

**Subprime Crisis Research Program Report for the Hoyt Website:**

**Featuring Both the Report of the White Paper Task Force titled  
“Policy Analyses for a Strategic Approach to Deal with the Subprime Crisis”[\[link\]](#)  
And  
A Series of Essays Emerging During the Program Titled as Follows:**

[Fall 2007: Don't Panic Yet](#) : A Strategy for Dealing with the Risk of an Emerging Housing Bubble Resulting from the Interdependence of Space and capital Markets

The Market as an Icon: The Case of the Subprime Mortgage Debacle

[Spring 2008: Panic Doesn't Help - Strategy Does: A Personal Perspective](#)

[Fall 2008: Developing Policy for Dealing with the Subprime Crisis: A Matter of Justice](#)

- Wealth Destruction [\[link to chapter 8\]](#)
- Marketing Toxic Tranches: Include the Other Parts of the Mortgage Derivatives Underlying the Subprime Crisis
- Taking Advantage of the American Public
- Crises Extrication: The Housing Debacle, Credit Crunch, and Government Mismanagement
- Insuring Toxic Mortgage Derivatives: What the Proposed Legislation is Calling "Troubled Assets"
- A More Palatable Emergency Economic Stabilization Act of 2008

## Subprime Crisis Research Program Report for the Hoyt Website

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## Subprime Crisis Research Program Report

### Preface

This is a working copy of a detailed document that reports to the funders and potential funders how the program emerged and what was done within the first year. As of this writing not all of the funds have been allocated, but the plan is to make all financial expenditures by the end of the second year during which the program is being transformed into the development of a program for the enhancement of the paradigm essential to a better understanding capital and real estate markets.

The shortfall in the understanding the operation of the markets is discussed in a Chapter 10, "Enhancing the Paradigm for Capital and Real Estate Markets as a Response to the Subprime Crisis: A Strategic Approach." That chapter is a work in progress. The form which it currently takes is as a planning document.

Any additional activities for beyond the first year will require additional funding. This document is being posted on the Hoyt website, [www.hoyt.org](http://www.hoyt.org), with the possibility of some portions provided in hard copy for those who have provided financial support or would consider providing financial support. Additionally, some hard copy portions may be used in an outreach effort to better educate decision makers in the process, including both the private and public sectors.

As a working document it provides background for determination of the expenditure of the remaining portion of the \$180,000 raised for the program. The White Paper, in progress at this time, is used to generate discussion of what projects will be funded. It will also be used to identify high priority projects for which funding will be sought, especially as it relates to enhancing the paradigm for understanding capital and real estate markets.

The September 15 meeting of the Subprime Crisis Steering Committee provided a venue for the discussion of the White Paper, as far as it has progressed and is reported on in Chapter 7 [\[insert link\]](#). An audio of that meeting is on the Hudson Institute website. [\[Insert Link.\]](#)

The White Paper is intended to do at least three things. One, is to illustrates a really good way to look at policy development, i.e., the approach of the University of California, Berkeley, project funded by the Program. Second, is to look at a good mix of policies, some of which have not been rigorously researched. And, thirdly, it is to set the stage for the discussion of what further research is most relevant. As of this writing it is not complete, but Chapter one contains the Power Point presentation.

. [\[Insert Link.\]](#)

## Prologue

The purpose of the Homer Hoyt Institute's Subprime Crisis Research Program is to facilitate the development and dissemination of a research agenda and research product to address critical issues in mortgage markets and their related consequences. This research program is an outgrowth of a Research Roundtable, "Developing a Research Agenda on the Subprime Mortgage Crisis," initially co-sponsored by the University of Pennsylvania's Institute for Urban Research and the Hudson Institute. It was chaired by John Weicher and Susan Wachter with Richard Green and Maury Seldin serving on the steering committee.

The Subprime Crisis Research Program is part of HHI's continuing efforts to gain a better understanding of the system to help improve the quality of real estate related decisions. As the scope and nature of the economic and social disruptions occasioned by the mortgage market crisis continues to emerge, HHI participates with other concerned entities, institutions and individuals to develop research tools, models and policies to address short and long term issues focusing on effective strategies to reflect underlying values. The HHI has a tradition of linking industry, academia, and government, especially with [research roundtables](#).

