan-level analysis, focusing on the impact of partisanship on the risk-taking behaviors of mortgage borrowers. Section 4 shifts our attention to zip code-level outcomes, allowing us to explore the extensive margin of mortgage origination. Section 5 concludes.

2 Data and Methodology

2.1 Data Sources

Our study combines standard datasets in the mortgage literature with voting data on presidential elections.

Fannie Mae and Freddie Mac single-family loan origination and performance. Our primary data source is the loan-level data provided by Fannie Mae and Freddie Mac (also known as the government-sponsored enterprises, or the GSEs). The GSEs report loan characteristics at origination and ongoing performance for most of their fully amortizing, full documentation, single-family, conventional fixed-rate loans they securitize. We obtain the GSE data from 2000 to 2023. This data set includes detailed loan contract terms at origination, such as the loan-to-value and debt-to-income ratios, loan amount, and loan rate. It also provides borrowers' FICO scores, allowing us to control for credit risk. It identifies loan originators whose origination volume contributes to at least 1% of the GSEs' loan portfolio, allowing us to control supply-side factors by including lender-by-time fixed effects.[5] Finally, the GSEs report the three-digit zip code of the property, which we use to

[4] For an excellent review of this literature, see Kempf and Tsoutsoura (2024).

[5] For computational ease, we classify all lenders with less than 1,000 originations during our study period

match with voting data and infer borrowers' political leaning.

Home Mortgage Disclosure Act (HMDA). As a supplement to the GSE data, we construct another loan-level sample from the HMDA data. We do not use the HMDA sample as our primary sample because it lacks variables crucial to our study, such as borrowers' credit scores or loan-to-value and debt-to-income ratios.[6] However, the main advantage of the HMDA data is its comprehensive coverage: it covers the near-universe of the U.S. mortgage market.[7] It covers all loan *applications*, including those that result in successful originations and those rejected by lenders. Hence, it can shed light on borrowers' application incentives and lenders' approval decisions. The HMDA data includes a rich set of borrower demographics such as income, race, ethnicity, and gender. It also reports the loan size, lender's identity, lender's decision, and whether a loan is sold to the GSEs after origination.[8] It reports the state, county, and census tract of the property. We use the county of the house to infer borrowers' political leaning.

Voting data. We obtain the presidential election returns by county from 2000 to 2020 from the MIT Election Lab, which provides detailed data on voting patterns for all U.S. counties across presidential elections. This dataset includes the number of votes cast for each candidate, as well as breakdowns of party affiliation, allowing for a geographic match to three-digit ZIP codes.

Supplemental data. We complement the loan-level datasets with several additional data sources to control for local economic fundamentals. We obtain quarterly data on employment and wages for U.S. counties from the Quarterly Census of Employment and Wages (QCEW) released by the Bureau of Labor Statistics (BLS). We obtain quarterly house price

and the GSE-unreported lenders as one group, which accounts for 35% of our sample.

[6]HMDA expanded the scope of disclosed information in 2018, starting to report the loan-to-value and debt-to-income ratios. However, we can only examine the 2020 election using the HMDA data. We choose to primarily focus on the GSE data because of its long coverage.

[7]Most financial institutions must report all mortgage applications they receive if they originated at least 25 mortgage loans in each of the two preceding calendar years. The detailed reporting requirements are available at https://www.ffiec.gov/hmda/guide.htm.

[8]The HMDA only reports whether a loan is sold in the calendar year of origination. Hence, some of the "originated but not sold" loans might be sold in future years.

indexes for three-digit zip codes from the Federal Housing Finance Agency (FHFA). We rely on spatial crosswalks provided by the Department of Housing and Urban Development (HUD) to map county-level variables to three-digit zip code level.

2.2 Sample Construction

Our primary sample includes all 30-year, single-family, fixed-rate, conforming mortgage loans acquired by Fannie Mae and Freddie Mac. Our sample includes loans originated from the fourth quarter of 2000 to the fourth quarter of 2023, covering six presidential elections. We impose several sample restrictions: First, we restrict our sample to properties occupied as the owner's principal residence to better proxy for borrowers' political leaning. Second, we drop a small fraction of home improvement loans, typically with small loan balances. Hence, our sample consists of loans for home purchase or refinancing purposes. We also drop observations with missing loan characteristics. Finally, to mitigate endogeneity concerns, we follow previous literature and restrict attention to loans in zip codes that never switched the majority of votes in presidential elections from 2000 to 2020.[9] All continuous variables are winsorized at the 1% and 99% percentiles to minimize the effect of outliers.

To calculate a zip code's political leaning, we rely on the county voting data and a spatial crosswalk between counties and zip codes from the HUD.[10] Let v_c^p be the number of votes to party p in county c, where p is either the Republican (R) or Democratic (D) party. The HUD county-zip crosswalk file provides, for each county, the fraction of addresses (including residential, business, and other addresses) in overlapping zip codes. Let $w_{c,z}$ be the fraction of addresses of county c in zip z. By construction, we have $\sum_z w_{c,z} = 1$ for any county c. We calculate the number of votes to party p in zip code z as the address ratio-weighted sum

[9] Loans in switching zip codes account for 35% of the full GSE sample. Our results are qualitatively similar if we include them.

[10] The HUD crosswalk file is updated quarterly, with the earliest file released in March 2010. We use the 2010Q1 file for the 2000, 2004, and 2008 presidential elections, the 2012Q4 file for the 2012 election, the 2016Q4 file for the 2016 election, and the 2020Q4 file for the 2020 election.

of county votes:

$$V_z^p = \sum_c w_{c,z} * v_c^p$$

The implicit assumption is that voters are uniformly distributed in zip codes. We define our continuous measure of political leaning at the zip code level, $\%Rep_z$, as the bi-party voting share to the Republican party:

$$\%Rep_z = \frac{V_z^R}{V_z^R + V_z^D}$$

We define an indicator for Republican-leaning zip codes, $I(Rep)$, which takes the value of one if $\%Rep \geq 0.5$.

Our final GSE sample consists of 37 million loans in 619 non-switching zip codes originated from 2000Q4 to 2023Q4. Figure 1 provides the geographical distribution of our sample zip codes and their political leaning. Table A.2 reports the distribution of our continuous political measure $\%Rep$ by election cycle. There are slightly more loans in Democratic-leaning zip codes. The mean of $\%Rep$ is larger in years when Republicans won the presidential election (2000, 2004, 2016), validating our political measure.

We apply a similar procedure to construct the HMDA loan sample. Our HMDA sample includes conventional, first-lien, owner-occupied, single-family loan applications with sizes below the conforming loan limit. We only consider properties occupied as the borrower's principal residence to better proxy for their political leaning. We only keep applications approved or denied by the lender, and drop applications withdrawn by the applicant or closed for incompleteness. Finally, we restrict attention to loans in counties that never switched their majority votes in the presidential elections from 2000 to 2020. A county's political leaning is directly calculated from the voting data.

We also construct a zip code-quarter panel from the GSE loan sample to examine the aggregate effects. To construct the zip-quarter sample, we take the average for each variable across all the loans in a zip-quarter. We also calculate the number of loans and total origination volume in a zip-quarter to examine the extensive margin. The number of loans in a

zip-quarter is used as weights in regressions.

2.3 Empirical Specification

We estimate the effect of political alignment on borrowers' mortgage decisions by the following specification:

$$\begin{aligned} Y_i = &\beta Rep_{z,t} + \delta Rep_{z,t} * Rep\,Presi_t + \theta_1 Loan\,Controls_i \\ &\theta_2 Zip\,Controls_{z,t} + \mu_z + \mu_{s(z),t} + \mu_{j,t} + \mu_{fico,t} + \eta_i \end{aligned} \tag{1}$$

where an observation is a loan i in zip code z originated by lender j in quarter t. The dependent variable Y_i is one of the following five measures of mortgage borrowers' risk-taking: loan-to-value (LTV) ratio, debt-to-income (DTI) ratio, loan amount, natural logarithm of loan amount, and loan rate. The key independent variable is the interaction between the zip code political measure $Rep_{z,t}$ and the indicator for periods of Republican presidents $Rep\,Presi_t$. We measure a zip code's political leaning by a Republican dummy $I(Rep)_z$, or a continuous measure of Republican voting share $\%Rep_{z,t}$ in the previous presidential election. Since we restrict our sample to non-switching zip codes, the Republican dummy $I(Rep)_z$ will be subsumed by zip code fixed effects.

We include a rich set of fixed effects to sharpen identification. The zip code fixed effects μ_z and state-by-quarter[11] fixed effects $\mu_{s(z),t}$ control for economic fundamentals, the lender-by-quarter fixed effects $\mu_{j,t}$ controls for the supply of mortgage credits, and the FICO bucket-by-quarter[12] fixed effects $\mu_{fico,t}$ control for borrowers' credit risk. Loan controls include the existence of a co-borrower, an indicator for the loan purpose (purchase or refinance), an indicator for the first home, and the number of units (one, two, three, or four). Zip controls include employment growth, wage growth, and home price growth.[13] The coefficient of inter-

[11] If a zip code crosses state borders, we count the number of loans in each state and use the majority to determine its state

[12] We use the credit buckets used by the GSEs in their loan-level price adjustment matrices; see, for example, https://singlefamily.fanniemae.com/media/9391/display.

[13] We transform the county-level employment and wage data to three-digit zip code level following the

est, δ, captures the differences in mortgage decisions between likely-Republican and likely-Democrat households in response to political regime changes. Those high-dimensional fixed effects and rich set of controls allow us to compare likely-Republican and likely-Democrat households in economically similar zip codes borrowing from the same lender at the same time. We cluster standard errors at the three-digit zip code level.

We estimate a similar regression model using the HMDA sample, except that the geographical unit changes to a county:

$$Y_i = \beta Rep_{c,t} + \delta Rep_{c,t} * Rep\,Presi_t + \theta Loan\,Controls_i + \mu_c + \mu_{s(z),t} + \mu_{j,t} + \eta_i \qquad (2)$$

where an observation is a loan i in county c originated by lender j in quarter t. The dependent variable Y_i is loan-to-income or loan amount when we confirm our main results, and a dummy variable for loan approval (multiplied by 100) when we examine supply-side explanations. Since HMDA does not report LTV or DTI ratios before 2017, we construct a similar multiple called the loan-to-income ratio, defined as the loan amount divided by the applicant's annual gross income. This measure is widely used in studies using HMDA data. In addition, HMDA does not report borrowers' credit scores, so we cannot control for the FICO bucket-by-quarter fixed effects. But we do include the county fixed effects μ_c and state-by-quarter fixed effects $\mu_{s(z),t}$ to control for economic fundamentals, and lender-by-quarter fixed effects $\mu_{j,t}$ to control for time-varying supply-side factors. Loan controls include the borrower's ethnicity, race, and gender, existence of a co-borrower, loan purpose, and borrower's annual gross income. Standard errors are clustered at the county level.

