

NEWS
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Weimer School of Advanced Studies
in Real Estate and Land Economics,
Maury Seldin Advanced Studies Institute

Hoyt Fellows LLC,
Homer Hoyt Institute

www.hoyt.org

**Symposium:
The Subprime Crisis
Thursday, January 17, 2008**

**Weimer School Open Forum:
The Subprime Crisis
Friday, January 18, 2008**

A diverse group of industry, government, consumer and academic representatives with divergent interests and opinions spoke openly about the subprime mortgage crisis and the policies that their organizations are pursuing. The Symposium continued a dialogue begun at the Research Roundtable in Washington, D.C., October 24, 2007. Both this Symposium and the Research Roundtable were sponsored by the Subprime Mortgage Research Consortium. Dr. John Weicher chaired the Symposium.

A highlight of the January Weimer School was an Open Forum on the subprime crisis chaired by Dr. Susan Wachter, Friday afternoon, January 18. Preceding the Open Forum, Weimer Fellow candidate Dr. Robin Dubin (Case Western Reserve University) presented the findings from her on-going research on "Foreclosures in Cleveland". Areas of Cleveland are experiencing large numbers of foreclosures, and Dubin concludes that in some cases a significant volume of foreclosures lowers the prices of nearby houses (cascading effect) and in such cases falling prices can in turn cause a further increase in foreclosures, an undesirable feedback loop. (See page 9 for summaries of presentations by Dubin and other finishing Weimer Fellow candidates.)

(Cont. on page 4)



L-R: Susan Wachter (Univ. of Pennsylvania), Stephanie Casey Pierce (National Governors Association), Tom Goyda (Wells Fargo Home Mortgage), Amy Crews Cutts (Freddie Mac), Andrew Davidson (Andrew Davidson & Company, Inc.) and David A. Crowe (National Association of Homebuilders).

Symposium attendees were: Jonathan Kempner and Sheryl Pardo (Mortgage Bankers Association), Stephanie Casey Pierce (National Governors Association Center for Best Practices), Richard A. Brown (FDIC), Robert Caruso (Bank of America), Dr. David A. Crowe (National Association of Homebuilders), Dr. Peter Zorn and Dr. Amy Crews Cutts (Freddie Mac), Thomas Goyda (Wells Fargo Home Mortgage), Forrest W. Pafenberg (OFHEO Office of Policy Analysis and Research), Dr. Vanessa Gail Perry (George Washington University), *(Cont. on Page 2)*

Maury Seldin Advanced Studies Institute
*Developing and Disseminating the
Body of Knowledge in Real Estate*



Hoyt Fellows, LLC
*Bridging Industry and Academia
With the Advanced Studies Institute*

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Symposium: The Subprime Crisis

Thursday, January 17, 2008 (Cont.)



L-R: Jonathan Kempner (Mortgage Bankers Association), Maury Seldin (Homer Hoyt Institute) and John Weicher (Hudson Institute) at the Open Forum Summit.

Sharon Price (National Housing Conference), Sylvia Shelnett (REEA), Dr. Robin Dubin (Case Western Reserve University), Andrew Davidson (Andrew Davidson and Company), Sean Begley (Applied Financial Technology), Dr. Norm Miller (University of San Diego and Hoyt Group), Dr. Ann Schnare (AB Schnare Associates LLC), Dr. Marsha Courchane (CRA International), Dr. David Ling and Dr. Wayne Archer (University of Florida and Hoyt Group), Dr. Hal Smith, Dr. Ron Donohue and Dr. Ronald Racster (Hoyt Group), Dr. Max Biasin (University of Macerata, Italy), Richard Langhorne (CB Richard Ellis) and Dr. Brent Smith (Virginia Commonwealth University), Dr. John Weicher, Consortium co-chair, (Hudson Institute), Dr. Susan Wachter, Consortium co-chair, (University of Pennsylvania), Dr. Richard Green, Consortium member, (George Washington University) and Dr. Maury Seldin, Consortium member (Homer Hoyt Institute).