Preparatory to the research roundtable process, the Institute commissioned a [Literature Review](#) to get an understanding of the current state of knowledge and research in this area. As a follow-up, the Institute worked with prominent organizations and institutions to bring concerned parties together in a cooperative effort intended to lead to the support and dissemination of relevant rigorous research. As an early step in this process, the Institute also commissioned a study to summarize the availability of [data for research](#) and analytical purposes, [Bobbi please [add link to data study](#)]

The Homer Hoyt Institute has a longstanding commitment to expand and disseminate the real estate body of knowledge in an effort to improve the quality of real estate decisions. This is part of a broader societal goal of encouraging academic research that makes a real difference in people's lives.

This presentation leads off with the [Report of the White Paper Task Force](#) of the Subprime Crisis Research Council. [That document is not available yet] [add link when available](#) It is designed to be accompanied by the executive summary of the research program (the second chapter of the report) [add link](#) and one of the appendices (a document about the Subprime Crisis Research Program and its supported [Subprime Crisis Research Council](#)). [add link](#) These three parts are designed to be available as separate documents and as combinations. The full document will be available on the web which will include an appendix that contains copies of some research supported by the program and references to some other research especially relevant. The entire presentation, with the exception of the appendix that provides electronic copies of research results an electronic links to research papers, has limited availability in hard copy.

As further background, the [Subprime Crisis Research Council](#) (SCRC), [add link to May 8 draft or subsequent document](#) originated as the Subprime Crisis Research Consortium, co-sponsoring a research roundtable on October 24, 2007 in Washington D.C. The

Homer Hoyt Institute (HHI), founded in 1967, is an independent not-for-profit organization dedicated to improving the quality of real estate decisions through facilitating the development and dissemination of knowledge. That initiative emerged from a series of communications among some of the members of the HHI Board of Directors discussing the worsening subprime crisis and the potential of a substantial financial commitment of HHI to support research that could ameliorate the impact through improving the forecasts of outcomes of alternative policies.

Dr. Maury Seldin, Chairman of the Board of HHI, enlisted Dr. Susan Wachter (Co-Director of University of Pennsylvania's Institute for Urban Research) and Dr. John Weicher (Director of Hudson Institute's Center for Housing and Financial Markets) to Co-chair the Research Roundtable that was held at the Hudson Institute. Dr. Wachter was an Assistant Secretary for Policy Development and Research at HUD under a Democratic administration and Dr. Weicher was an Assistant Secretary for Policy Development and Research at HUD under a Republican administration. The balance in perspectives of the leadership was an important consideration, especially because HHI is not a political partisan, does not engage in lobbying; rather, HHI focuses on facilitating research that improves the quality of real estate related decisions.

Most members of this leadership team are also members of the faculty of the Weimer School of Advanced Studies in Real Estate and Land Economics of the Maury Seldin Advanced Studies Institute (<sup>M</sup><sub>S</sub>ASI). Dr. Richard Green (then a Chaired Professor of Real Estate and Finance at George Washington University who has since moved to become a chaired professor at the University of Southern California) is also a member of the faculty of Weimer School; but, additionally, in his capacity of faculty member of the Weimer School, had the responsibility for the May 2008 Weimer School Session which was devoted to research on the subprime crisis. He was added to the Executive Committee of the newly formed SCRC; and, the consortium included the George Washington University's Institute for Public Policy as well as the University of Pennsylvania's Institute for Urban Research, Hudson Institute's Center for Housing and Financial Markets, and the Homer Hoyt Institute's Subprime Crisis Research Program. The consortium evolved to become the Subprime Crisis Research Council.

With the addition of the SCRC White Paper Task Force, Dr. Robert Edelstein, its chair, was added. Robert is also a faculty member of the Weimer School. Also, with the addition of the Committee for Expanding Programs, Dr. Amy Crews Cutts, its chair, was added.