We conduct zip code-level analysis by estimating the following WLS (or OLS) regression:

$$\begin{aligned} \bar{Y}_{z,t} =& \beta Rep_{z,t} + \delta Rep_{z,t} * Rep\,Presi_t + \theta_1 \overline{Loan\,Controls}_{z,t} \\ &+ \theta_2 Zip\,Controls_{z,t} + \mu_z + \mu_{s(z),t} + \eta_{z,t} \end{aligned} \qquad (3)$$

same procedure explained in Section 2.2.

where an observation is a zip code z in quarter t. The loan-level outcomes and controls now become the mean across all loans in a zip-quarter. We run weighted least squares when we confirm our main results, where the dependent variable $\bar{Y}_{z,t}$ is the mean of the five dependent variables in Equation (1). We run (unweighted) ordinary least squares when we investigate the origination volume. The political measure of a zip code is the same with Equation (1), either a Republican dummy $I(Rep)_z$ or the Republican voting share $\%Rep_{z,t}$ in the previous presidential election. Due to aggregation, we lose the granular lender-by-quarter fixed effects and FICO bucket-by-quarter fixed effects. But we do control for the zip code fixed effects μ_z and state-by-quarter fixed effects $\mu_{s(z),t}$. Standard errors are clustered at the three-digit zip code level.

2.4 Summary Statistics

Table 1 reports summary statistics for our primary GSE loan sample, and Table A.1 provides detailed variable definitions. Our primary sample includes 37 million loan observations, of which 44% are from Republican-leaning zip codes. The average LTV is 74.6, and the average DTI is 34.7. A median household borrows $210,000 at a rate of 4.75%. Most borrowers have a FICO score of 700 or higher, with the lower quartile being 709. 52% of loans have a co-borrower, 55% are for refinancing purposes, and 19% are for the first home.

Table A.3 further breaks down the sample by zip codes' political leaning. Borrowers in Republican-leaning zip codes, on average, have higher LTV ratios but lower loan balances, which could be due to the lower house prices in Republican areas. These two groups have similar DTI and loan rates. Democrats, on average, have a slightly higher credit score and are more likely to refinance. Republican-leaning zip codes experience higher employment growth but lower home price growth.

3 Loan Level Analysis

In this section, we examine how political alignment with the president influences mortgage borrowers' risk-taking behaviors using loan-level outcomes.

3.1 Main Results

Table 2 presents the regression results on the impact of political alignment on key household risk measures: loan-to-value ratio, debt-to-income ratio, loan amount, and loan rate. A borrower's political leaning is captured by a Republican dummy $I(Rep)$, indicating whether the borrower resides in a Republican- or Democratic-leaning zip code.

The dependent variable in columns (1)-(3) is the loan-to-value (LTV) ratio, a key measure of mortgage risk. A higher LTV indicates more outstanding debt relative to property value, suggesting a riskier loan. In the first specification without zip code fixed effects, the coefficient on the Republican borrower dummy *I(Rep)* is positive and significant, indicating that Republican borrowers, regardless of the political context, tend to take on riskier loans than Democratic borrowers. Across all three specifications, the interaction term between the Republican borrower dummy and the Republican presidency indicator (*I(Rep)*Rep Presi*) shows a positive and significant effect, suggesting that politically aligned Republican borrowers further increase their LTV ratios during periods when a Republican president is in office. The magnitude of this partisan effect is economically meaningful: it represents a change of 39 to 69 basis points, or 2.3% to 4.1% of the standard deviation, depending on the specification.

The dependent variable in columns (4)-(6) is the debt-to-income (DTI) ratio, which measures a borrower's monthly debt payments relative to income. The coefficient on *I(Rep)* is negative and significant, indicating that, on average, Republican borrowers maintain a lower DTI ratio compared to Democratic borrowers. Notably, the interaction term between *I(Rep)* and *Rep Presi* is positive and significant across all columns. This shows that Republican

borrowers increase their DTI ratios when a Republican president is in office, implying a shift toward higher debt levels under favorable political conditions. The partisan effect on DTI is economically substantial, ranging from 2.4% to 3.2% of the standard deviation of the DTI ratio. As an alternative way to interpret the effect, consider a borrower whose gross monthly income is $10,000. The coefficient in column (6) suggests a $31.1 change in her monthly debt payment when the political regime changes.

In columns (7)-(9), the dependent variable is the loan amount. The base effect of *I(Rep)* is negative and significant, implying that Republican borrowers typically secure smaller loans than their Democratic counterparts. However, the interaction term between *I(Rep)* and *Rep Presi* reveals a significant and positive effect on loan amounts, with increases ranging from $11,531 to $26,629. This result suggests that Republican borrowers are more likely to take on larger financial obligations when a Republican president is in office. The partisan effect is economically significant, with the effect on loan amounts representing 8.7% to 20.2% of the standard deviation.

Columns (10)-(12) analyze the natural logarithm of loan amounts. The coefficient on *I(Rep)* remains negative, confirming that Republican borrowers, on average, take out smaller loans. However, consistent with previous results, the interaction term *I(Rep)*Rep Presi* is positive and significant, indicating that political alignment leads to a marginal increase in the size of loans. The economic magnitude of this partisan effect ranges from 1.5% to 4.2% of loan size.

Finally, columns (13)-(15) investigate the relationship between political alignment and the interest rates charged on mortgage loans. The coefficient on *I(Rep)* is insignificant, suggesting no systematic difference in loan rates across party lines. However, the interaction term *I(Rep)*Rep Presi* is positive and significant in the most stringent specification, indicating that Republican borrowers tend to face higher interest rates during periods of Republican presidencies, though the effect is economically small.

Table 3 repeats the baseline regressions using a continuous measure of political leaning,

%Rep, representing the share of Republican voters in a zip code.

Column (1) focuses on LTV ratios. Consistent with the findings from the binary measure, the negative coefficient on *%Rep* suggests that households in Republican-leaning areas tend to have lower LTV ratios on average. However, the positive coefficient on the interaction term *%Rep*Rep Presi* indicates that Republican households take on mortgages with higher LTV ratios during Republican presidencies, with a notably larger economic magnitude: for every 10% increase in Republican voting share, the LTV ratios increase by 0.93% ($= 9.3\% \times 10\%$) of their standard deviation.

Column (2) shows similar results for the DTI ratios. Again, the negative coefficient on *%Rep* indicates that Republican-leaning households typically maintain lower DTI ratios. Yet, political alignment with the president reverses this trend, as the positive and significant interaction term shows increased debt burdens among Republican households under Republican presidencies. For every 10% increase in Republican voting share, the DTI ratios increase by 0.78% of their standard deviation.

In columns (3) and (4), we examine loan amounts. The negative coefficient on *%Rep* suggests that Republican-leaning households borrow lower loan amounts on average. However, the positive and significant interaction term reveals that aligned households take on substantially larger loans during Republican presidencies, with a 3.94% standard deviation increase per 10% rise in Republican voting share.

Column (5) investigates the effect on loan rates. The coefficient on *%Rep* is insignificant, indicating no clear relationship between political affiliation and the interest rate. The interaction term is positive, and the effect size is about 1.8% of the standard deviation of loan rates, suggesting a positive correlation between political alignment and borrowing costs, again consistent with the findings using binary party measures.

Overall, Table 2 and Table 3 consistently show that Republican borrowers engage in greater risk-taking – higher LTV, increased DTI, larger loan amounts, and higher interest rates – when aligned with a Republican president. These findings suggest that political

alignment influences household financial decisions, potentially leading to greater financial exposure in periods of favorable political conditions.

3.2 Supply-side Explanation

One potential alternative explanation for the observed partisan leverage-taking effect is that lenders relax approval standards and originate riskier loans for politically aligned borrowers. To address potential supply-side explanations, we utilize the HMDA data to investigate whether political alignment influences mortgage approval decisions by lenders.

Table 4 reports the regression results. In columns (1)-(3), the negative and significant coefficient on the interaction term *I(Rep)*Rep Presi* indicates that during Republican presidencies, Republican-leaning borrowers are less likely to receive mortgage approval, contrary to a supply-side story where aligned lenders relax their screening standards. This finding is further supported by the continuous measure in columns (4)-(6), where the coefficient on *%Rep*Rep Presi* remains negative and significant, particularly in column (6), which includes full controls and fixed effects.

These results suggest that supply-side factors, specifically lender's behavior, do not drive the observed increases in borrower's risk-taking. Instead, lenders appear to approve fewer loans for politically aligned borrowers, despite these borrowers' stronger willingness to take on more debt. Taken together, the effect of political alignment on mortgage decisions appears to primarily stem from borrower-side factors, such as shifts in household optimism and risk-taking behavior, rather than from supply-side credit availability.

3.3 External Validity

The baseline analysis focuses on GSE-acquired conforming loans, which may introduce sample selection bias. To demonstrate the external validity of the results, we extend the analysis by utilizing HMDA data to reassess the effect of political alignment on borrowers' risk-taking across different mortgage loan subsamples. Due to data limitations, we focus on two outcome

measures: loan-to-income and loan amount.

Table 5 summarizes the analysis. In Panel A, where the Republican Dummy is used as the political measure, the interaction term *I(Rep)*Rep Presi* is positive and statistically significant for both loan outcomes in the "All Applications" and "Originated Loans" samples, suggesting that political alignment is associated with higher loan-to-income ratios and loan amounts. Notably, the effect is smaller in magnitude and less significant in the GSE-Acquired Loans sample, which is the focus of our baseline analysis. This suggests that the partisan effect on risk-taking may be underestimated when only considering GSE-acquired loans. We interpret it as borrowers taking more risk and lenders partially mitigating it. Panel B uses the Republican voting share as the political measure, and we observe similar patterns. Political alignment shows a more pronounced effect on loan-to-income and loan amount for all applications and originated loans and a modest effect in the acquired sample, probably due to screening by creditors.

The key takeaway from this subsample analysis is that the partisan effect on risk-taking is not unique to GSE-acquired conforming loans. In fact, the positive relationship between political alignment and risk-taking extends to the broader mortgage sample, and the magnitude of this effect is even larger.

3.4 Heterogeneity

Table 6 presents the heterogeneity in the effect of political alignment with the U.S. president on mortgage borrowers' risk-taking, focusing on two key outcomes: loan-to-value ratio (Panel A) and the natural logarithm of loan amount (Panel B).[14] Each column includes triple interactions between the Republican borrower indicator *I(Rep)*, the Republican presidency indicator *Rep Presi*, and various moderating factors.

