

Spatial contagion in mortgage defaults: a survival approach

This paper proposes a spatial discrete survival model to estimate the time to default for UK mortgages. The model includes a flexible parametric link function given by the Generalised Extreme Value Distribution and a dynamic spatially varying baseline hazard function to capture neighborhood effects over time. We incorporate time varying variables into the model and we estimate it in a Bayesian framework using Gibbs sampling. The gains of the proposed model are illustrated through the analysis of a UK dataset.