HHI committed \$100,000 to fund the program. Supplemental funding, in \$25,000 blocks, was obtained from Freddie Mac, Mortgage Bankers Association, and National Association of Realtors. Additionally, an unsolicited gift of \$5,000 was received from the Andrew Davidson Company bringing the budget, thus far, to \$180,000. Additional funding is welcome to facilitate continuation of the program beyond the first year funding.

This presentation is organized as follows: Chapter 1 is The White Paper on the Subprime Crisis; Chapter 2 is the Executive Summary of the Research Program (these two chapters are also distributed separately from the whole report, as is an appendix, *About SCRC*); Chapter 3, The Decision to Sponsor the Research Roundtable summarizes work prior to the Research Roundtable, Chapter 4 reports on the Research Roundtable; Chapter 5 reports Requests for Proposals and other Phase II Activities;

Chapter 6 reports on the Subprime Crisis Research Council Symposium (an open forum) at the ARES Meetings; Chapter 7 reports on the White paper meeting that winds up the year's events. Chapter 8 reports on the Paulson Proposal and subsequent events in the form of a series of essays. Chapter 9 continues with unfolding events and focuses on creation of the website as well as the underlying thesis of the research program. That chapter has at its end links to the three essays published in the Maury Seldin Advanced Studies Institute / Hoyt Fellows (<sup>M</sup><sub>S</sub>ASI/HF) Newsletter.

Appendix A reports on the literature review and data study provided to launch the research programs, [\[insert link\]](#) Appendix B reports on the SCRC, including its origin, purpose, programs, organization, people, and prospects[\[insert link\]](#). Appendix C provides copies of and references to some research supported by the program or otherwise especially relevant. [\[insert link\]](#)

The White Paper Report will be widely distributed, along with appropriate companion materials, in an effort to improve the quality of decisions.

### **The Executive Summary of the Subprime Crisis Research Program**

This Executive Summary of the Subprime Crisis Research Program is a companion piece to the white paper titled "Policy Analyses for a Strategic Approach to Deal with the Subprime Crisis." As such it is intended to place that white paper in the context of an effort of academia to assist in the process of improving decisions to get us out of this mess and to avoid recurrence of similar debacles.

The effort is described in detail in the full report. This summary is not a chapter by chapter summary of the report. Rather, it is a perspective of the activities that puts the detailed report into a context of efforts to improve decisions by improving strategies of the various players in the process.

#### **Concern Launches the Subprime Crisis Research Program (SCRPP)**

In August 2007, newspaper reports of capital markets intervention by the Federal Reserve in what has become known as the subprime crisis (when Countrywide Financial was unable to get buyers for its commercial paper as it usually did) and a newspaper story of cascading housing prices in Maple Heights, Ohio, prompted the leadership of the Homer Hoyt Institute (HHI) to explore funding research to ameliorate the problem. That led to the Institute allocating \$100,000 to its Subprime Crisis Research Program.

In order to best determine projects to be funded, HHI enlisted the leadership of two former HUD Assistant Secretaries for Policy Development and Research (one who had served in a Republican Administration and the other who had served in a Democratic Administration) to co-chair a research roundtable. A literature review was funded and produced before the roundtable, which included presentations and discussions ranging from the causes of the crisis to a variety of proposals to deal with it and prevent it from recurring in the future.

Immediately after the roundtable research on the availability of data was commissioned along with allocations to other projects designed to foster academic



research that would enhance the quality of forecasts of outcomes of different policies. That allocation was limited to the first \$50,000 of the budget. It was obvious that supplemental funding from other sources would be required.

### **The Approach taken Produces a Subprime Research Council (SCRC)**

In inducing the co-chairs of the research roundtable to undertake the leadership role in what is classified by HHI as its Subprime Crisis Research Program, HHI invited the co-chairs to have their respective institutions co-sponsor the roundtable. That formed a Subprime Crisis Research Consortium which later became a Subprime Crisis Research Council (SCRC).