Panel A examines the impact on LTV ratios. In column (1), the coefficient on the interaction term between *I(Rep)*Rep Presi* and *Deep*, an indicator for zip codes with stronger

[14] We only report results for these two outcome variables for brevity. Results using the continuous measure are similar.

partisan leanings, is positive, indicating a stronger effect of political alignment in highly partisan areas, though not statistically significant.

Column (2) finds a positive and statistically significant interaction between *I(Rep)*Rep Presi* and *Low LTV*, which marks loans with LTV ratios below 80.[15] This suggests that politically aligned households with lower LTVs increase their leverage more when their political party holds the presidency.

Similarly, column (3) reports a positive and significant coefficient on the interaction term between *I(Rep)*Rep Presi* and *High Inc*, an indicator for households in high-income zip codes, showing that the partisan effect on LTV ratios is amplified among wealthier borrowers.

Finally, column (4) reports a positive and significant coefficient on the interaction term between *I(Rep)*Rep Presi* and *Refi*, an indicator for refinancing loans, showing that the partisan effect on LTV ratios is stronger for households refinancing their loans.

Panel B turns to loan amounts and mirrors the patterns observed in LTV ratios. The partisan effect on loan amounts is stronger in households from extreme partisan areas, those with LTV ratios below 80, households in high-income areas, and those refinancing their loans.

In summary, the impact of political alignment on borrowers' risk-taking is most pronounced among groups with potentially more polarized political beliefs or fewer financial constraints – those with the strongest optimism and ability to increase their leverage.

3.5 Robustness

We conduct two robustness checks to ensure the validity of our baseline findings: one addressing the political measures used and the other focusing on the impact of crisis periods.

First, in the baseline analysis, we infer borrowers' political leanings using zip code election results from the previous election cycle to avoid potential forward-looking bias. However, it could be argued that using the most recent election results would provide a more accurate

[15] We choose 80 as the cutoff because conforming loans with a down payment of less than 20% typically require a private mortgage insurance (PMI). See https://www.consumerfinance.gov/ask-cfpb/what-is-private-mortgage-insurance-en-122/.

measure of political affiliation. For instance, political leanings in 2015 may be better captured by the 2016 election results than by those of 2012. To address this potential measurement error, we reestimate the baseline regressions using the closest election results available for each period. The results, presented in Table A.4, show that the interaction terms between Republican borrowers and a Republican president remain positive and statistically significant across all outcomes, including LTV ratios, DTI ratios, loan amounts, and interest rates. The magnitudes of these effects are also consistent with our baseline estimates.

Second, to rule out the possibility that the baseline results are driven by crisis periods such as the Great Recession or the COVID-19 pandemic, we exclude these periods and reestimate the models. Table A.5 shows that the coefficients on the interaction terms remain positive, statistically significant, and similar in magnitude. This suggests that the observed effects of political alignment on mortgage risk-taking are not artifacts of economic crises, but rather reflect a broader and more persistent behavioral pattern among politically aligned borrowers.

4 Zip Level Analysis

This section shifts attention from loan-level evidence to more aggregated, zip code-level analysis. Doing so weakens identification due to the loss of loan-level controls and granular fixed effects, but several advantages emerge. First, we can test whether the loan-level results persist at the more aggregated zip code level. Second, we can examine the extensive margin by testing whether politically aligned zip codes experience an expansion in mortgage origination volume. Third, with a more computationally tractable sample size, we can use propensity score matching to address concerns about the comparability of Republican- and Democratic-leaning zip codes.

4.1 Partisan Risk-taking

We construct a zip code-quarter panel from the loan-level sample by taking the average of variables across all the loans in a zip-quarter. We also calculate the total origination volume and number of loans within a zip-quarter. To reduce the observable differences between Republican- and Democratic-leaning zip codes, we perform nearest-neighbor matching without replacement to match one Republican zip with one Democrat zip based on their employment, wage, and home price growth each quarter. We impose a 0.1 caliper for better matching quality and drop zip codes with no neighbors nearby. Our results are robust to alternative caliper values. The resulting sample comprises an equal number of Republican- and Democratic-leaning zip codes, though a zip's nearest neighbor may change across quarters.

Table A.6 reports the propensity score matching quality by comparing zip code-level fundamentals—employment growth, wage growth, and home price index (HPI) growth—before and after matching, based on two different political alignment measures: a Republican dummy (Panel A) and the Republican voting share (Panel B). In the unmatched sample in both panels, the interaction term *I(Rep)*Rep Presi* is significant for both employment growth and HPI growth, suggesting large differences in economic fundamentals between Republican and Democratic-leaning zip codes. However, the observed discrepancy is largely eliminated by the matching procedure, with the same interaction term becoming statistically insignificant across all three dependent variables. The matching procedure ensures that partisan effects presented in this section are not confounded by underlying economic disparities across zip codes.

Table 7 reports the zip code-level regression results of Equation (3) for both a raw sample and a propensity score matched sample. At this more aggregate level, Republican zip codes still exhibit higher average LTV ratios, DTI ratios, larger loan amounts, and higher interest rates during Republican presidencies. These findings are robust to both binary and continuous measures of political leaning, as well as to propensity score matching methods. This consistency across different political measures and matching techniques suggests that

the patterns observed at the individual loan level extend to more aggregated geographic levels, revealing that politically aligned borrowers are more likely to increase their risk-taking behavior.

Event study. To explore the dynamic effects of partisan risk-taking throughout election cycles, we estimate a dynamic version of Equation (3) using continuous political leaning measures. Figure 2 plots the coefficients on the interaction terms between the event time dummies and Republican voting share. We focus on party-switching elections: 2000, 2008, 2016, and 2020.

In Panel (a), we observe the impact on LTV ratios. These estimates increase after the 2000 election with the Republican victory, decrease following the Democratic win in 2008, then peak around the 2016 Republican victory before falling again after the 2020 Democratic-winning election. Across the timeline, Republican-leaning zip codes show elevated LTV ratios during Republican presidencies (2001–2008 and 2017–2020).

Panel (b) focuses on DTI ratios, which exhibit a similar pattern. The estimates rise post-2000 election, decrease after the Democratic victory in 2008, then climb following the 2016 election and decline again after 2020. As a whole, higher DTI ratios are consistently observed in Republican-leaning zip codes during Republican presidencies.

Panels (c) and (d) turn to the loan amounts. Republican-leaning zip codes experience larger (log) loan amounts following the 2000 and 2016 Republican-winning elections, while amounts decrease after the 2008 and 2020 Democrat-winning elections, mirroring the shift in political leadership.

Panel (e) examines interest rates, revealing higher loan rates in Republican-leaning zip codes during Republican presidencies (2001–2008 and 2017–2020), which further validates our baseline findings in a dynamic setting.

Importantly, because mortgage decisions can exhibit lagged responses, the coefficients may not perfectly synchronize with each election event. However, when considering the overall trends in each election cycle, the event study consistently shows that Republican-leaning

zip codes engage in greater risk-taking during Republican presidencies. This reinforces the baseline results and demonstrates robustness across election cycles, highlighting a strong correlation between political alignment and household financial behavior.

4.2 Partisan Loan Origination

This section examines the implications of political alignment on the extensive margin of mortgage origination. Specifically, Table 8 reports results from regressions examining the impact of political alignment on the total loan amount and the number of loans originated across zip codes, using two different political measures: a Republican dummy (Panel A) and the Republican voting share (Panel B). The analysis focuses on two samples: the full sample, which includes both home purchase and refinancing loans, and a subsample of purchase loans.

In Panel A, where the Republican dummy (*I(Rep)*) is used as the measure of political alignment, the interaction term *I(Rep)*Rep Presi*, which captures the effect of Republican-majority zip codes during Republican presidential terms, is both positive and statistically significant. This effect holds for both the combined sample of purchase and refinance loans (columns (1)-(2)) and the purchase-only sample (columns (3)-(4)). Specifically, during Republican presidencies, Republican-leaning zip codes see a 6.8% and 5.4% increase in the total loan amount and number of loans originated, respectively, relative to Democratic-leaning zip codes. The impact is even more pronounced if we only consider purchase loans, showing a 9.4% increase in the total loan amount and an 8.8% rise in the number of purchase loans.

In Panel B, where the continuous measure of Republican voting share (*%Rep*) is used, the interaction term *%Rep*Rep Presi* also shows a significantly positive effect on loan origination during Republican presidential terms. A 10 percentage point increase in the Republican voting share is associated with a 3.07% ($= 30.7\% \times 10\%$) increase in the total loan amount and a 2.6% ($= 26\% \times 10\%$) rise in the number of loans originated in Republican-leaning zip codes. The effect on the purchase subsample is similarly strong.

To sum up, Table 8 illustrates that zip codes politically aligned with the sitting president

originate more loans, potentially reflecting greater optimism among households regarding economic conditions under a politically favorable administration. These findings suggest that political alignment can influence credit expansion by affecting households' willingness to enter the credit market, thereby increasing the number of loans originated.

Event study. Figure 3 illustrates the dynamic effect of political alignment on mortgage origination volumes. After the 2004 election, where the Republican candidate won, we observe an increase in both loan amounts and the number of loans in Republican-leaning zip codes. This trend reverses around the 2008 election, with a noticeable decline as the Democratic candidate took office. The loan amounts and origination volumes rise again leading up to the 2016 election, corresponding with another Republican victory.

However, the post-2020 results are more ambiguous. While we observe higher loan amounts and an increase in the number of loans in Republican-leaning zip codes, this effect may be confounded by the impact of the COVID-19 pandemic, which disproportionately affected Democratic-leaning areas. This introduces potential noise into the analysis and highlights the need for future research to disentangle the effects of the pandemic from those of political alignment on mortgage activity.

Overall, these zip code-level analyses demonstrate that politically aligned borrowers, likely driven by optimism tied to their political alignment, engage in greater risk-taking, which in turn influences credit allocation patterns.

5 Conclusion

This paper demonstrates that political alignment with the U.S. president plays a significant role in shaping household financial behavior, particularly in mortgage borrowing. We find that aligned households – potentially driven by political optimism – exhibit greater risk-taking during favorable political regimes, evidenced by higher loan-to-value and debt-to-income ratios, larger loan amounts, and elevated interest rates. This partisan risk-taking is

not a result of relaxed lending standards or preferential treatment by lenders but stems from borrower-side factors, with stronger effects for households with more polarized beliefs and lower financial constraints.

Our analysis shows that political alignment affects both the intensive and extensive margins of credit allocation. At the zip code level, politically aligned areas experience higher mortgage origination volumes, indicating that credit expansion tends to occur during favorable presidencies. This suggests that alignment with the political leadership can drive households' willingness to engage more actively in the credit market, contributing to broader shifts in credit distribution.

