

UNIVERSITY OF PENNSYLVANIA
THE WHARTON SCHOOL
DEPARTMENT OF FINANCE

REAL ESTATE 236/BUSINESS AND PUBLIC POLICY 236
INTERNATIONAL HOUSING COMPARISONS
SPRING 2012

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430 Vance Hall
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Course Overview

This course focuses on developing international comparisons of housing finance systems and housing market outcomes. This includes comparative analyses of the economic factors that underlay housing market differences and similarities. Changing housing market institutions and policies in previously socialist economies and newly emerging countries are examined. The course also addresses the implications of the ongoing integration of global financial markets for national housing markets. International speakers present their views on institutional innovations and the policy setting process in their respective markets. Various approaches to understanding these issues are used, including readings, written assignments, and group projects.

ADMINISTRATIVE ISSUES

Class Times

Classes will meet Mondays and Wednesdays from 1:30 to 3:00 PM.

Office Hours

Professor Wachter's office hours will be Tuesday 6:00-7:00, 430 Vance Hall.

Course Materials

1. Bulk Pack (www.study.net)
2. Class Handouts

Evaluation

Grades are based on two exams, written assignments, group project presentation, and class participation. The relative weights of the components are as follows:

- Group Project Presentations 10%
- Class Participation 10%
- Problem Sets 5%
- Midterm Exam 25%
- Research Paper 25%
- Second Exam 25%
- Highlight= critical reading

SCHEDULE OF TOPICS AND ASSIGNMENTS

(Wednesday, January 11) INTERNATIONAL HOUSING COMPARISONS: INTRODUCTION AND INDICATORS

Harsman and Quigley, "Housing Market and Housing Institutions in a Comparative Context" (BP#1)

World Development Report, 2000, Tables A2, A3, 1, & 11 (BP #2)

World Development Report, 2004, Selected World Development Indicators & Technical Notes (last 23 pages of the full-text)

http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTWDRS/EXTWDR2004/0,,ImgPagePK:64202988~entityID:000090341_20031007150121~pagePK:64217930~piPK:64217936~theSitePK:477688,0_0.html

Hoek-Smith, World Bank, "Housing Indicator Tables" (BP #3)

(Monday, January 16) NO CLASS

(Wednesday, January 18) INTERNATIONAL HOUSING FINANCE AND MARKET OUTCOMES

Boleat, "Housing Finance – an Overview" (BP #4)

Renaud, "The Financing of Social Housing in Integrating Financial Markets: A View from Developing Countries" (BP #5)

DiPasquale and Wheaton, Chapter 1, "The Property and Capital Markets" (BP #6)

Wachter and Kroll, "The Six-Graph Model" (BP #7) Preview

(Monday, January 23) INTERNATIONAL HOUSING COMPARISONS: PROPERTY RIGHTS CONCEPTS

Angel, Housing Policy Matters, Chapter 7 and Chapter 23, pp. 316-325 (BP #8) and Chapter 1 (BP #9)

DeSoto, Chapter 2, "The Mystery of Missing Information" (BP #10)

(Wednesday, January 25) HOUSING IN MARKET BASED SYSTEMS: EQUILIBRIUM AND DISEQUILIBRIUM CONCEPTS

Wachter and Kroll, "The Six-Graph Model" (BP #7)

Pozdena, "The Modern Economics of Housing," Chapter 2, pp. 218-227 (BP #11), and Chapter 3 (BP #12)

Gyourko and Saiz, "Construction Costs and the Demand of Housing Structure" (canvas)

(Monday, January 30) HOUSING IN EMERGING MARKETS AND URBAN TRENDS: OVERVIEW

Malpezzi, "Urban Housing and Financial Markets: Some International Comparisons" (BP #13)

World Bank, "How the Housing Sector Works," Technical Supplement #1 (BP #14)

World Bank "Housing: Enabling Markets to Work," Technical Supplement #2 (BP #15)

(Wednesday, February 1) HOUSING AND CONSTRAINED EQUILIBRIA IN MARKET BASED SYSTEMS

Wachter, "The Limits of the Housing Finance System" (BP #16)

Whitehead, "International Trends in Housing Tenure and Housing Finance" (BP #17)
Linneman and Wachter, "The Impacts of Borrowing Constraints on Homeownership"
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1526724
Quercia and Stegman, "Residential Mortgage Default: A Review of the Literature" (BP #18)

Problem Set #1 Due Friday February 5, email to canvas

(Monday, February 6) URBANIZATION IN DEVELOPING COUNTRIES

Gillis et al, "Two-Sector Models," pp. 49-63 (BP #19)
Kevin Gillen – Notes

(Wednesday, February 8) PRIMARY AND SECONDARY MORTGAGE MARKETS

DiPasquale and Wheaton, Chapter 8, "The Market for Housing Units" (BP #20) read pages 182-202, skim rest
Van Horn, "Understanding the Mortgage Market," Chapter 13 (BP #21) read pages 295-311, skim rest
Guttentag, "Secondary Market-Based Versus Depository Housing Finance Systems" (BP #22)
DiPasquale, "A Primer on the Secondary Mortgage Market" (BP #23)
"Savings and Loans and the Mortgage Markets," Harvard Business School (BP #24)