Nature and Causes of the Crisis

The mortgage and subprime crisis is real and far reaching. Foreclosures are both a symptom and cause of the crisis. Resets (interest rate changes on ARMs) alone, higher risk subprime mortgages and ALT A “No Doc” mortgages and interest only mortgages are not sufficient to explain the increase in defaults and foreclosure rates. Higher default and foreclosure rates are also occurring for the usual fundamental reasons (loss of employment, divorce, etc.) and unsustainable price expectations. Price appreciation rates since 2000

in many markets allowed borrowers to continually tap into home collateral ATMs and avoid default. But now a lack of residential liquidity and a more conservative securitized mortgage market on hold has reduced the ability to avoid defaults by refinancing. One industry expert suggested house prices may fall by another 20% within 2-3 years. The increased securitization of mortgages was seen as exacerbating the problem by creating a large gap between the borrower and the ultimate investor, with brokers and others operating in the gap escaping most of the risk of default and loss of capital. Many analysts feel that going out of business is sufficient for these middle players who sometimes filled in fictitious incomes on loan applications, but others feel there should be real economic risks for poor underwriting decisions. Among those blamed for the current crisis are:

- Consumers who overpaid for housing or knowingly took on risky teaser loans
- Appraisers who over valued housing
- Rating agencies that provided ratings with little correlation with actual loss risks
- Mortgage brokers who lied or encouraged puffing on loan applications
- Regulators that delayed Basel II, which would have focused more on risk-based pricing in the determination of reserves
- The Federal Reserve for not tightening up interest rates sooner
- The Chinese for buying US Treasuries and keeping rates low
- Academics that should have identified systemic problems and spoken out louder

Today, the mortgage crisis is spilling over to impact other assets and markets like the CMBS market, where rating agencies have lost credibility. Homebuilders have cut back and land values have fallen and jumbo loans are at all time premiums over conforming loans. (Recent legislation has eased financing for jumbos effective *(Cont. on page 3)*)

Symposium: The Subprime Crisis

Thursday, January 17, 2008 *(Cont. from Page 2)*

until December 31, 2008.) Forty percent of builders have reported falling sales and high inventories of unsold units, now exceeding a year in many coastal markets. Builder's problems are exacerbated by homebuyers who delay purchasing in anticipation of further price declines or based on media reports of negative stories.

Lenders are accumulating large portfolios of foreclosed properties, now REO. Present accounting rules hinder curing the problem. Auctions of foreclosed property could remove the overhang of foreclosed units and there is a price that would clear the market, but banks currently must "mark to market" and write down loan balances immediately. Individual banks may be reluctant to auction their inventory and face the huge write downs. Some instead turn the units into rentals and wait. An agency similar to HOLC or RTC may be needed to accumulate the surplus inventory and conduct an organized strategic auction at a later date.

Public and Private Sector Response

As one participant put it: "There will be legislative fixes to this crisis; with economic consequences." A variety of legislative and legal fixes are being suggested and implemented. Stephanie Casey Pierce of the bipartisan National Governors Association Center for Best Practices outlined some of the responses of state governments to the crisis. Pierce noted that more than 30 states have addressed the foreclosure problem in various ways. In addressing the problem of increasing foreclosures, several types of proposals or new legislation are observed, including:

- Rules aimed at the prevention of rescue scams
- Connecting the homeowners to free credit counseling
- Providing a variety of financial assistance such as temporary mortgage refinance loans
- Providing emergency payment assistance
- Stronger rules against predatory lending

- Restricting mortgage terms that accelerate payment of the debt
- Restricting teaser rates that increase too fast
- Requiring mandatory arbitration prior to foreclosure
- Insuring that the loan originator acts in the best interest of the borrower by fining abusive lenders
- Educating the prospective homebuyers on homeownership and mortgage credit and providing simpler and full loan term disclosure (Montana has had an education program in place for over 15 years and also has a smaller percentage of subprime loans and lower mortgage defaults)
- Some states are working on neighborhood recovery programs where there are penalties for abandoning properties, and transitional assistance for displaced families.

Representatives from the mortgage industry were very interested in national regulation at the federal level to avoid what could become a patchwork of state rules. Any locationally specific rules affect the efficiency and operation of the national securitized mortgage market. Bob Caruso (Bank of America) pointed out that national standards for mortgage documents and workout guidelines would be useful. There is fear among lenders and investors in the mortgage market that legislation will be enacted that temporarily negates mortgage contracts and possibly suspends interest rate changes. This would dramatically affect mortgage interest rates as new premiums would be needed to induce investors to buy into an industry with vehicles that may be subject to unforeseen regulation.