In sum, this study provides the first empirical evidence of the impact of political alignment on household leverage and credit allocation in the mortgage market. Political beliefs, which influence optimism about future economic conditions, can lead households to engage in riskier financial behavior, raising important concerns about the long-term effects of political polarization on financial stability. Since mortgages represent one of the most significant financial decisions for many households, understanding these partisan dynamics adds a crucial dimension to the broader financial implications of partisanship.

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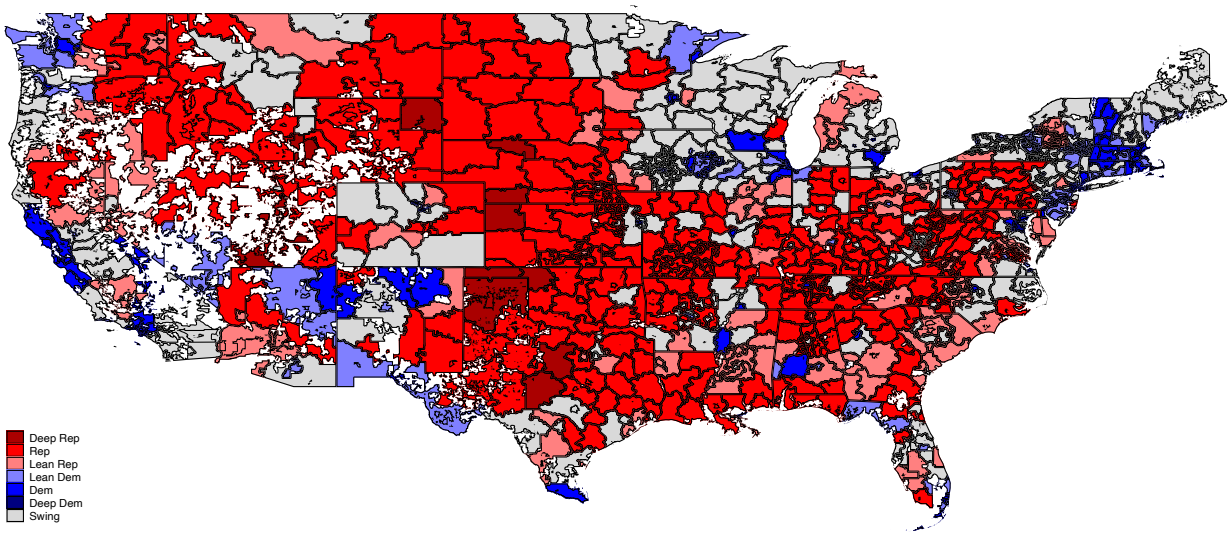
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Figures

Figure 1: Distribution of Republican and Democratic Three-Digit Zip Codes



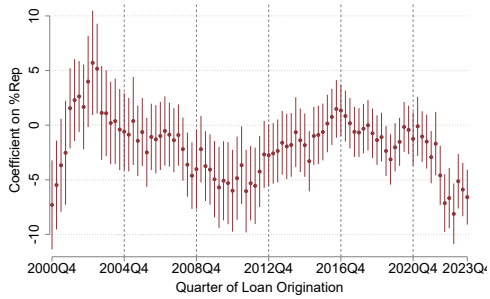
Notes: This figure presents the geographical distribution of political affiliation across U.S. three-digit zip codes. Red (blue) represents zip codes where the majority of voters are Republicans (Democrats) for the six presidential elections from 2000 to 2020. Lean Rep (Dem) refers to areas where the Republican (Democratic) vote margin is less than 20%, Rep (Dem) shows a margin between 20% and 60%, and Deep Rep (Dem) marks a margin exceeding 60%. Gray represents zip codes that switched the majority votes and are excluded from our estimation sample.

Figure 2: Political Alignment and Borrowers' Risk-Taking

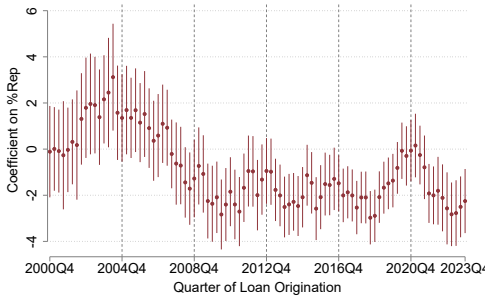
Notes: These figures plot the dynamic estimates and the 95% confidence intervals for the effect of partisanship on mortgage borrowers' risk-taking. We use the zip code-level matched sample from 2000Q4 to 2023Q4 to draw these graphs. Outcome variables are as indicated by figure names. We estimate the following model:

$$Outcome_{z,t} = \sum_{t=2000Q4}^{2023Q4} \beta^t I(Quarter = t) * \%Rep_{z,t} + \theta Controls_{z,t} + \mu_{s(z),t} + \mu_z + \eta_{z,t}$$

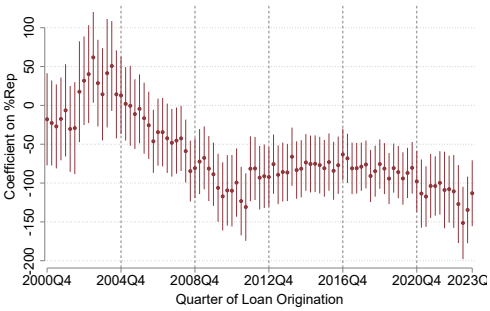
where z is a three-digit zip code and t is a quarter. $\%Rep_{z,t}$ is zip z's Republican voting share in the previous presidential election. Observations are weighted by the number of loans in the GSE sample ($N = 22,593,092$). This figure plots $\hat{\beta}^t$ against quarter t.



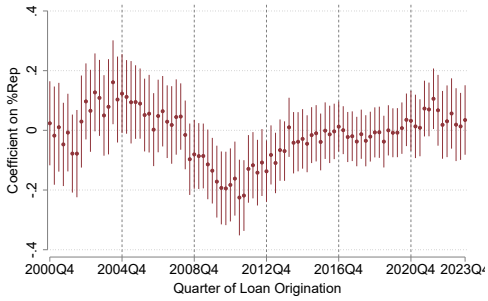
(a) Loan-to-Value Ratio (%)



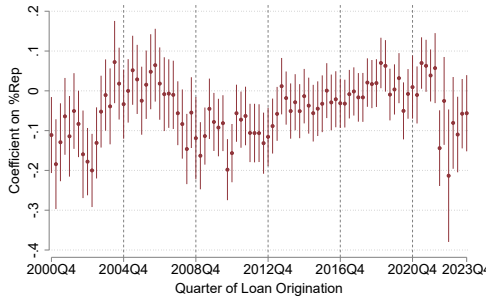
(b) Debt-to-Income Ratio (%)



(c) Loan Amount (in $1,000)



(d) ln(Loan Amount)



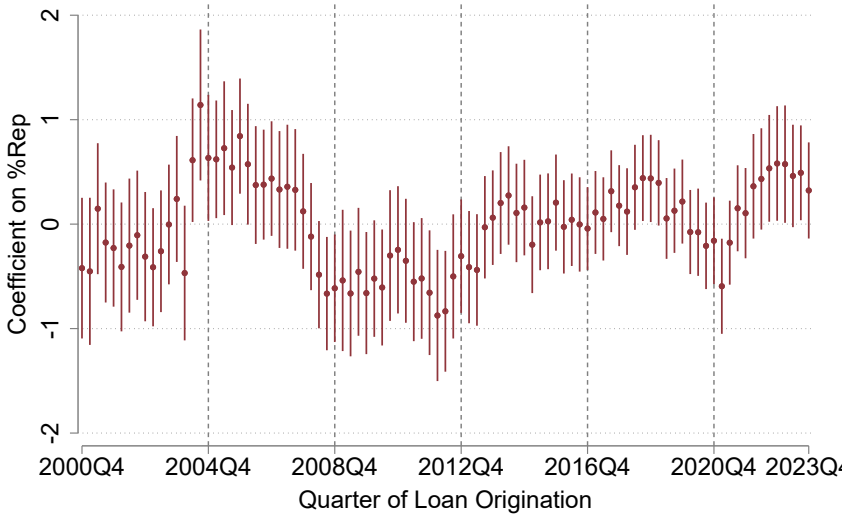
(e) Loan Rate (%)

Figure 3: Political Alignment and Origination Volume

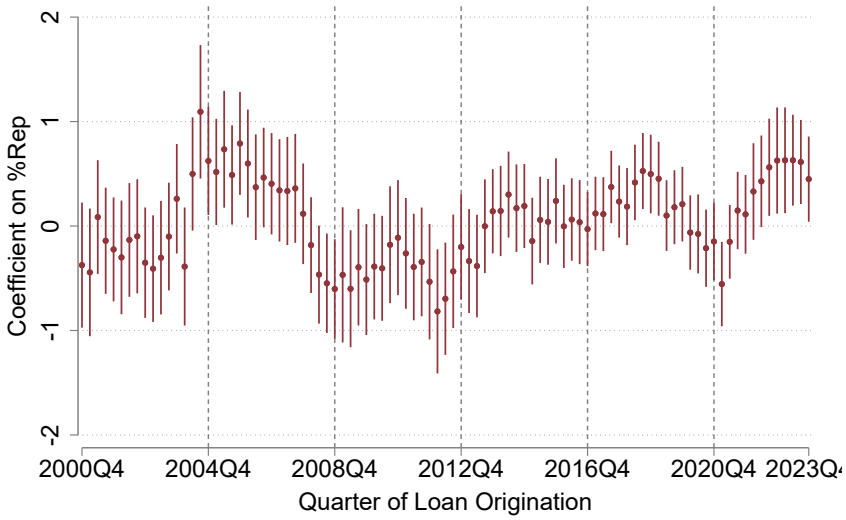
Notes: These figures plot the dynamic estimates and the 95% confidence intervals for the effect of partisanship on mortgage origination volume. We use the zip code-level matched sample from 2000Q4 to 2023Q4 to draw these graphs. Outcome variables are as indicated by figure names. We estimate the following model:

$$Outcome_{z,t} = \sum_{t=2000Q4}^{2023Q4} \beta^t I(Quarter = t) * \%Rep_{z,t} + \theta Controls_{z,t} + \mu_{s(z),t} + \mu_z + \eta_{z,t}$$

where z is a three-digit zip code and t is a quarter. $\%Rep_{z,t}$ is zip z's Republican voting share in the previous presidential election. Observations are unweighted ($N = 29,870$). This figure plots $\hat{\beta}^t$ against quarter t.



