

UNIVERSITY OF PENNSYLVANIA
THE WHARTON SCHOOL
DEPARTMENT OF FINANCE

REAL ESTATE 236/BUSINESS AND PUBLIC POLICY 236
INTERNATIONAL HOUSING COMPARISONS
SPRING 2013

Dr. Susan M. Wachter
430 Vance Hall
215-898-6355

Course Overview

This course focuses on international comparisons of housing finance systems and housing market outcomes. The recent housing finance crisis is highlighted in the US and Europe. The course covers includes comparative analyses of housing market differences and similarities across countries. The course also addresses the implications of the ongoing integration of global financial markets for national housing markets. Speakers present their views on institutional innovations and the policy setting process. 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 9) 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 14) INTERNATIONAL HOUSING FINANCE AND MARKET OUTCOMES

Boleat, "National Housing Finance Systems" (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, "Simple Analytics- Real Estate Capital and Space Markets" (BP #7) Preview

(Wednesday, January 16) 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)
Perelman, "It All Depends" Buying and Selling Houses in Rio's Favelas," <http://intlhc.org/wp-content/uploads/2010/11/perlman-final-final-paper.pdf>

(Monday, January 21) NO CLASS

(Wednesday, January 23) HOUSING IN MARKET BASED SYSTEMS: EQUILIBRIUM AND DISEQUILIBRIUM CONCEPTS

DiPasquale and Wheaton, Chapter 1, "The Property and Capital Markets" (BP #6)
Wachter and Kroll, "Simple Analytics- Real Estate Capital and Space Markets" (BP #7)

(Monday, January 28) HOUSING IN MARKET BASED SYSTEMS: COMPARATIVE STATICS OUTCOMES

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

(Wednesday, January 30) URBANIZATION IN DEVELOPING COUNTRIES Guest Speaker: Kevin Gillen

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

Kevin Gillen – Notes

Problem Set #1 Due before class, email to canvas

(Monday, February 4) HOUSING AND CONSTRAINTS IN MARKET BASED SYSTEMS

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)

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

Whitehead, "International Trends in Housing Tenure and Housing Finance" (BP #17) (optional)

(Wednesday, February 6) 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)

(Monday, February 11) MORTGAGE INSTRUMENTS AND RISKS IN PRIMARY AND SECONDARY MARKETS

DiPasquale, "A Primer on the Secondary Mortgage Market" (BP #23)

"Savings and Loans and the Mortgage Markets," Harvard Business School (BP #24)

(Wednesday, February 13) MORTGAGE INSTRUMENTS AND RISKS IN PRIMARY AND SECONDARY MARKETS: HISTORY

Green and Wachter, "The Housing Finance Revolution" (Page 106 to end)

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1491688

Green and Wachter, "The American Mortgage in Historical and International Context" (Skim First Half) (BP #25)

**(Monday, February 18) WHAT CAUSED THE PANIC
Guest Speaker: Larry Cordell**

Explaining the Housing Bubble, Adam Levitin and Susan Wachter (Part 1):

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1669401

Levitin and Wachter, "The Rise, Decline, and Return of the Public Option in Housing Finance" (skim)

<http://ssrn.com/abstract=1966550>

(Wednesday, February 20) SYSTEMIC FAILURE AND THE FUTURE OF SECURITIZATION?

The Community Reinvestment Act and the Mortgage Crisis

http://fcic-static.law.stanford.edu/cdn_media/fcic-reports/2010-0407-Preliminary_Staff_Report_-_Securitization_and_the_Mortgage_Crisis.pdf

Securitization and the Mortgage Crisis

http://fcic-static.law.stanford.edu/cdn_media/fcic-reports/2010-0407-Preliminary_Staff_Report_-_CRA_and_the_Mortgage_Crisis.pdf

Government Sponsored Enterprises and the Financial Crisis

http://fcic-static.law.stanford.edu/cdn_media/fcic-reports/2010-0409-GSEs.pdf

(Monday, February 25) REVIEW CLASS

(Wednesday, February 27) MIDTERM EXAMINATION (IN CLASS)

SPRING BREAK – NO CLASS ON MARCH 4 & 6

(Monday, March 11) DENSITY AND THE IMPORTANCE OF CENTRALITY IN DEVELOPING COUNTRIES

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)

DiPasquale/Wheaton, Ch. 3, pages, 35-42, *Urban Real Estate Economics and Real Estate Markets* (BP #30)

(Wednesday, March 13) RMBS AND CMBS
Guest Speaker: Glenn Mueller

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

(Monday, March 18) HOUSING FINANCE SYSTEMS IN DEVELOPED COUNTRIES

Real Estate Crashes and Bank Lending, Pavlov and Wachter (canvas)

Bubbles in Real Estate Markets, Herring and Wachter (canvas)

Real Estate Booms and Banking Busts: An International Perspective, Herring and Wachter (canvas) optional

Bank Lending and Real Estate in Asia, Koh et al. (canvas) optional

(Wednesday, March 20) HOUSING FINANCE SYSTEMS IN DEVELOPING COUNTRIES
Guest Speaker: Marja Hoek-Smit, International Housing Finance Program, Wharton

(Monday, March 25) HOUSING FINANCE SYSTEMS IN EUROPE/ PROJECT PRESENTATIONS

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)

(Wednesday, March 27) QUALIFIED MORTGAGE/QUALIFIED RESIDENTIAL MORTGAGE
Guest Speaker: Barry Zigas

Barry Zigas’s (4) readings

(Monday, April 1) REGULATORY FRAMEWORKS FOR MORTGAGE SYSTEMS: REFORM OF THE PRIMARY MARKET
Guest Speaker – Laurie Goodman

Laurie Goodman’s (3) reading

(Wednesday, April 3) MORTGAGE AND HOUSING POLICY IN THE US: AN HISTORIC OVERVIEW

McCoy, “Rethinking Disclosure in a World of Risk-Based Pricing” (canvas)

Guttentag & Wachter, “Redlining and Public Policy”

Harvard Business School Case Study, “BayBank Boston” Read pgs 1-11, skim rest

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)

(Monday, April 8) US MORTGAGE POLICY: REFORM?

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

Group Powerpoint Presentations due Tuesday April 10

(Wednesday, April 10) GROUP PRESENTATIONS

**(Monday, April 15) QUESTIONS AND DISCUSSION ON POLICY REFORM
Guest Speakers: Ed Golding and Richard Green**

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)

(Wednesday, April 17) REVIEW CLASS

(Monday, April 22) SECOND EXAMINATION