The "HOPE Now" is an interesting initiative. This program provides assistance by looking at the entire debt issues of the customer and by providing credit counseling by a neutral non-profit agency that assists in workouts and term negotiations on modified mortgages. Jonathan Kempner pointed out that only about one-third of borrowers *(Cont. on page 4)*

Open Forum Summit: The Subprime Crisis **Thursday, January 17, 2008** *(Cont. from Page 3)*

in trouble ever approach the lender before default and in many cases these loans are modified as a way to minimize losses and still allow the borrower to stay in the home. Lenders are frustrated when working with distressed borrowers because many “hide”, whether from embarrassment or other reasons, increasing the difficulty of counseling or workouts at the early onslaught of their credit problem. In cases where there is no communication, lenders have no choice but to foreclose. Among the help provided by lenders is an early warning to borrowers on forthcoming interest rates resets. Lenders are also classifying borrowers into groups that are capable of refinancing, those that can get a freeze on the reset, and those where a workout can be beneficial. The mortgage lender representatives pointed out that many foreclosures are due to traditional reasons: loss of job, divorce, etc. and are not due to interest rate resets. In some markets like Ann Arbor the default rates are more driven by fundamentals (loss of local jobs) and less by risky mortgages and resets, but the media does little to differentiate problems within specific markets and often blames the subprime lenders, which remain a small part of the total mortgage market.

What is the Effect of Foreclosures on Local Neighborhood Home Prices?

Mortgage experts explain that a NPV calculation must be made for alternatives to a current mortgage payment problem. Typical scenarios include holding or delaying interest rate changes, reducing the interest rate, or foreclosing now. This type of analysis is focused on the individual mortgage and household and does not take into account portfolio neighborhood effects. That is, if foreclosing on several homes results in a cascading of home price declines and this further exacerbates the problem, such considerations are not part of the analysis. Preliminary research by Robin Dubin, Cleveland State, suggests that such cascading does occur as evidenced by several markets in the Cleveland area. Yet it is not clear what is the tipping point or how lenders can be encouraged to consider such broader implications of foreclosing.

Consortium Research Agenda

The research agenda developed by the Subprime Mortgage Research Consortium is shown in the Request for Proposals (see page 11 of this newsletter). The RFP reflects the presentations and discussion in the Symposium, as well as the session on Friday at the Weimer School (See Weimer School Open Forum, page 1).



Stephanie Casey Pierce (speaking at the Thursday, January 17 Open Forum).

Weimer School Open Forum: **The Subprime Crisis** **Friday, January 18, 2008** *(Cont. from page 1)*

Professor Dubin’s research suggests that significant foreclosure rates adversely affect neighborhood house prices. Attendees pointed out that lenders must analyze alternative NPV scenarios for the minimization of loss and these alternatives include loan modification or foreclosure. But the contagion effects on the neighborhood would require a portfolio perspective that is not currently considered. Part of the problem may be that lenders *(Cont. on page 5)*

Weimer School Open Forum: The Subprime Crisis

Friday, January 18, 2008 (Cont. from page 4)



L-R: Patricia McCoy (University of Connecticut) and Vanessa Gail Perry (George Washington University)

do not have sufficient concentration of loans to care about the spillover effects. This question remains unanswered and more research is needed on the volume or threshold of foreclosure rates in a neighborhood that would cause a cascading of prices. Limiting the contagion, both the depth and breadth of price declines, is of concern as is the implementation of institutional changes that would prevent future crises while preserving the homeowner's access to credit and loan options.

Professor Patricia McCoy (University of Connecticut) outlined recent legal developments resulting from the subprime crisis, including loan modifications permitted by the Paulson negotiated industry agreement. Only 10% of subprime mortgages have been estimated to qualify for assistance. To qualify for modification, the unit must be owner-occupied and the mortgage must reset this year or later. The owner-occupants do not qualify unless they are able to pay the reset rate, are more than 60 days delinquent in the past year, have more than a 3% equity, or a FICO score above 660. Participation by servicers is voluntary. Several major lenders are supporting this approach including Washington Mutual and Wells Fargo among others.

Servicers' participation in loan modifications can face practical and legal constraints, including pooling and servicing agreements, concern about lawsuits by investors and the federal bankruptcy law. The low staffing levels in loss mitigation departments slow the modification process. Professor McCoy suggested that a latterday HOLC or RTC may be needed to buy distressed loans at a discount and refinance them on more favorable terms. Professor McCoy also outlined pending legislation, proposed underwriting reforms, and other reforms.