(a) ln(Total Loan Amount)



(b) ln(Number of Loans)

Tables

Table 1: Summary Statistics

Variables	Mean	SD	p(25)	p(50)	p(75)
Political Measures					
I(Rep)	0.44	0.50	0	0	1
%Rep Votes	0.47	0.16	0.35	0.45	0.61
Outcome Variables					
Loan-to-Value	74.62	16.74	66	80	88
Debt-to-Income	34.68	10.54	27	35	43
Loan Amount	238.13	132.04	139	210	308
ln(Loan Amount)	5.32	0.57	4.93	5.35	5.73
Loan Rate	4.88	1.32	3.88	4.75	6.00
Loan Controls					
FICO	742.57	51.27	709	753	784
I(Coborrower)	0.52	0.50	0	1	1
I(Refinancing)	0.55	0.50	0	1	1
I(First Home)	0.19	0.39	0	0	0
n(Units)	1.02	0.17	1	1	1
Zip Controls					
Emp Growth	0.33	4.12	-0.99	1.01	2.53
Wage Growth	3.51	3.35	1.63	3.18	5.00
Home Price Growth	5.74	7.32	2.28	5.26	9.07
N			37,320,814		

Notes: This table reports summary statistics for our main estimation sample. The sample includes all 30-year, owner-occupied, conforming mortgage loans acquired by Fannie Mae and Freddie Mac that were originated from 2000Q4 to 2023Q4. The sample is restricted to loans in zip codes that never switched the majority of votes in presidential elections from 2000 to 2020. A borrower's political affiliation is determined by the majority votes of the three-digit zip code of their house in the previous presidential election. Table A.1 provides variable definitions.

Table 2: Political Alignment and Mortgage Borrowers' Risk-Taking: Republican Dummy

Outcome	Loan-to-Value			Debt-to-Income			Loan Amount		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
I(Rep)	3.944***			-1.310***			-85.394***		
	(0.538)			(0.170)			(8.497)		
I(Rep)*Rep Presi	0.647***	0.690***	0.385***	0.334***	0.251***	0.311***	26.629***	12.666***	11.531***
	(0.177)	(0.111)	(0.081)	(0.064)	(0.051)	(0.053)	(3.702)	(1.968)	(1.815)
Outcome SD	16.7	16.7	16.7	10.5	10.5	10.5	132.0	132.0	132.0
Partisan Effect as %SD	3.9	4.1	2.3	3.2	2.4	3.0	20.2	9.6	8.7
Observations	37,320,786	37,320,776	37,320,776	37,320,786	37,320,776	37,320,776	37,320,786	37,320,776	37,320,776
Adj-R^2	0.099	0.178	0.316	0.080	0.097	0.116	0.283	0.462	0.493
FICO Bucket-Quarter FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lender-Quarter FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Zip3 FE		Yes	Yes		Yes	Yes		Yes	Yes
State-Quarter FE		Yes	Yes		Yes	Yes		Yes	Yes
Controls			Yes			Yes			Yes

Outcome	ln(Loan Amount)			Loan Rate		
	(10)	(11)	(12)	(13)	(14)	(15)
I(Rep)	-0.324***			0.007		
	(0.030)			(0.005)		
I(Rep)*Rep Presi	0.042***	0.016***	0.015***	0.005	0.009***	0.010***
	(0.012)	(0.005)	(0.004)	(0.003)	(0.003)	(0.003)
Outcome SD	0.6	0.6	0.6	1.3	1.3	1.3
Partisan Effect as %SD	7.4	2.8	2.6	0.4	0.7	0.8
Observations	37,320,786	37,320,776	37,320,776	37,320,786	37,320,776	37,320,776
Adj-R^2	0.278	0.435	0.473	0.943	0.945	0.945
FICO Bucket-Quarter FE	Yes	Yes	Yes	Yes	Yes	Yes
Lender-Quarter FE	Yes	Yes	Yes	Yes	Yes	Yes
Zip3 FE		Yes	Yes		Yes	Yes
State-Quarter FE		Yes	Yes		Yes	Yes
Controls			Yes			Yes

Notes: This table reports the regression results of Equation (1), examining how mortgage borrowers' risk-taking relates to being politically aligned with the sitting president. The sample includes all 30-year, owner-occupied, conforming mortgage loans acquired by Fannie Mae and Freddie Mac that were originated from 2000Q4 to 2023Q4. The sample is restricted to loans in zip codes that never switched the majority of votes in presidential elections from 2000 to 2020. Dependent variables are as indicated by column titles: *Loan-to-Value* is the ratio (in percentage) of the amount of all outstanding loans at origination to the value of the property; *Debt-to-Income* is the ratio (in percentage) of the borrower's total monthly debt to gross monthly income; *Loan Amount* is the principal balance of a mortgage loan at origination (in thousands of dollars). *ln(Loan Amount)* is the natural logarithm of *Loan Amount*; *Loan Rate* is the annual percentage rate charged by the lender at origination. *I(Rep)* is an indicator for likely Republican borrowers. A borrower's political affiliation is determined by the majority votes of the three-digit zip code of their house in the previous presidential election. *Rep Presi* is an indicator for periods of a Republican president, taking the value of one if the quarter of mortgage origination is between 2000Q4 and 2008Q3 or between 2016Q4 and 2020Q3. Outcome SD is the standard deviation of the dependent variable from Table 1. Partisan Effect as %SD, the ratio (in percentage) of the coefficient on *I(Rep)*Rep Presi* to Outcome SD, is reported to help evaluate economic magnitudes. Fixed effects are as indicated at the bottom of each column. Loan-level controls include the existence of a co-borrower, an indicator for the loan purpose (purchase or refinance), an indicator for the first home, and the number of units (one, two, three, or four). Zip-code level controls include employment growth, wage growth, and home price growth. Table A.1 provides variable definitions. Standard errors reported in parentheses are clustered at the three-digit zip code level. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

Table 3: Political Alignment and Mortgage Borrowers' Risk-Taking: Republican Voting Share

Outcome	Loan-to-Value	Debt-to-Income	Loan Amount	ln(Loan Amount)	Loan Rate
	(1)	(2)	(3)	(4)	(5)
%Rep	-2.947***	-2.634***	-163.769***	-0.138***	-0.026
	(1.059)	(0.590)	(17.428)	(0.041)	(0.025)
%Rep*Rep Presi	1.550***	0.827***	51.962***	0.084***	0.024***
	(0.360)	(0.171)	(6.585)	(0.017)	(0.009)
Outcome SD	16.7	10.5	132.0	0.6	1.3
Partisan Effect as %SD	9.3	7.8	39.4	14.9	1.8
Observations	37,320,776	37,320,776	37,320,776	37,320,776	37,320,776
Adj-R^2	0.316	0.116	0.494	0.473	0.945
FICO Bucket-Quarter FE	Yes	Yes	Yes	Yes	Yes
Lender-Quarter FE	Yes	Yes	Yes	Yes	Yes
Zip3 FE	Yes	Yes	Yes	Yes	Yes
State-Quarter FE	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes

Notes: This table reports the regression results of Equation (1), examining how mortgage borrowers' risk-taking relates to being politically aligned with the sitting president. The sample includes all 30-year, owner-occupied, conforming mortgage loans acquired by Fannie Mae and Freddie Mac that were originated from 2000Q4 to 2023Q4. The sample is restricted to loans in zip codes that never switched the majority of votes in presidential elections from 2000 to 2020. Dependent variables are as indicated by column titles: *Loan-to-Value* is the ratio (in percentage) of the amount of all outstanding loans at origination to the value of the property; *Debt-to-Income* is the ratio (in percentage) of the borrower's total monthly debt to gross monthly income; *Loan Amount* is the principal balance of a mortgage loan at origination (in thousands of dollars). *ln(Loan Amount)* is the natural logarithm of *Loan Amount*; *Loan Rate* is the annual percentage rate charged by the lender at origination. *%Rep* is a continuous variable measuring the fraction of Republican votes in the three-digit zip code in the previous presidential election. *Rep Presi* is an indicator for periods of a Republican president, taking the value of one if the quarter of mortgage origination is between 2000Q4 and 2008Q3 or between 2016Q4 and 2020Q3. Outcome SD is the standard deviation of the dependent variable from Table 1. Partisan Effect as %SD, the ratio (in percentage) of the coefficient on *%Rep*Rep Presi* to Outcome SD, is reported to help evaluate economic magnitudes. Fixed effects are as indicated at the bottom of each column. Loan-level controls include the existence of a co-borrower, an indicator for the loan purpose (purchase or refinance), an indicator for the first home, and the number of units (one, two, three, or four). Zip-code level controls include employment growth, wage growth, and home price growth. Table A.1 provides variable definitions. Standard errors reported in parentheses are clustered at the three-digit zip code level. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

Table 4: Ruling Out Supply-Side Story: Political Alignment and Lenders' Approval Decisions

Outcome	Approval (mean = 78.22)					
	(1)	(2)	(3)	(4)	(5)	(6)
I(Rep)*Rep Presi	-0.844**	-0.365**	-0.933***			
	(0.329)	(0.185)	(0.165)			
%Rep*Rep Presi				-0.630	-0.951	-3.054***
				(1.141)	(0.580)	(0.464)
Observations	130,255,325	130,249,939	130,249,939	130,249,939	130,249,939	130,249,939
Adj-R^2	0.039	0.264	0.282	0.039	0.264	0.282
County FE	Yes	Yes	Yes	Yes	Yes	Yes
State-Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Lender-Year FE		Yes	Yes		Yes	Yes
Controls			Yes			Yes

Notes: This table examines the effect of political alignment on lenders' mortgage approval decisions using data from the Home Mortgage Disclosure Act (HMDA). The sample includes all single-family, owner-occupied, conforming mortgage loan applications from 2001 to 2023. The sample is restricted to loans in counties that never switched the majority of votes in presidential elections from 2000 to 2020. We estimate Equation (2), where the dependent variable, *Approval*, is an indicator for loan approval multiplied by 100. We measure a borrower's political affiliation by a dummy variable in columns (1)-(3) and a continuous variable in columns (4)-(6). *I(Rep)* is an indicator for likely Republican borrowers, and takes the value of one if the majority in the county of their house votes for Republican in the previous presidential election. *%Rep* is a continuous variable measuring the fraction of Republican votes in the county of their house in the previous presidential election. *Rep Presi* is an indicator for periods of a Republican president, taking the value of one if the year of mortgage application is between 2001 and 2008 or between 2017 and 2020. Fixed effects are as indicated at the bottom of each column. Loan-level controls include borrower demographics (ethnicity, race, and gender), the existence of a co-borrower, an indicator for the loan purpose (purchase or refinance), the natural logarithm of borrower's annual income, and the natural logarithm of loan amount. Table A.1 provides variable definitions. Standard errors reported in parentheses are clustered at the county level. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

Table 5: Borrowers' Risk-Taking in Different Subsamples: Applications, Originations, and GSE Acquisitions