The Co-chairs enlisted were Dr. Susan Wachter (Co-Director of University of Pennsylvania's Institute for Urban Research) and Dr. John Weicher (Director of Hudson Institute's Center for Housing and Financial Markets). The initial leadership team also included Dr. Richard Green, who chaired the ensuing May Session of the Weimer School of Advanced Studies in Real Estate and Land Economics. That session, originally scheduled to deal with Greening, was rescheduled to be devoted to the subprime crisis. He was added to the Executive Committee of the newly formed SCRC; and, the consortium was expanded to include the George Washington University's Institute for Public Policy (Dr. Green was then a chaired professor at George Washington University but is now a chaired professor at University of Southern California) as well as the University of Pennsylvania's Institute for Urban Research, Hudson Institute's Center for Housing and Financial Markets, and the Homer Hoyt Institute. The consortium later became the Subprime Crisis Research Council (SCRC).

The Executive Committee of the SCRC was later expanded to include Dr. Robert Edelstein, when the SCRC White Paper Task Force was formed and he was named Chair. Also added to the Executive Committee was Dr. Amy Crews Cutts when she was named Chair of the Committee for Expanding Programs, also formed later. Professor Edelstein is Co-chair of the Fisher Center for Real Estate and Urban Economics at the University of California, Berkeley. Dr. Amy Crews Cutts is Deputy Chief Economist at Freddie Mac.

### **Supporting Relevant Research, Substance and Process**

In an effort to enhance the application of relevance criteria in supporting research the SCRC established a seventeen member Steering Committee with industry representatives as well as academicians. In addition to representatives of the three organizations that provided major supplemental funding (\$25,000) each (Freddie Mac, Mortgage Bankers Association, and the National Association of Realtors), the steering committee includes two Hoyt Fellows (Andrew Davidson of Andrew Davidson Co. and Mark Zandi of Moody's Economy.com) extremely knowledgeable about the issues.

The approach taken was to develop a request for proposals (RFP) for a second round of funding that would be widely circulated. That was done with the result of more fundable requests than funding available. The RFP that went out had the content as indicated in the box that follows.

“While we welcome any proposal relating to subprime issues, the Institute is particularly interested in the following:

#### Historical Perspectives and Causes of the Problem

- (1) Research on the history of past mortgage crises, with particular attention drawn to the antecedents and policy responses (such as the development of the HOLC and the RTC) to those crises. The vision is to develop a set of lessons learned from this economic history.
- (2) Investigation of the underlying causes of the increase in mortgage defaults. While the media have focused attention on resetting interest rates, various mortgage data have shown that foreclosures are rising for all types of mortgages, and recent books of subprime ARM mortgages are experiencing unusually high defaults before interest rates reset.

#### Policy Proposals and Anticipated Responses

- (1) Research on potential policy responses to the apparent seizure in capital markets with respect to mortgages, including both subprime loans and non-conforming (jumbo) mortgages as well as the potential for developing markets for distressed asset resale.
- (2) Analysis of pending policy proposals to deal with the current subprime crises. In particular, the Institute is interested in research that would perform economic analysis of the costs and benefits (both intended and unintended) of legislation proposed in the House, the Senate and the states. Given the urgency of the issues, the Institute will consider proposals whose anticipated deliverable is limited to qualitative results based on rigorous analysis.

#### Economic Analysis and Expected Outcomes

- (1) Analysis of differences in regional mortgage performance outcomes. Housing markets are local, and both the evidence to date and projections for the future indicate that there are wide disparities in subprime foreclosures across markets. The Institute is interested in analysis of market characteristics that led to geographical variation in the severity of the crisis. We anticipate that the work would involve using micro-data from a select number of markets divided into those with large numbers of defaults and those with small numbers of defaults.
- (2) Analysis of the impact of foreclosures on neighborhood property values. The Institute is particularly interested in work attempting to separate the impact of foreclosures relative to other regional economic activity in determining property values. We anticipate that this work would also involve using micro-data from a select number of markets divided into those with large numbers of defaults and those with small numbers of defaults. Researchers should be able to communicate to academic, professional and public audiences."