Dr. Vanessa Perry (George Washington University) provided an overview of data sources for modeling the effects of subprime foreclosures in the local housing market. Professor Perry pointed out that data ideally would incorporate borrower characteristics, property characteristics including local economic factors, and loan characteristics and performance, as well as information on lender, servicer and investor characteristics. No single data set includes all variables.

Existing public and private data sets that could contribute to research on the mortgage problem are the Home Mortgage Disclosure Act (HMDA) data, the American Housing Survey (AHS), First American Loan Performance (LP) data (proprietary), Applied Financial Technology (AFT)–Fidelity National Information Services (FNIS), (proprietary), McDash Analytics (proprietary), Moody's, DataQuick (ShareData) and various public records data including the Census. These and other data sources have been used in various combinations to perform mortgage market research. **AFT, now part of FNIS, has responded with pledges of data support for qualified research.**

Dr. Richard Green (George Washington University) and co-author with Susan Wachter (University of Pennsylvania) of "The Housing Finance Revolution" (presented at the Kansas City Federal Reserve's 31st Annual Economic Policy Symposium) discussed the information asymmetries between borrowers and lenders and between originators (Cont. on page 6)

Weimer School Open Forum: The Subprime Crisis

Friday, January 18, 2008 (*Cont. from page 5*)

and investors, who rely on different information in making decisions. These asymmetries have contributed to the mortgage market crisis. Other contributing factors discussed were inefficiencies in the securitization process and the associated fees that are charged in the gap between loan origination and the ultimate investor in the CMO.

The Weimer School Open Forum on the Subprime Crisis continued the dialogue among players in the mortgage market and academics that was begun October 2007 in Washington and the Thursday afternoon symposium preceding the Weimer School. These meetings are sponsored by the Subprime Mortgage Crisis Consortium, comprised of the Homer Hoyt Institute, Hudson Institute, Institute for Urban Research at the University of Pennsylvania and the George Washington University Institute for Public Policy. Substantial efforts are being made by the Consortium to broaden the dialogue among all parties affected by the crisis, whether private industry, government, or the public. The Consortium functions as the link between these groups and the academic community and will be funding research relevant to the problem (See the Consortium RFP, page 11).

The Subprime Mortgage Research Consortium And Consortium Steering Committee

An Academic Link to Industry, Government and Consumer



Consortium members: Richard Green, Susan Wachter and John Weicher (Not shown: Maury Seldin).

The subprime mortgage and credit crisis is underway and will be augmented by continued foreclosures and further housing price declines in local housing markets. The financial community and government are moving to ameliorate the situation, with new initiatives being announced by local, state, and federal governments, and by coalitions of public and private institutions.

The effects of the subprime mortgage and credit crisis on housing and the economy were foreseen early on by the Homer Hoyt Institute's Chairman, Maury Seldin. The Consortium was formed by Seldin, Susan Wachter (University of Pennsylvania Institute for Urban Research), John Weicher (Hudson Institute) and Richard Green (George Washington University Institute for Public Policy) to bring academic researchers into the analysis of the issues and to provide open and independent venues where the consumer and industry representatives, government agencies and the academic community could interact. The Consortium is funding research that is relevant and useful in understanding and dealing with the crisis. In selecting research topics, the Consortium receives counsel from a Steering Committee. The Steering Committee adds members as organizations join in funding Consortium activities. At time of writing, Steering Committee members are: Marsha Courchane (CRA International), Amy Crews Cutts (Freddie Mac), Jeffrey Fisher (Indiana University), James Follain (James R. Follain LLC), Richard Green (George Washington University Institute for Public Policy), Norman Miller (University of San Diego), Sheryl Pardo (Mortgage Bankers Association), Anthony Sanders (Arizona State University), Maury Seldin (Homer Hoyt Institute), Susan Wachter (University of Pennsylvania Institute for Urban Research), John Weicher (Hudson Institute), Lawrence Yun (National Association of Realtors), Peter Zorn (Freddie Mac) and Mark Zandi (Moody's Economy.com).

