

**INTERNATIONAL HOUSING COMPARISONS  
REAL 236/BEPP 236 – SPRING 2014**

**VERSION AS OF 12/23/2013**

**Course Overview**

This course focuses on 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 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 will be used, including readings, written assignments, and group projects.

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| Professor:     | Dr. Susan Wachter<br><a href="mailto:wachter@wharton.upenn.edu">wachter@wharton.upenn.edu</a><br>Office: 430 Vance Hall<br>Office Hours: Tuesday 6:00 pm – 7:00 pm<br>215-898-6355 |
| TA:            | Eoin Condren<br><a href="mailto:econdren@wharton.upenn.edu">econdren@wharton.upenn.edu</a><br>Office: 432 Vance Hall<br>Office Hours: Tuesday 12:00 pm - 2:00 pm                   |
| Class Meeting: | Monday and Wednesday 1:30-3:00 pm<br>Huntsman Hall G50   |

**Course Materials**

1. Bulk Pack ([www.study.net](http://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 15) 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) (BP #3)

[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](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 #4)

### **(Monday, January 20) NO CLASS**

### **(Wednesday, January 22) INTERNATIONAL HOUSING FINANCE AND MARKET OUTCOMES**

Boleat, "National Housing Finance Systems" (BP #5)

DiPasquale and Wheaton, Chapter 1, "The Property and Capital Markets" (BP #7)

Renaud, "The Financing of Social Housing in Integrating Financial Markets: A View from Developing Countries" (BP #6)

### **(Monday, January 27) HOUSING IN MARKET BASED SYSTEMS: COMPARATIVE STATICS OUTCOMES**

Wachter and Kroll, "Simple Analytics- Real Estate Capital and Space Markets" (BP #8) Preview

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

### **(Wednesday, January 29) HOUSING IN MARKET BASED SYSTEMS: EQUILIBRIUM AND DISEQUILIBRIUM CONCEPTS**

Malpezzi, "Urban Housing and Financial Markets: Some International Comparisons" (BP #12)

Malpezzi and Wachter, "Housing Demand" (canvas)

Pozdena, "The Modern Economics of Housing," Chapter 2, pp. 218-227 (BP #13), and Chapter 3 (BP #14)

Saiz, "The Geographic Determinants of Housing Supply" (canvas)

### **(Monday, February 3) INTERNATIONAL HOUSING COMPARISONS: PROPERTY RIGHTS CONCEPTS**

**Guest Speaker: Kevin Gillen and Shahana Chattaraj**

Angel, Housing Policy Matters, Chapter 7 and Chapter 23, pp. 316-325 (BP #9) and Chapter 1 (BP #10)

DeSoto, Chapter 2, "The Mystery of Missing Information" (BP #11)

Gillis et al, "Two-Sector Models," pp. 49-63 (BP #28)

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>

### **(Wednesday, February 5) HOUSING FINANCE SYSTEMS IN DEVELOPED COUNTRIES**

Van Horn, "Understanding the Mortgage Market," Chapter 13 (BP #19) read pages 295-311, skim rest (start reading)

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 or site link) optional

<http://www.sciencedirect.com/science/article/pii/S1049007804001459>

**Problem Set #1 Due before class, email to canvas**

**(Monday, February 10) 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](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1526724)

Quercia and Stegman, "Residential Mortgage Default: A Review of the Literature" (BP #15)

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

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

**(Wednesday, February 12) MORTGAGE INSTRUMENTS AND RISKS IN PRIMARY AND SECONDARY MARKETS**

DiPasquale and Wheaton, Chapter 8, "The Market for Housing Units" (BP #18) read pages 193-199, skim rest

Van Horn, "Understanding the Mortgage Market," Chapter 13 (BP #19) read pages 295-311, skim rest

Guttentag, "Secondary Market-Based Versus Depository Housing Finance Systems" (BP #20)

DiPasquale, "A Primer on the Secondary Mortgage Market" (BP #21)

"Savings and Loans and the Mortgage Markets," Harvard Business School (BP #22)

**(Monday, February 17) 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](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 #24)

Levitin and Wachter, "The Public Option in Housing Finance" (skim)