As determined early on (see Chapter link), the research agenda is to be “designed to (1) enhance understanding of institutional arrangements that would **avert a reoccurrence of the debacle caused by the subprime mortgage catastrophe**; and (2), to enhance understanding that would assist in the development of a strategy to **mitigate the damage from the current catastrophe**, especially to minimize the cascading of foreclosures that would destroy some local housing markets and spread to adversely impact the rest of the economy, especially to avoid a precipitous downturn in general economic activity.

The Steering Committee met in conjunction with a Symposium held in January 2008 and substantially revised a discussion draft submitted for review and comment. The RFP was developed by Steering Committee members and widely distributed. Proposals came to HHI and were routed to Richard Green as Chair of the SCRC Grants Committee which includes representatives of organizations providing supplemental

funding. The recommendations from SCRC went to the HHI Grants Committee which in turn made the awards and administered the program.

Unfortunately, data costs prevented some projects from moving ahead. This was especially related to efforts to avert the cascading of housing prices.

### **Efforts to Avert the Cascading of House Prices**

Even before the Research Roundtable, the leadership of HHI was especially concerned that the debacle in the capital markets would reverberate back to the housing market and on to the general economy. (See essay, "Don't Panic Yet: A Strategy for Dealing with the Risk of the Emergence of a Housing Bubble Resulting from the Interdependence of Space and Capital Markets, quoted in [\[in link\]](#) **Chapter 3**.) Projects that would deal with the local markets were deemed to be of the highest priority.

Cascading occurs when foreclosures depress prices and induce additional foreclosures with a spiral repeating the process beyond justifiable declines in price levels. The concept of justifiable price levels may be thought of as those prices around a long term trend. Some volatility in market prices is to be expected in the normal course of events. The current problem arose out of an easy money policy spiked with loans that should have never been made resulting in unsustainable price levels. The difficulty is that the adjustment process of dealing with the excessive supply of housing created in response to rising prices, through a decline in prices, may overshoot the long term trend on the downside by such a great degree that the side effects will be recessionary to an intolerable extent.

Views differ as to what constitutes an intolerable extent. One consideration is the extent to which the recessionary impact further depresses house prices, not only in the local market, but in other markets in the domestic economy. Standard economic theory would likely take the position that the overshooting will stop at a level that pays for someone to hold housing vacant while normal demand catches up. Behavioral economic theory would likely hold that fear would trump reason and the price level at which speculators would hold housing vacant would be excessively low because the psychology in the market is exacerbating the downturn and its not just risk, but uncertainty. Then, if one considers reflexivity, as described by George Soros, a player's understanding of the system may alter the system by the player's actions and the actions and reactions of other participants in the market, so that the previous understanding is obsolete.

The sensible thing for society to do is to stop the spiral before it overshoots the trend by a really excessive amount. Since the markets are local, the analyses need to be using data for small areas and possibly property specific data. Ideally, one would forecast turning points on a local basis and compare them with trend values. The trend values are amenable to analyses by use of econometrics. But, turning points are another matter.

Econometrics is built upon past relationships. It is not very effective when the structure shifts so as to alter the past relationships without having a basis by which to adjust the model. Judgmental models can do better, or worse, depending upon the judgments used in constructing the models. In both types of models, data are critical.

Efforts to get a proposal to produce a pilot project forecasting turning points has thus far been unsuccessful. HHI did receive a proposal [Norm's Jan 13] to measure "... the impacts of subprime lending practices on housing prices within submarkets." It would have been a good start, but the data costs were out of sight. Proposals from others were discussed, but at this stage the best that the governmental authorities can do is use what information is available without rigorous models – academia's speciality.

A substitute proposal to the one that looked to measure the impact of subprime lending on housing prices was funded. That proposal focuses on spillover or cascading from foreclosures on neighborhoods. That will help authorities understand the local impact. Thus, intervention in the local market will be highly judgmental.

Some such intervention has taken place. A probable project for the third round of grants is a compilation of best practices in such intervention. HHI has received a proposal from the Center for Best Practices of the National Governors Association, but it is broader in coverage and possibly less focused on the level of detail needed as part of the White Paper effort. Also, an earlier discussion considered a triage conference, possible preceded by workshops to deal with specific ideas. That has not moved forward.