The January 2008 Weimer School



2008 Weimer Fellow,
Jim Clayton



2008 Weimer Fellow,
Denise DiPasquale



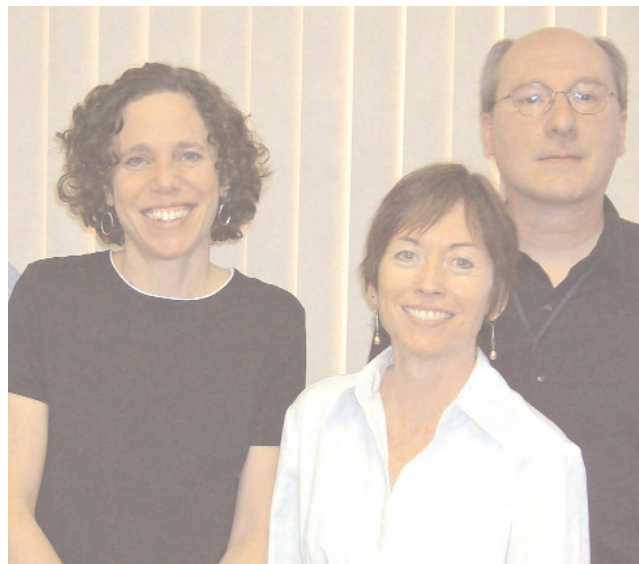
2008 Weimer Fellow,
David Downs



2008 Weimer Fellow,
Robin Dubin

The five-day January 2008 Weimer School session in North Palm Beach, Florida, was attended by more than fifty Faculty, Weimer Fellows, Weimer Fellow candidates, Hoyt Fellows and guests. Hoyt Fellows in attendance were Gary Ralston (HF 2001, Florida Retail Development), John Coyle, 3rd (HF 2005, Coyle, Lynch and Company), Andrew Davidson (HF 2005, President, Andrew Davidson and Company), Richard Langhorne (HF 1999, CB Richard Ellis Commercial Asset Recovery and Restructuring Services), and Hugh Kelly (HF 1999, Real Estate Economics).

New 2008 Weimer School Fellows Dr. Jim Clayton (PREA), Dr. Denise DiPasquale (City Research), Dr. David Downs (Virginia Commonwealth University) and Dr. Robin Dubin (Case Western Reserve University) completed their Fellow candidacy by presenting the findings from their research and became Weimer School Fellows. Summaries of these presentations can be found on page 9.



First Year Weimer School candidates L-R: Katherine O'Regan, Ingrid Gould Ellen and Geoffrey Turnbull



First Year Weimer School candidates L-R: Alex Anas, Ed Coulson, Todd Sinai and Dogan Tirtiroglu

New Fellow candidates presenting were Dr. Alex Anas (SUNY – Buffalo), Dr. Ed Coulson (Pennsylvania State University), Dr. Ingrid Gould Ellen (New York University), Dr. Katherine O'Regan (New York University), Dr. Todd Sinai (Wharton School – University of Pennsylvania), Dr. Dogan Tirtiroglu (Concordia University) and Dr. Geoffrey

Turnbull (Georgia State University). Upon returning in 2009 to present their research findings, they will become Weimer School Fellows.

The January 2008 Weimer School (Continued)



Dean David Ling with Honorary Weimer School Fellow, Dr. Ralph Turvey

The Weimer School is proud of its list of Honorary Fellows, who are recommended for acceptance to the ASI Board of Directors by the Weimer School Faculty. These individuals are notable for their lifetime achievements and contributions to the fields of real estate, urban land economics and related disciplines. Honorary Fellows are Dr. Brian J. L. Berry, Dr. Leo Grebler*, Dr. John Kain*, Dr. William Kinnard*, Dr. Charles L. Leven, Dr. Richard Muth, Dr. Chester Rapkin*, Dr. Jerome Rothenberg, Dr. Anita Summers, Dr. George Tolley, Dr. Paul F. Wendt*, Dr. Benjamin Chinitz, Dr. Dick Netzer and this year's honoree, Dr. Ralph Turvey. *Deceased

Dr. Ralph Turvey, our 2008 Honorary Fellow, authored a seminal book on real estate economics, The Economics of Real Property, 1957. Dr. Turvey left academic life in the late 1960's to work in the public sector but still writes on urban and real estate issues. He has been Chief Economist at the Electricity Council, Deputy Chairman of the National

Board for Prices and Incomes, Consultant for the World Bank and Chief Statistician at the International Labour Office in Geneva, and is currently chairman of the Center for Study of Regulated Industries, member of the advisory committees on the consumer price index in Canada and Sweden and is a visiting professor at the London School of Economics, where his career began.

