DEEKSHA GUPTA

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Contact Information

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Education

Ph.D. in Finance, The Wharton School, University of Pennsylvania. Expected: 2018

- Miller, Anderson and Sherrerd Fellowship (Highest score on the PhD preliminary examination)

M.Sc. in Financial Economics, Said Business School, University of Oxford. 2012

- Dean's List, Distinction

A.B. Applied Mathematics-Economics, Brown University. 2010

- Magna Cum Laude

Research Interests

Corporate Finance, Housing Markets and Financial Stability, Banking

Working Papers

Too Much Skin-in-the-Game? The Effect of Mortgage Market Concentration on Credit and House Prices (Job Market Paper)

- Winner of 2017 WFA-CFAR Best Finance PhD Paper Award, accepted to Colorado Finance Summit Job Market session

During the housing boom, mortgage markets became increasingly concentrated with the government-sponsored enterprises (GSEs) being exposed to over 40 percent of U.S. mortgages in the 2000s. Research on the causes of the pre-crisis rise in risky lending has largely overlooked this trend. I develop a theory where this concentration in mortgage holdings can explain key features of the housing boom and bust. In the model, large lenders with many outstanding mortgages have incentives to extend risky credit to prop up house prices. An increase in concentration can lead to a credit boom with worsening credit quality and a subsequent bust with widespread defaults. The model can generate a negative correlation between credit and income growth across areas (such as ZIP codes) while maintaining a positive correlation between them across borrowers reconciling empirical evidence that has previously seemed contradictory.

Housing Booms and the Crowding-Out Effect (with Itay Goldstein)

- Presented at AFA 2017 Annual Meeting, 2017 SFS Cavalcade North America Meetings, SED 2016 Annual Meeting, Trans-Atlantic Doctoral Conference 2016

Since real estate assets are used as collateral, they help fund investment in the economy. As such, many policies aim to keep the price of housing high in an attempt to stimulate economic activity. However, empirical research on whether high house prices increase investment and wealth accumulation in the economy has found mixed results. In this paper, we propose a novel theoretical channel in which housing price booms can sometimes lead to a crowding-out of firm investment. An increase in real estate prices does not necessarily increase investment even when firms actively use real estate assets as collateral to borrow against and invest the proceeds in positive NPV projects. At times, it can be optimal to decrease the price of housing rather than to support high housing prices to stimulate the economy.

Concentration and Lending in Mortgage Markets (with Ronel Elul and David Musto)

We provide evidence that concentration in mortgage markets can affect the quality of credit. Specifically, we test the theory in Gupta (2017) on whether institutions with a large outstanding exposure to the mortgage market have incentives to extend risky credit to prop up house prices. To discern the effect that different levels of mortgage market exposure can have on the quality of credit, we exploit variation in the size of GSE exposure across MSAs. We find that in 2007 when the housing boom ended and private securitizers were exiting the mortgage market, the GSEs increased high-risk mortgage activity in MSAs in which they had large outstanding exposure to the mortgage market. In line with our hypothesis, we also provide evidence that this effect of outstanding share on risky activity is driven by an incentive to keep house prices high.

The Politics of Banking and Income Redistribution

- Presented at Trans-Atlantic Doctoral Conference 2015

This paper examines how growing income inequality in the United States along with political incentives for holding office contributed to the recent housing crisis. I show that in the presence of positive social externalities from homeownership, governments can use securitization of bank mortgages by government-backed agencies as a policy tool to direct mortgage loans optimally to certain borrowers. However, if the proportion of borrowers who require subsidies to becomes homeowners is large enough and politicians have a preference for holding office, government policies feature an inefficient expansion of easy mortgage credit. This creates a period of excessive homeownership with an over-supply of credit and a subsequent reduction in future credit. Furthermore, I show that any preference for holding office, no matter how small, can overturn welfare implications of government policy aimed at providing housing access.

Teaching Experience

Teaching Assistant, The Wharton School, University of Pennsylvania

Corporate Finance and Financial Institutions, PhD class (2016)

Finance in Europe, MBA/Executive MBA (2017, 2016, 2015)

Corporate Valuation, MBA/Executive MBA/Undergraduate (2015, 2014, 2013)

Fixed Income, MBA/ Undergraduate (2015, 2015)

Behavioral Finance, MBA/ Undergraduate (2015)

Private Wealth Management (2015, 2014)

Teaching Assistant, Brown University

Principles of Economics (2010, 2009)

Multivariable Calculus (2008)

Other Positions

Research Associate, Antitrust and Intellectual Property, NERA Economic Consulting (2010 - 2011)

Actuarial Intern, Reinsurance Department, New York Life Insurance (2009)

Conference Presentations

SFS Cavalcade North America Meetings (2017)

American Finance Association Annual Meeting (2017)

Cornell Household and Behavioral Finance Symposium (2017)

Society for Economic Dynamics Annual Meeting (2016)

Trans-Atlantic Doctoral Conference (2015, 2016)

Honors and Awards

Wells Fargo Advisors Center for Finance and Accounting Research

Best Finance PhD Paper Award (2017)

University of Pennsylvania

Rodney L. White Center for Financial Research Grant (2017)

Dean's Fellowship for Distinguished Merit (2012-2016)

Wharton School Doctoral Travel Grant (2016)

American Finance Association

Travel Grant for San Francisco Meetings (2016)

Brown University

Harrison Family Presidential Scholar, Shoman Scholar, Davis Scholar (2006-2010)

Full Scholarship for Undergraduate Studies (2006-2010)

Referee Service

Economics Letters

Languages

English (native), Hindi (native), Punjabi (native), French (Intermediate), Italian (Beginner)

References

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