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

**(Wednesday, February 19) PRIMARY AND SECONDARY MARKETS**

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

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

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1669401](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1669401)

**(Monday, February 24) WHAT CAUSED THE PANIC  
Guest Speaker: Larry Cordell**

Cordell, Huang and Williams, "Collateral Damage: Sizing And Assessing The Subprime CDO Crisis"

<http://www.philadelphiafed.org/research-and-data/publications/working-papers/2011/wp11-30.pdf>

**(Wednesday, February 26) 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](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](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](http://fcic-static.law.stanford.edu/cdn_media/fcic-reports/2010-0409-GSEs.pdf)

Levitin and Wachter "Commercial Mortgage Backed Securities Market" (canvas)

**(Monday, March 3) REVIEW CLASS**

**(Wednesday, March 5) MIDTERM EXAMINATION (IN CLASS)**

**SPRING BREAK – NO CLASS ON MARCH 10 & 12**

**(Monday, March 17) 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 #25)

Tiebout, “A Pure Theory of Local Expenditures” (BP #26)

DiPasquale/Wheaton, Ch. 3, pages, 35-42, *Urban Real Estate Economics and Real Estate Markets* (BP #27)

**(Wednesday, March 19) HOUSING FINANCE SYSTEMS IN DEVELOPING COUNTRIES**  
**Guest Speaker: Marja Hoek-Smit, International Housing Finance Program, Wharton**

**(Monday, March 24) HOUSING FINANCE SYSTEMS IN EUROPE**

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

Whitehead, “International Trends in Housing Tenure and Housing Finance,” Mortgage Systems Chapter 5, Risk Mitigation, Chapter 6 (BP #29)

**(Wednesday, March 26) FINANCE STABILITY AND INSTABILITY IN DEVELOPED COUNTRIES-OPEN**

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

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

**(Monday, March 31) 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” (BP #30)

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)

**(Wednesday, April 2) BASEL III AND THE HOUSING MARKET**

**(Monday, April 7) PRESENTATION MEETING**

**(Wednesday, April 9) GUEST SPEAKER: BOB TOLL**

**(Monday, April 14) US MORTGAGE REGULATION GOING FORWARD I**  
**Guest Speaker: Susanna Tisa**

Engel & McCoy, “The Subprime Virus,” (BP #31)

BPC Reform proposal .pdf link: [http://bipartisanpolicy.org/sites/default/files/BPC\\_Housing%20Report\\_web.pdf](http://bipartisanpolicy.org/sites/default/files/BPC_Housing%20Report_web.pdf)

FHFA Securitization Platform proposal:

<http://www.fhfa.gov/webfiles/24572/fhfasecuritizationwhitepaper100412final.pdf>

Director DeMarco Testimony: <http://financialservices.house.gov/uploadedfiles/hhrg-113-ba00-wstate-edemarco-20130319.pdf>

March 2013 complaints report: [http://files.consumerfinance.gov/f/201303\\_cfpb\\_Snapshot-March-2013.pdf](http://files.consumerfinance.gov/f/201303_cfpb_Snapshot-March-2013.pdf)

Ability to Repay rule: [http://files.consumerfinance.gov/f/201301\\_cfpb\\_ability-to-repay-summary.pdf](http://files.consumerfinance.gov/f/201301_cfpb_ability-to-repay-summary.pdf)

High-Cost Mortgage rule: [http://files.consumerfinance.gov/f/201301\\_cfpb\\_final-rule\\_high-cost-mortgages.pdf](http://files.consumerfinance.gov/f/201301_cfpb_final-rule_high-cost-mortgages.pdf)

### **Group Powerpoint Presentations due Tuesday April 9**

**(Wednesday, April 16)**

**US MORTGAGE REGULATION GOING FORWARD-EVENT**

Allen and Gale, "Bubbles and Crises" (canvas)

Levitin et al, "Securitization: Cause or Remedy of the Financial Crisis?"

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1462895](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1462895)

**(Monday, April 21)**

**PRESENTATIONS**

**(Wednesday, April 23)**

**REVIEW CLASS**

**(Monday, April 28)**

**(Wednesday, April 30)**

**SECOND EXAMINATION**