2008 Hoyt Fellow Session and 2008 Weimer School – Not to Be Missed!

Paige Mueller (HF 2003, GIC Real Estate, Inc.) has again assembled an outstanding Hoyt Fellow session for May 15, 2008. Presenting in the session are Mark Zandi (HF 2006, Chief Economist and Co-Founder, Economy.com), *U.S. Economy and Housing Market Outlook*; Richard Langhorne (HF 1999, CB Richard Ellis Commercial Asset Recovery and Restructuring Services) *'Survivor - Who Gets Immunity at The Tribal Council' – Florida and other Sand States*; David Lynn (HF 2007, Managing Director, ING Clarion) *Land – the Next Big Opportunity or a Long Wait?*; Jun Han (HF, Principal, Barclays Global Investors) *Commercial Debt Markets – Opportunities and Risks*; Andrew Davidson (HF 2005, President, Andrew Davidson & Co.) *Opportunities in the Debt Markets – Spreads, Pricing and Players – How Has Borrowing Changed?*; David Watkins (HF 2003, Senior Vice President, Heitman Capital Management) *Panel Moderator: 2007 Corrections in US REITs and the UK Market – an Indication of 2008 Private Market Performance?*; Robert Zerbst (HF 2005, Chairman, CB Richard Ellis Investors) *UK Market Correction and What We Can Learn from Derivatives*; and Hans Nordby (HF 2007, Director of US Markets, PPR) *US Private Market Return Forecasts*; Scott Westphal (HF, Managing Director – Securities, Cornerstone Real Estate Advisors LLC) *U.S. REIT Markets – Change in Sentiment or Indication of Upcoming Private Market Pricing?*

2008 Hoyt Fellow Session and 2008 Weimer School – Not to Be Missed! (Cont.)

This session is exceptional and not to be missed!

The May 16-18 session of the Weimer School of Advanced Studies in Real Estate and Land Economics will be devoted to the mortgage and credit crisis. Weimer School faculty member Richard Green is completing the agenda, which will be sent with registration materials early in March. On the program at this time are Paul Hillen (Boston Federal Reserve), Ann Schnare (AB Schnare Associates LLC), Deniz Igan (IMF), Karen Spence (Federal Reserve), Ben Keys (University of Michigan), Anthony Pennington-Cross (Marquette University) and Tony Sanders (Arizona State University). As always, Hoyt Fellows are encouraged to attend the Weimer School and Weimer School Fellows are invited to the Hoyt Fellows session on Thursday.

A large attendance is expected. Please register early!

Abstracts of 2008 Weimer School Fellow Presentations

“Foreclosures in Cleveland”

Dr. Robin Dubin

It is plausible that foreclosures lead to a decline in local property values, because the property may become blighted. It is also plausible that falling property values may lead to an increase in foreclosures, because, if house prices fall sufficiently, the borrower may owe more than the house is worth. If both of these propositions are true, this would cause an undesirable positive feedback loop in which increased foreclosures caused property values to fall, which in turn, caused more borrowers to default on their mortgages. I investigate these relationships using data from the Cuyahoga County Recorder and the Cuyahoga County Auditor. I find that foreclosures do lower the prices of nearby houses and that falling prices do cause an increase in foreclosures.

“The Information Content of REIT Short Interest”

Dr. David Downs

This paper evaluates the relation between publicly traded real estate returns and short interest levels. The sample is comprised of NYSE-traded Real Estate Investment Trusts (REITs) covering the period from 1990 through 2005. The data and results offer some surprising findings. First, it may not be widely known that the level of short interest has grown dramatically over the sample period. In fact, in recent years the level of REIT short interest – as measured by median relative short interest - has eclipsed the short interest level of firms in the broader market. Second, while conventional wisdom associates short interest with bearish sentiment, even highly shorted REIT in the sample have positive returns. However, and far more interesting, the spread between low and high short interest portfolios is significantly positive. This finding holds with persistence and across robust risk adjustment schemes. The results may be of particular interest to investors given the recent surge in hedge fund-related real estate investment.

American Real Estate Society Special Session

The Subprime Crisis

Thursday, April 17, 2008

The Subprime Mortgage Research Consortium is sponsoring a panel on the subprime mortgage crisis, Thursday, April 17, 10:00 am – 12:00 noon, at the annual meetings of the American Real Estate Society, April 16-19, South Seas Island Resort, Captiva Island, Florida.