The White Paper effort will deal with national policy as it affects cascading and will shed some light on preferences for a program in cooperation with the national Governors Association. At this time, with severely limited remaining funds available, the third round funding will be closely tied to the White Paper effort.

### **Efforts to Improve Institutional Arrangements**

Efforts to improve institutional arrangements include supporting high priority research, encouraging relevant research, communicating research results, and fostering interaction that facilitates design of relevant research and encourages applications of enhanced knowledge. The initial grant support was for a literature review and a research roundtable. That was immediately followed by a grant for a data availability study and a subsidy to fund selected publications in a learned journal. Additional grants were made for specific projects responding to the request for proposals.

The centerpiece of those grants was to University of California, Berkeley, for the production of a research project of an in-depth analysis of a few policy alternatives for dealing with the subprime crisis. Time and resources did not permit such an in-depth analysis for a broad range of policy alternatives, which when combined in a strategic approach would set forth a model adaptable to various perspectives. However, Dr. Robert Edelstein, the Principle Researcher in that project, consented to chair an SCRC White Paper Task Force that would examine a broad range of policies in order to set forth a strategy.

Not all of the policies included were amenable to the in depth analysis because of data problems and/or time constraints. However, the best analyses available given time and resources are provided in order to demonstrate the approach. That White Paper, "Policy Analysis of Alternatives for Dealing with the Subprime Crisis," is the focus of the first year's wrap-up meeting.

That wrap-up meeting, for the first year, to be held at the Hudson Institute on September 15, 2008, which was the site of the Research Roundtable, brackets a series of meetings at which numerous papers were presented. [insert links]

The second meeting was a symposium held at the Hoyt Center immediately preceding the January session of the Weimer School of Maury Seldin Advanced Studies in Real Estate and Land Economics. The opening of the Weimer School session was devoted to subprime crisis topics.

In April, at the American Real Estate Society's annual meetings a symposium consisting of panel presentations was provided. One panel dealt with state and local issues. Another panel dealt with the national perspective. Then in May, the Weimer School devoted its entire session to the subprime crisis.

### **Dealing with Strategies**

The subprime debacle is composed of a series of local housing market situations that make up an aggregate national problem. This is tied to the capital market debacle to which irresponsible lending contributed and from which the local housing markets are suffering.

Strategies at the national level are complex because of territorial regulatory claims of domestic authorities and because of international relationships that affect competitive position. At the national level, the Congress sets parameters, but the agencies implement. Aside from boundary issues, especially with state authorities, there are differences in perspectives. And, in the case of the Federal Reserve System, there is the matter of political independence. The administration led by the office of the President has its political perspective.

Now that the fire is raging we can expect that the platforms that will emerge from the Democratic and Republican conventions, to be held within a month of this drafting, will presumably set forth party strategies for dealing with the subprime crisis. This section will need to be rewritten once those platforms are developed and made public.

The danger of the greatest potential disaster is a cascading of local housing market declines from those distressed local housing markets to other local housing markets and from housing markets to consumer spending and thence to the national recession or even depression. The great difficulty is that the probability of such a disaster is not known, but the more that is known about the risk the greater the difficulty in countering it. Thus a minimax strategic approach requires taking action to avert the cascading.

Federal policy is critical to the institutional environment. But local conditions vary and state and local governments even with similar conditions may have widely divergent perspectives of what is appropriate intervention, thus different strategies.

The creation of effective strategies may be a lot more complex than many people think because there are so many views of what strategy is and many of them are oversimplified.

Since some states have already taken action in addressing the subprime crisis and are in the process of enhancing their program, and others are ready to start making choices, it will be useful to explore the best practice from what is already known, and thought to be known and to develop some additional ideas for demonstrative testing. The salient aspect of this approach is that a comprehensive strategy will be developed for the particular state in which a selected local market is researched on its subprime issue and the housing market debacle along with the undesired consequences. This is an approach worthy of exploration.