Panel A. Political Measure: Republican Dummy						
Outcome	Loan-to-Income			Loan Amount		
Sample	All Applications	Originated	GSE-Acquired	All Applications	Originated	GSE-Acquired
	(1)	(2)	(3)	(4)	(5)	(6)
I(Rep)*Rep Presi	0.030***	0.032***	0.007	11.242***	11.862***	8.625***
	(0.011)	(0.010)	(0.009)	(1.632)	(1.629)	(1.269)
Outcome SD	1.3	1.2	1.2	118.7	120.0	122.6
Partisan Effect as %SD	2.3	2.6	0.6	9.5	9.9	7.0
Observations	130,249,939	101,873,480	41,255,185	130,249,939	101,873,480	41,255,185
Adj-R^2	0.485	0.487	0.497	0.644	0.651	0.653
County FE	Yes	Yes	Yes	Yes	Yes	Yes
State-Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Lender-Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Panel B. Political Measure: Republican Voting Share						
Outcome	Loan-to-Income			Loan Amount		
Sample	All Applications	Originated	GSE-Acquired	All Applications	Originated	GSE-Acquired
	(1)	(2)	(3)	(4)	(5)	(6)
%Rep*Rep Presi	0.138***	0.142***	0.064*	32.442***	34.948***	26.085***
	(0.051)	(0.046)	(0.037)	(6.681)	(6.636)	(5.172)
Outcome SD	1.3	1.2	1.2	118.7	120.0	122.6
Partisan Effect as %SD	10.5	11.5	5.3	27.3	29.1	21.3
Observations	130,249,939	101,873,480	41,255,185	130,249,939	101,873,480	41,255,185
Adj-R^2	0.485	0.487	0.497	0.644	0.652	0.654
County FE	Yes	Yes	Yes	Yes	Yes	Yes
State-Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Lender-Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes	Yes

Notes: This table examines the effect of political alignment on mortgage borrowers' risk-taking using data from the Home Mortgage Disclosure Act (HMDA). The sample includes all single-family, owner-occupied, conforming mortgage loan applications from 2001 to 2023. The sample is restricted to loans in counties that never switched the majority of votes in presidential elections from 2000 to 2020. We estimate Equation (2) using different subsamples as indicated by column titles: "All Applications" uses the full HMDA sample, "Originated" uses the subsample of approved applications, and "GSE-Acquired" further restricts the subsample to originated loans acquired by the GSEs in the calendar year of origination. Dependent variables are as indicated by column titles: *Loan-to-Income* is the ratio of loan amount to borrower's gross annual income; *Loan Amount* is the principal balance of a mortgage loan at origination (in thousands of dollars). We measure a borrower's political affiliation by a dummy variable in Panel A and a continuous variable in Panel B. *I(Rep)* is an indicator for likely Republican borrowers, and takes the value of one if the majority in the county of their house votes for Republican in the previous presidential election. *%Rep* is a continuous variable measuring the fraction of Republican votes in the county of their house in the previous presidential election. *Rep Presi* is an indicator for periods of a Republican president, taking the value of one if the year of mortgage application is between 2001 and 2008 or between 2017 and 2020. Outcome SD is the standard deviation of the dependent variable in the corresponding estimation sample. Partisan Effect as %SD is the ratio (in percentage) of the coefficient on *I(Rep)*Rep Presi* to Outcome SD in Panel A, or the ratio (in percentage) of the coefficient on *%Rep*Rep Presi* to Outcome SD in Panel B. Fixed effects are as indicated at the bottom of each column. Loan-level controls include borrower demographics (ethnicity, race, and gender), the existence of a co-borrower, an indicator for the loan purpose (purchase or refinance), and the natural logarithm of borrower's annual income. Table A.1 provides variable definitions. Standard errors reported in parentheses are clustered at the county level. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

Table 6: Heterogeneous Effect of Political Alignment on Mortgage Borrowers' Risk-Taking

Panel A. Outcome: Loan-to-Value Ratio				
	(1)	(2)	(3)	(4)
I(Rep)*Rep Presi*Deep	0.405			
	(0.273)			
I(Rep)*Rep Presi*Low LTV		0.580***		
		(0.140)		
I(Rep)*Rep Presi*High Inc			0.754***	
			(0.235)	
I(Rep)*Rep Presi*Refi				1.118***
				(0.189)
Observations	37,320,776	37,320,776	37,320,776	37,320,776
Adj-R^2	0.316	0.610	0.317	0.317
Baseline FEs and Controls	Yes	Yes	Yes	Yes
Panel B. Outcome: ln(Loan Amount)				
	(1)	(2)	(3)	(4)
I(Rep)*Rep Presi*Deep	0.037***			
	(0.008)			
I(Rep)*Rep Presi*Low LTV		0.024***		
		(0.004)		
I(Rep)*Rep Presi*High Inc			0.034***	
			(0.007)	
I(Rep)*Rep Presi*Refi				0.030***
				(0.005)
Observations	37,320,776	37,320,776	37,320,776	37,320,776
Adj-R^2	0.473	0.488	0.473	0.474
Baseline FEs and Controls	Yes	Yes	Yes	Yes

Notes: This table presents the heterogeneity in the effect of political alignment on mortgage borrowers' risk taking. The sample includes all 30-year, owner-occupied, conforming mortgage loans acquired by Fannie Mae and Freddie Mac that were originated from 2000Q4 to 2023Q4. The sample is restricted to loans in zip codes that never switched the majority of votes in presidential elections from 2000 to 2020. Specifications mirror the columns with the full set of controls and fixed effects in Table 2, except that each column now includes the full set of interactions between *I(Rep)*, *Rep Presi*, and the corresponding heterogeneity variable. We report only the coefficients on the triple interaction terms for brevity. The dependent variable in Panel A is *Loan-to-Value*, the ratio (in percentage) of the amount of all outstanding loans at origination to the value of the property, and the dependent variable in Panel B is *ln(Loan Amount)*, the natural logarithm of the principal balance of a mortgage loan at origination (in thousands of dollars). *I(Rep)* is an indicator for likely Republican borrowers. A borrower's political affiliation is determined by the majority votes of the three-digit zip code of their house in the previous presidential election. *Rep Presi* is an indicator for periods of a Republican president, taking the value of one if the quarter of mortgage origination is between 2000Q4 and 2008Q3 or between 2016Q4 and 2020Q3. *Deep* is defined at the zip-election year level, taking the value of one if a Republican-leaning zip's Republican voting share is above median among all Republican zips or if a Democratic-leaning zip's Republican voting share is below median among all Democratic zips. *Low LTV* takes the value of one if the loan-to-value ratio is below 80. *High Inc* is defined at the zip code level, taking the value of one if a zip's average weekly wage is above the median among all zips with the same political leaning. *Refi* takes the value of one if the purpose of loan is refinancing. Baseline fixed effects include FICO bucket-quarter fixed effects, lender-quarter fixed effects, zip code fixed effects, and state-quarter fixed effects. Baseline controls include loan-level and zip-code level controls. Loan-level controls include the existence of a co-borrower, an indicator for the loan purpose (purchase or refinance), an indicator for the first home, and the number of units (one, two, three, or four). Zip-code level controls include employment growth, wage growth, and home price growth. Table A.1 provides variable definitions. Standard errors reported in parentheses are clustered at the three-digit zip code level. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

Table 7: Political Alignment and Mortgage Borrowers' Risk-Taking: Zip-Level Evidence

Panel A: Coefficients on $I(Rep) * RepPresi$					
Outcome	Loan-to-Value	Debt-to-Income	Loan Amount	ln(Loan Amount)	Loan Rate
	(1)	(2)	(3)	(4)	(5)
Unmatched Sample	0.373***	0.299***	9.218***	0.009**	0.012***
N = 37,320,814	(0.088)	(0.049)	(1.692)	(0.004)	(0.003)
Matched Sample	0.294***	0.247***	7.565***	0.012***	0.007***
N = 22,593,092	(0.095)	(0.044)	(1.544)	(0.004)	(0.003)
Zip3 FE	Yes	Yes	Yes	Yes	Yes
State-Quarter FE	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes
Panel B: Coefficients on $\%Rep * RepPresi$					
Outcome	Loan-to-Value	Debt-to-Income	Loan Amount	ln(Loan Amount)	Loan Rate
	(1)	(2)	(3)	(4)	(5)
Unmatched Sample	1.949***	0.915***	43.003***	0.052***	0.035***
N = 37,320,814	(0.401)	(0.158)	(6.388)	(0.013)	(0.009)
Matched Sample	1.947***	0.771***	38.671***	0.054***	0.028***
N = 22,593,092	(0.419)	(0.146)	(6.057)	(0.013)	(0.009)
Zip3 FE	Yes	Yes	Yes	Yes	Yes
State-Quarter FE	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes

Notes: This table examines the effect of political alignment on mortgage borrowers' risk-taking at the more aggregated, three-digit zip code level. We construct the zip-quarter level sample from the loan-level sample by taking the average of variables across all loans in each zip-quarter. The sample period spans from 2000Q4 to 2023Q4. The sample only includes zip codes that never switched the majority votes in presidential elections from 2000 to 2020. We estimate Equation (3) using the zip-quarter sample, where observations are weighted by the number of loan observations in a given zip-quarter. "Unmatched Sample" uses the full zip-quarter sample, and "Matched Sample" only includes loans in matched zip codes. Specifically, we perform nearest-neighbor matching without replacement to match one Republican zip with one Democratic zip based on their employment, wage, and home price growth in each quarter. We impose a 0.1 caliper for better matching quality (results are robust to alternative caliper values). We run the regression using only the zip codes with successful matches. Dependent variables are as indicated by column titles. We measure a zip code's political leaning by a dummy variable in Panel A and a continuous variable in Panel B. *I(Rep)* takes the value of one if the majority of a zip code votes for Republican in the previous presidential election. *%Rep* is a continuous variable measuring the fraction of Republican votes in the zip code in the previous presidential election. *Rep Presi* is an indicator for periods of a Republican president, taking the value of one if the quarter of mortgage origination is between 2000Q4 and 2008Q3 or between 2016Q4 and 2020Q3. Fixed effects are as indicated at bottom of each column. Loan-level controls include the existence of a co-borrower, an indicator for the loan purpose (purchase or refinance), an indicator for the first home, and the number of units (one, two, three, or four). Zip-code level controls include employment growth, wage growth, and home price growth. Table A.1 provides variable definitions. Standard errors reported in parentheses are clustered at the three-digit zip code level. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