Organized and co-chaired by Consortium members Susan Wachter and John Weicher, the panel consists of Andrew Davidson (Andrew Davidson and Company, Inc.), Amy Crews Cutts (Freddie Mac), Marsha Courchane (CRA International), Stephanie Casey Pierce (National Governors Association), John Ryan (Conference of State Bank Supervisors), Tony Sanders (Arizona State University) and John A. Tatom (Networks Financial Institute at Indiana State University).

This knowledgeable panel represents a diversity of perspectives on the subprime mortgage crisis. All ARES registrants are urged to participate. Please be advised that seating is limited to 100, so come early.

Journal of Housing Economics

Special Issue on Subprime Mortgage Lending

Sponsored by the Subprime Research Consortium*

CALL FOR PAPERS

The Journal of Housing Economics invites submissions to a special issue on subprime mortgage lending and the U.S. subprime lending crisis, a timely research issue which carries important public policy implications. Because investors from around the world have invested in subprime mortgages, and because the subprime issue is potentially contagious to other financial markets as well as to the macro-economy, the topic is also of interest to the Journal's international audience.

We welcome papers that analyze any aspect of the crisis, including asymmetric information and adverse selection issues, disclosures, RESPA and the Truth-in-Lending Act issues, best estimates of likely foreclosure rates, geographic or spatial patterns in subprime delinquencies and default, externalities created by foreclosures, implications for ratings agencies, and implications for securities' structures going forward. Policy related papers are welcome, but they must be of sufficient analytical rigor to meet the customary standards of the Journal. Timeliness is of the essence because the editors are looking to produce an issue that will help inform the current policy debate, which has profound implications for the macro-economy.

Submissions should be made by April 15, 2008 to <http://ees.elsevier.com/jhec/>, with a cover letter indicating that the submission is for this special issue.

Special issue editors are Richard Green (drgreen@gwu.edu), Anthony Sanders (sanders.12@gmail.com), and Susan Wachter (wachter@wharton.upenn.edu).

* Homer Hoyt Institute, Hudson Institute, University of Pennsylvania Institute for Urban Research and George Washington University Institute for Public Policy

The Request for Proposals On the Subprime Mortgage Crisis

Following the October 24, 2007 research roundtable in Washington, D.C., and the January 17, 2008 Open Forum Summit on the Credit Crisis, the Subprime Mortgage Research Consortium issued a request for research proposals on January 25, 2008, for consideration by the Consortium's Research Grant Subcommittee chaired by Richard Green. Grants are made by the Homer Hoyt Institute for research recommended by the Consortium and approved by the Homer Hoyt Institute Executive Committee.

Any proposals relating to subprime issues were welcomed, but the Consortium 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

- (3) 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.
- (4) Analysis of pending policy proposals to deal with the current sub-prime 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. (*Cont. on page 12*)

Subprime Crisis Research Consortium Program of Events

October 24, 2007

Subprime Crisis Research Roundtable,
Washington, D.C.

January 17, 2008

Industry, Government, Academic
Symposium on the Subprime Crisis
North Palm Beach, FL

January 18, 2008

Weimer School Open Forum on the
Subprime Crisis
North Palm Beach, FL

January 25, 2008

Request for Proposals issued

April 15, 2008

Due date for submission of articles for the
Journal of Housing Economics special issue
funded by HHI.

April 17, 2008

Plenary session at the American Real Estate
Society Meetings, Captiva Island, FL.

May 15 – 18, 2008

Hoyt Fellows and Weimer School program
devoted to the Subprime Crisis

May 29-30, 2008

Subprime Crisis session(s) at the AREUEA
Mid-Year meetings, Washington, D.C.

Fall and Winter, 2008

Journal of Housing Economics, special issue
The Consortium's first-year report and future
agenda

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The Request for Proposals On the Subprime Mortgage Crisis *(Cont. from page 11)*

Economic Analysis and Expected Outcomes

- (5) 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.
- (6) 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.

The Weimer School of Advanced Studies in Real Estate & Land Economics, 760 US Hwy. One, Suite 300, North Palm Beach, FL 33408, which is owned and operated by the Maury Seldin Advanced Studies Institute, Inc., a non-profit educational organization, admits students of any race, color, national and ethnic origin to all the rights, privileges, programs, and activities generally accorded or made available to students at the school. It does not discriminate on the basis of race, color, national and ethnic origin in administration of its educational policies, admissions policies, scholarship and loan programs, and athletic and other school-administered programs.