(Monday, February 13) Guest Speaker

Country Selection for Paper Topic Due

(Wednesday, February 15) HOUSING FINANCE: INTERNATIONAL AND HISTORICAL PERSPECTIVES

Green and Wachter, "The American Mortgage in Historical and International Context" (First Half) (BP #25)
Green and Wachter, "The Housing Finance Revolution"
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1491688
Levitin and Wachter, "The Rise, Decline, and Return of the Public Option in Housing Finance"
<http://ssrn.com/abstract=1966550>

(Monday, February 20) U.S. SECONDARY MARKET IN CRISIS

Jaffe, "Controlling the Interest Rate Risk of Fannie Mae and Freddie Mac" (BP #26)
Van Order, "The US Mortgage Market: A Model of Dueling Charters" (BP #27)

(Wednesday, February 22) THE FUTURE OF SECURITIZATION

Levitin, Pavlov and Wachter, "Securitization, Cause or Remedy"
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1462895
Pavlov and Wachter, "Mortgage Put Options and Real Estate Markets"
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1285517
Green, Mariano, Pavlov, Wachter, "Misaligned Incentives and Mortgage Lending in Asia" skim
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1287687
Pavlov and Wachter, "Systemic Risk and Market Institutions" skim
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1462360

(Monday, February 27) REVIEW CLASS

(Wednesday, February 29) MIDTERM EXAMINATION (IN CLASS)

SPRING BREAK – NO CLASS ON MARCH 5 & 7

(Monday, March 12)

MBS AND CMBS

Guest Speaker

Levitin and Wachter “Commercial Mortgage Backed Securities Market” (canvas)

(Wednesday, March 14)

DENSITY AND THE IMPORTANCE OF CENTRALITY IN DEVELOPING COUNTRIES – PART 1

Mills and Hamilton, Chapter 17, “Urbanization in Developing Countries,”

Read pp. 443-445, 433-442 and skim 452-456 (BP #28)

Tiebout, “A Pure Theory of Local Expenditures” (BP #29)

(Monday, March 19)

DENSITY AND THE IMPORTANCE OF CENTRALITY IN DEVELOPING COUNTRIES: CASE STUDIES – PART 2

DiPasquale and Wheaton, Chapter 3, “The Urban Land Market: Rents & Prices,”

Read pp. 35-41 and 51-56, skim rest (BP #30)

Bertaud and Renaud, “Cities without Land Markets: Lessons of the Failed Socialist Experiment” (BP #31)

(Wednesday, March 21)

Guest Speaker

HOUSING FINANCE SYSTEMS IN EUROPE

Lea, “Alt Forms of Housing Finance” (canvas)

Whitehead, “International Trends in Housing Tenure and Housing Finance,” Mortgage Systems Chapter 5, Risk Mitigation, Chapter 6 (BP #32)

(Monday, March 26)

**Guest Speaker – Marja Hoek-Smit, International Housing Finance Program, Wharton
Mark Zandi, CEO, Moody’s Economy.com**

HOUSING FINANCE SYSTEMS IN DEVELOPING COUNTRIES

(Wednesday, March 28)

PROJECT PRESENTATIONS

Draft Group Power Point Presentation Due

(Monday, April 2)

REGULATORY FRAMEWORKS FOR MORTGAGE SYSTEMS

Guest Speaker – Pat McCoy

Engel & McCoy, “The Subprime Virus,” (BP #33)

(Wednesday, April 4)

MORTGAGE AND HOUSING POLICY IN THE US: AN HISTORIC OVERVIEW

Guttentag and Wachter, “Redlining and Public Policy,” (BP #34)

HUD Issue Brief, “HUD’s Affordable Lending Goals for Fannie Mae and Freddie Mac” <http://www.huduser.org/portal/publications/polleg/gse.html>

HUD/Treasury Report, “Curbing Predatory Home Mortgage Lending”

(Monday, April 9)

US MORTGAGE POLICY: REFORM?

FCIC, Preliminary Staff Report: The Role of the Federal Reserve in Banking Supervision and Regulation (online)
FCIC, Preliminary Staff Report: Securitization and the Mortgage Crisis (online)
FCIC, Preliminary Staff Report: The Community Reinvestment Act and the Mortgage Crisis (online)
FCIC, Preliminary Staff Report: Government Sponsored Enterprises and the Financial Crisis (online)
FCIC, Preliminary Staff Report: The Mortgage Crisis (online)

Group Powerpoint Presentations due Sunday April 18

**(Wednesday, April 11) QUESTIONS AND DISCUSSION ON POLICY REFORM
Guest Speaker**

Allen and Gale, "Bubble and Crises"
Levitin et al, "Securitization: Cause or Remedy of the Financial Crisis?"
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1462895
Recent news articles on Dodd Bill, SEC suit and Magnetar (canvas)

(Monday, April 16) GROUP PRESENTATIONS

(Wednesday, April 18) REVIEW CLASS

(Monday, April 23) SECOND EXAMINATION