Table 8: Political Alignment and Origination Volume: Zip-Level Evidence

Panel A. Political Measure: Republican Dummy				
Sample	Purchase & Refinance		Purchase Only	
Outcome	ln(Total Loan Amount)	ln(Number of Loans)	ln(Total Loan Amount)	ln(Number of Loans)
	(1)	(2)	(3)	(4)
I(Rep)*Rep Presi	0.068**	0.054**	0.094***	0.088***
	(0.029)	(0.026)	(0.032)	(0.030)
Observations	29,870	29,870	29,785	29,785
Adj-R^2	0.975	0.974	0.976	0.974
Zip3 FE	Yes	Yes	Yes	Yes
State-Quarter FE	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes
Panel B. Political Measure: Republican Voting Share				
Sample	Purchase & Refinance		Purchase Only	
Outcome	ln(Total Loan Amount)	ln(Number of Loans)	ln(Total Loan Amount)	ln(Number of Loans)
	(1)	(2)	(3)	(4)
%Rep*Rep Presi	0.307***	0.260***	0.384***	0.369***
	(0.106)	(0.096)	(0.107)	(0.097)
Observations	29,870	29,870	29,785	29,785
Adj-R^2	0.976	0.974	0.972	0.969
Zip3 FE	Yes	Yes	Yes	Yes
State-Quarter FE	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes

Notes: This table examines how zip codes' credit expansion relates to being politically aligned with the sitting president. We construct the zip-quarter level sample from the loan-level sample by taking the average of variables across all loans in each zip-quarter. The sample period spans from 2000Q4 to 2023Q4. The sample only includes zip codes that never switched the majority votes in presidential elections from 2000 to 2020. We use the "Matched Sample" in Table 7 to estimate Equation (3). Specifically, we perform nearest-neighbor matching without replacement to match one Republican zip with one Democratic zip based on their employment, wage, and home price growth in each quarter. We impose a 0.1 caliper for better matching quality (results are robust to alternative caliper values). We run the regression using only the zip codes with successful matches. Observations are unweighted. Dependent variables are as indicated by column titles: *ln(Total Loan Amount)* is the natural logarithm of the total loan amount for a zip-quarter; *ln(Number of Loans)* is the natural logarithm of the number of loans for a zip-quarter. Columns (1)-(2) aggregate the origination volume for home purchase and refinancing loans, while columns (3)-(4) only consider loans for home purchase. We measure a zip code's political leaning by a dummy variable in Panel A and a continuous variable in Panel B. *I(Rep)* takes the value of one if the majority of a zip code votes for Republican in the previous presidential election. *%Rep* is a continuous variable measuring the fraction of Republican votes in the zip code in the previous presidential election. *Rep Presi* is an indicator for periods of a Republican president, taking the value of one if the quarter of mortgage origination is between 2000Q4 and 2008Q3 or between 2016Q4 and 2020Q3. Fixed effects are as indicated at bottom of each column. Loan-level controls include the existence of a co-borrower, an indicator for the loan purpose (purchase or refinance), an indicator for the first home, and the number of units (one, two, three, or four). Zip-code level controls include employment growth, wage growth, and home price growth. Table A.1 provides variable definitions. Standard errors reported in parentheses are clustered at the three-digit zip code level. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

Appendix A: Appendix Tables

Table A.1: Variable Definitions

Variable	Description
Dependent Variables	
Loan-to-Value	Ratio, expressed as a percentage, of the amount of all outstanding loans at origination to the value of the property [Source: Fannie Mae and Freddie Mac]
Debt-to-Income	Ratio, expressed as a percentage, of the borrower's total monthly debt to gross monthly income [Source: Fannie Mae and Freddie Mac]
Loan Amount	For Fannie Mae and Freddie Mac data: principal balance of a mortgage loan at origination in thousands of dollars. For HMDA data: amount of loan applied for
ln(Loan Amount)	For Fannie Mae and Freddie Mac data: natural logarithm of the principal balance of a mortgage loan at origination in thousands of dollars. For HMDA data: natural logarithm of the loan amount a borrower applied for in thousands of dollars
Loan Rate	Annual percentage rate charged by the lender at origination [Source: Fannie Mae and Freddie Mac]
Approval	Indicator variable that equals one if the loan application is approved by lender, multiplied by 100 [Source: HMDA]
Loan-to-Income	Ratio of loan amount to borrower's gross annual income [Source: HMDA]
ln(Total Loan Amount)	Natural logarithm of the dollar volume (in thousands) of GSE-acquired conforming loans in a zip-quarter [Source: Fannie Mae and Freddie Mac]
ln(Number of Loans)	Natural logarithm of the total number of GSE-acquired conforming loans in a zip-quarter [Source: Fannie Mae and Freddie Mac]

(continued)

Political Measures	
I(Rep)	Indicator variable that equals one if the majority in the zip code (or county) of the borrower's house votes for Republican in the previous presidential election [Source: MIT Election Lab and authors' calculation]
%Rep	Fraction of Republican votes in the zip code (or county) of the borrower's house in the previous presidential election [Source: MIT Election Lab and authors' calculation]
Rep Presi	Indicator variable that equals one if: for Fannie Mae and Freddie Mac data, the quarter of mortgage origination is between 2000Q4 and 2008Q3 or between 2016Q4 and 2020Q3; for HMDA data, the year of mortgage application is between 2001 and 2008 or between 2017 and 2020.
Loan Controls	
FICO	Borrower's FICO score at origination [Source: Fannie Mae and Freddie Mac]
FICO Bucket	The credit bucket used by Fannie Mae and Freddie Mac in their loan-level price adjustment matrix [Source: Fannie Mae and Freddie Mac]
I(Coborrower)	Indicator variable that equals one if the loan has a co-borrower [Source: Fannie Mae and Freddie Mac / HMDA]
I(Refinancing)	Indicator variable that equals one if the purpose of loan is refinancing and zero if the purpose is home purchase [Source: Fannie Mae and Freddie Mac / HMDA]
I(First Home)	Indicator variable that equals one if the borrower is qualified as a first-time homebuyer [Source: Fannie Mae and Freddie Mac]
n(Units)	Number of units comprising the property (one, two, three, or four) [Source: Fannie Mae and Freddie Mac]
Ethnicity	Categorical variable for borrower's ethnicity with three categories: (1) Hispanic or Latino, or Joint; (2) not Hispanic or Latino; (3) ethnicity not available [Source: HMDA]

(continued)

Race	Categorical variable for borrower's race with five categories: (1) Asian; (2) Black or African American; (3) White; (4) all other groups, including American Indian or Alaska Native, Native Hawaiian or other Pacific Islander, or Joint; (5) race not available [Source: HMDA]
Gender	Categorical variable for borrower's gender with four categories: (1) male; (2) female; (3) Joint; (4) gender not available [Source: HMDA]
ln(Income)	Natural logarithm of borrower's gross annual income in thousands of dollars [Source: HMDA]
Zip Controls	
Emp Growth	Year-over-year growth of average monthly employment of a zip-quarter [Source: Quarterly Census of Employment and Wages and authors' calculation]
Wage Growth	Year-over-year growth of average weekly wage of a zip-quarter [Source: Quarterly Census of Employment and Wages and authors' calculation]
HPI Growth	Year-over-year growth of FHFA House Price Index of a zip-quarter [Source: Federal Housing Finance Agency]
Variables for Heterogeneity Analysis	
Deep	Indicator variable that equals one if: for a Republican-leaning zip code, its Republican voting share is above median among all Republican zips; for a Democratic-leaning zip code, its Republican voting share is below median among all Democratic zips [Source: MIT Election Lab and authors' calculation]
Low LTV	Indicator variable that equals one if the loan-to-value ratio is below 80 [Source: Fannie Mae and Freddie Mac]
High Inc	Indicator variable that equals one if a zip code's average weekly wage is above the median among all zips with the same political leaning [Source: Fannie Mae and Freddie Mac]
Refi	Indicator variable that equals one if the purpose of loan is refinancing [Source: Fannie Mae and Freddie Mac]

Table A.2: Distribution of Zip Code's Republican Voting Shares

	Variable: %Rep					
Sample Periods	N	Mean	SD	p(25)	p(50)	p(75)
2000Q4-2004Q3	8,214,169	0.48	0.13	0.37	0.47	0.59
2004Q4-2008Q3	4,832,579	0.51	0.14	0.40	0.49	0.63
2008Q4-2012Q3	5,253,276	0.43	0.15	0.30	0.40	0.57
2012Q4-2016Q3	5,300,032	0.46	0.16	0.32	0.43	0.60
2016Q4-2020Q3	7,976,057	0.48	0.18	0.34	0.47	0.63
2020Q4 onward	5,744,701	0.46	0.17	0.33	0.43	0.62

Notes: This table reports the distribution of our continuous political measure *%Rep* by election cycle. The sample includes all 30-year, owner-occupied, conforming mortgage loans acquired by Fannie Mae and Freddie Mac that were originated from 2000Q4 to 2023Q4. The sample is restricted to loans in zip codes that never switched the majority of votes in presidential elections from 2000 to 2020. A borrower's political affiliation is determined by the majority votes of the three-digit zip code of their house in the previous presidential election. We report the distribution of *%Rep*, the fraction of Republican votes in the three-digit zip code in the previous presidential election. N is the number of loan observations between the two elections. For example, there are 8.2 million sample loans that were originated and acquired by Fannie Mae and Freddie Mac from 2000Q4 to 2004Q3.

Table A.3: Summary Statistics by Political Leaning

Party	Republican-Leaning			Democratic-Leaning		
Variables	Mean	Median	SD	Mean	Median	SD
Political Measures						
I(Rep)	1	1	0	0	0	0
%Rep Votes	0.63	0.62	0.07	0.35	0.36	0.08
Outcome Variables						
Loan-to-Value	77.38	80	15	72.48	77	17
Debt-to-Income	34.27	35	11	34.99	36	11
Loan Amount	197.69	175	104	269.47	243	142
ln(Loan Amount)	5.15	5.16	0.53	5.45	5.49	0.55
Loan Rate	4.91	4.75	1.30	4.86	4.75	1.33
Loan Controls						
FICO	740.56	750	51	744.14	755	51
I(Coborrower)	0.54	1	0.5	0.50	0	0.5
I(Refinance)	0.50	1	0.5	0.58	1	0.5
I(First Home)	0.17	0	0.4	0.20	0	0.4
n(Units)	1.00	1	0.1	1.03	1	0.2
Zip Controls						
Emp Growth	0.84	1.34	3.57	-0.07	0.79	4.46
Wage Growth	3.44	3.17	3.01	3.56	3.18	3.59
Home Price Growth	5.76	4.98	7.06	5.73	5.61	7.52
N	16,294,940			21,025,874		

Notes: This table reports summary statistics for our main estimation sample by political leaning. The sample includes all 30-year, owner-occupied, conforming mortgage loans acquired by Fannie Mae and Freddie Mac that were originated from 2000Q4 to 2023Q4. The sample is restricted to loans in zip codes that never switched the majority of votes in presidential elections from 2000 to 2020. A borrower's political affiliation is determined by the majority votes of the three-digit zip code of their house in the previous presidential election. The "Republican" subsample includes loans in zip codes with Republican majority votes, and the "Democratic" subsample includes loans in zip codes with Democratic majority votes. Table A.1 provides variable definitions.