A combination of a national strategy outlining federal policy and a variety of state strategies depending on the nature of different characteristics of state situations would be a significant contribution to getting out of this mess and avoiding a recurrence.

### **The Future of the Program**

The future of the Homer Hoyt Institute's Subprime Crisis Research Program (SCRCP) is uncertain. It is related to the future of the Subprime Crisis Research Council (SCRC) which is dependent on future supplemental support channeled through HHI.

One aspect of HHI's SCRCP that can continue, preferably with a continuation of SCRC, is a website project. That website project, envisioned at the SCRC meeting immediately after the symposium at ARES, is being funded so that it can continue even after the SCRC and HHI ceases to make additional grants.

The essence of the HHI Subprime Crisis Research Program is to reach out to academia, through the Subprime Crisis Research Council, to foster relevant research to facilitate a better strategic approach by the various parties. Funding research is the salient aspect of the program, but encouraging relevant research funded by others is quite significant. A major part of the process is to provide academic meetings with attendance to include leading industry, government, and consumer representatives involved in research and strategic choices.

The most cost effective method of continuing the program is through electronic communication available on the web. The centerpiece of the web project will be the white paper, "Policy Analyses for a Strategic Approach to Deal with the Subprime Crisis. In order to provide a better identity for the web program, which may endure beyond the current subprime crisis, the program may be identified by a label along the lines of "An Internet Center for Housing Finance and Market Research."

Thus far, HHI has been posting papers and reports on its site, including the newsletter summaries of the roundtable, symposium, and other academic meetings. That site is static in that one may download postings, but it is not interactive. Also, one needs to properly navigate the site to get all the material because some is on the HHI portion and some is on the ASI part. Additional capabilities are required in order to effectively continue the program on the internet.

The additional capabilities would facilitate an ongoing updating process. In particular, academics may submit items for posting; and the items remain in a folder until a manager retrieves them and takes them through a process. The process includes checking on

authority to post and acceptability for posting. Furthermore, the software provides for interaction with the site and among researchers.

To start the operation of the site, Stephanie Rauterkus will ride point on the process. Her project on contagion may be used as a prototype for the site. She provides a report that synthesizes other studies and provides links to those studies. Similarly, Brent Smith's literature review is posted, but now links would be added, or perhaps the papers if permissions are obtained. In essence, the project creates an electronic library.

The additional capabilities may be described as providing an automated, dynamic, and interactive system. The system will enable researchers to talk to one another by posting comments. The result may be ongoing discussions and collaboration in advancing the state of the art. Presumably, some monitoring or control needs to be provided. Details need to be worked out, but we should get timely input from SCRC leadership and HHI leadership because this will be a major vehicle for distributing the white paper and the other research results, as well as meeting results and further communications.

**The Executive Summary of the Report of the White Paper Task Force:  
Policy Analyses for a Strategic Approach to Deal with the Subprime Crisis**

Key Issues:

- 1) Describe and Quantify the root Causes of the Subprime, and other inter-related, financial crises.
  - 2) Identify and understand lynchpin short- and long- term public policy options.
  - 3) Generate and rank areas for crucial further research
- A. How Did We Get Here?
    - a. The unwinding of the 2000 dot.com boom
    - b. Real estate becomes preferred investment
    - c. The role of households, lenders, Wall Street, capital markets, counter party risks (e.g. credit default swaps, etc.)
  - B. Root Causes of Current Subprime Crisis
    - d. Asset Bubbles Across Markets
    - e. Economic Downturns
    - f. Credit Crunch
    - g. International Dimension of the Financial Crisis
  - C. Historical Analysis and Comparisons
    - h. Short History
    - i. Long History
  - D. Current Solution
    - j. Description of Key Elements of Recent Legislation
    - k. Federal vs. State Activities
    - l. Preliminary Cost Estimates for Governments
    - m. Social Costs and Benefits
  - E. Elements of Proposed Policy Solutions
    - n. Short Term – Identify and determine effective necessary stop-gap measures.
    - o. Long Term – Re-Structuring and Regulating the Housing and Financial Markets.
  - F. What we Need to Learn – Research Agenda