Table A.4: Robustness: Alternative Political Measures

Panel A. Political Measure: Republican Dummy					
Outcome	Loan-to-Value	Debt-to-Income	Loan Amount	ln(Loan Amount)	Loan Rate
	(1)	(2)	(3)	(4)	(5)
I(Rep)*Rep Presi	0.416***	0.315***	10.965***	0.013***	0.009***
	(0.080)	(0.051)	(1.786)	(0.004)	(0.002)
Observations	36,947,059	36,947,059	36,947,059	36,947,059	36,947,059
Adj-R^2	0.315	0.114	0.502	0.482	0.949
FICO Bucket-Quarter FE	Yes	Yes	Yes	Yes	Yes
Lender-Quarter FE	Yes	Yes	Yes	Yes	Yes
Zip3 FE	Yes	Yes	Yes	Yes	Yes
State-Quarter FE	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes
Panel B. Political Measure: Republican Voting Share					
Outcome	Loan-to-Value	Debt-to-Income	Loan Amount	ln(Loan Amount)	Loan Rate
	(1)	(2)	(3)	(4)	(5)
%Rep	-1.810*	-2.501***	-132.199***	-0.108***	-0.077***
	(0.995)	(0.540)	(15.953)	(0.039)	(0.026)
%Rep*Rep Presi	1.796***	0.805***	47.251***	0.077***	0.026***
	(0.354)	(0.163)	(6.403)	(0.016)	(0.008)
Observations	36,947,059	36,947,059	36,947,059	36,947,059	36,947,059
Adj-R^2	0.315	0.114	0.502	0.482	0.949
FICO Bucket-Quarter FE	Yes	Yes	Yes	Yes	Yes
Lender-Quarter FE	Yes	Yes	Yes	Yes	Yes
Zip3 FE	Yes	Yes	Yes	Yes	Yes
State-Quarter FE	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes

Notes: This table presents robustness tests for the effect of political alignment on mortgage borrowers' risk-taking using alternative political alignment measures. Sample restrictions and regression specifications mirror the columns with the full set of controls and fixed effects in Table 2 (for Panel A) or Table 3 (for Panel B), except that a zip code's political affiliation and Republican voting share is determined by the current presidential election (instead of the previous one). Specifically, for an election occurred in year t, we apply its voting results to all loans issued from the first quarter of year $t-1$ to the fourth quarter of year $t+2$. For example, we apply the 2016 voting results to all loans issued from 2015Q1 to 2018Q4. Dependent variables are as indicated by column titles: *Loan-to-Value* is the ratio (in percentage) of the amount of all outstanding loans at origination to the value of the property; *Debt-to-Income* is the ratio (in percentage) of the borrower's total monthly debt to gross monthly income; *Loan Amount* is the principal balance of a mortgage loan at origination (in thousands of dollars). *Log(Loan Amount)* is the natural logarithm of *Loan Amount*; *Loan Rate* is the annual percentage rate charged by the lender at origination. We measure a borrower's political affiliation by a dummy variable in Panel A and a continuous variable in Panel B. *I(Rep)* is an indicator for likely Republican borrowers, and takes the value of one if the majority in the county of their house votes for Republican in the previous presidential election. *%Rep* is a continuous variable measuring the fraction of Republican votes in the county of their house in the previous presidential election. *Rep Presi* is an indicator for periods of a Republican president, taking the value of one if the year of mortgage application is between 2001 and 2008 or between 2017 and 2020. Fixed effects are as indicated at the bottom of each column. Loan-level controls include the existence of a co-borrower, an indicator for the loan purpose (purchase or refinance), an indicator for the first home, and the number of units (one, two, three, or four). Zip-code level controls include employment growth, wage growth, and home price growth. Table A.1 provides variable definitions. Standard errors reported in parentheses are clustered at the three-digit zip code level. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

Table A.5: Robustness: Excluding Crisis Periods

Panel A. Political Measure: Republican Dummy					
Outcome	Loan-to-Value	Debt-to-Income	Loan Amount	ln(Loan Amount)	Loan Rate
	(1)	(2)	(3)	(4)	(5)
I(Rep)*Rep Presi	0.414***	0.377***	12.609***	0.025***	0.015***
	(0.110)	(0.058)	(1.856)	(0.005)	(0.003)
Observations	25,173,802	25,173,802	25,173,802	25,173,802	25,173,802
Adj-R^2	0.301	0.114	0.479	0.452	0.936
FICO Bucket-Quarter FE	Yes	Yes	Yes	Yes	Yes
Lender-Quarter FE	Yes	Yes	Yes	Yes	Yes
Zip3 FE	Yes	Yes	Yes	Yes	Yes
State-Quarter FE	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes
Panel B. Political Measure: Republican Voting Share					
Outcome	Loan-to-Value	Debt-to-Income	Loan Amount	ln(Loan Amount)	Loan Rate
	(1)	(2)	(3)	(4)	(5)
%Rep	-5.008***	-5.142***	-165.356***	-0.198***	-0.081***
	(1.359)	(0.783)	(18.160)	(0.047)	(0.028)
%Rep*Rep Presi	1.916***	1.060***	56.082***	0.126***	0.045***
	(0.478)	(0.195)	(7.318)	(0.022)	(0.011)
Observations	25,173,802	25,173,802	25,173,802	25,173,802	25,173,802
Adj-R^2	0.301	0.114	0.480	0.452	0.936
FICO Bucket-Quarter FE	Yes	Yes	Yes	Yes	Yes
Lender-Quarter FE	Yes	Yes	Yes	Yes	Yes
Zip3 FE	Yes	Yes	Yes	Yes	Yes
State-Quarter FE	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes

Notes: This table presents robustness tests for the effect of political alignment on mortgage borrowers' risk-taking by excluding two crisis periods: the 2007-09 global financial crisis and the COVID period. Sample restrictions and regression specifications mirror the columns with the full set of controls and fixed effects in Table 2 (for Panel A) or Table 3 (for Panel B), except that we now exclude all loans originated from 2007 to 2009 or from 2020 to 2022. Dependent variables are as indicated by column titles: *Loan-to-Value* is the ratio (in percentage) of the amount of all outstanding loans at origination to the value of the property; *Debt-to-Income* is the ratio (in percentage) of the borrower's total monthly debt to gross monthly income; *Loan Amount* is the principal balance of a mortgage loan at origination (in thousands of dollars). *Log(Loan Amount)* is the natural logarithm of *Loan Amount*; *Loan Rate* is the annual percentage rate charged by the lender at origination. We measure a borrower's political affiliation by a dummy variable in Panel A and a continuous variable in Panel B. *I(Rep)* is an indicator for likely Republican borrowers, and takes the value of one if the majority in the county of their house votes for Republican in the previous presidential election. *%Rep* is a continuous variable measuring the fraction of Republican votes in the county of their house in the previous presidential election. *Rep Presi* is an indicator for periods of a Republican president, taking the value of one if the year of mortgage application is between 2001 and 2008 or between 2017 and 2020. Fixed effects are as indicated at the bottom of each column. Loan-level controls include the existence of a co-borrower, an indicator for the loan purpose (purchase or refinance), an indicator for the first home, and the number of units (one, two, three, or four). Zip-code level controls include employment growth, wage growth, and home price growth. Table A.1 provides variable definitions. Standard errors reported in parentheses are clustered at the three-digit zip code level. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

Table A.6: Matching Quality

Panel A. Political Measure: Republican Dummy						
Sample	Unmatched Sample			Matched Sample		
Outcome	Emp growth	Wage growth	HPI growth	Emp growth	Wage growth	HPI growth
	(1)	(2)	(3)	(4)	(5)	(6)
I(Rep)*Rep Presi	0.439***	-0.130	-0.517***	-0.004	0.016	0.328
	(0.076)	(0.086)	(0.195)	(0.099)	(0.083)	(0.222)
Observations	37,320,814	37,320,814	37,320,814	22,593,092	22,593,092	22,593,092
Adj-R^2	0.908	0.810	0.922	0.921	0.824	0.936
Zip3 FE	Yes	Yes	Yes	Yes	Yes	Yes
State-Quarter FE	Yes	Yes	Yes	Yes	Yes	Yes
Loan Controls	Yes	Yes	Yes	Yes	Yes	Yes
Panel B. Political Measure: Republican Voting Share						
Sample	Unmatched Sample			Matched Sample		
Outcome	Emp growth	Wage growth	HPI growth	Emp growth	Wage growth	HPI growth
	(1)	(2)	(3)	(4)	(5)	(6)
%Rep*Rep Presi	1.848***	-0.317	-1.316*	0.078	0.009	0.938
	(0.265)	(0.313)	(0.748)	(0.331)	(0.327)	(0.776)
Observations	37,320,814	37,320,814	37,320,814	22,593,092	22,593,092	22,593,092
Adj-R^2	0.908	0.810	0.922	0.921	0.824	0.937
Zip3 FE	Yes	Yes	Yes	Yes	Yes	Yes
State-Quarter FE	Yes	Yes	Yes	Yes	Yes	Yes
Loan Controls	Yes	Yes	Yes	Yes	Yes	Yes

Notes: This table examines the quality of nearest-neighbor matching by comparing zip code fundamentals. We construct the zip-quarter level sample from the loan-level sample by taking the average of variables across all loans in each zip-quarter. The sample period spans from 2000Q4 to 2023Q4. The sample only includes zip codes that never switched the majority votes in presidential elections from 2000 to 2020. We perform nearest-neighbor matching without replacement to match one Republican zip with one Democratic zip based on their employment, wage, and home price growth in each quarter. We impose a 0.1 caliper for better matching quality (results are robust to alternative caliper values). We estimate Equation (3) using the zip-quarter sample, where observations are weighted by the number of loan observations in a given zip-quarter. Because we test for differences in zip code characteristics, we do not include zip code controls. "Unmatched Sample" uses the full zip-quarter sample, and "Matched Sample" only includes loans in matched zip codes. Dependent variables are one of the three zip code-level variables as indicated by column titles: employment growth, wage growth, or home price growth. We measure a zip code's political leaning by a dummy variable in Panel A and a continuous variable in Panel B. *I(Rep)* takes the value of one if the majority of a zip code votes for Republican in the previous presidential election. *%Rep* is a continuous variable measuring the fraction of Republican votes in the zip code in the previous presidential election. *Rep Presi* is an indicator for periods of a Republican president, taking the value of one if the quarter of mortgage origination is between 2000Q4 and 2008Q3 or between 2016Q4 and 2020Q3. Fixed effects are as indicated at bottom of each column. Loan-level controls include the existence of a co-borrower, an indicator for the loan purpose (purchase or refinance), an indicator for the first home, and the number of units (one, two, three, or four). Table A.1 provides variable definitions. Standard errors reported in parentheses are clustered at the three-digit zip code level. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.