

HOUSING REVIEW

JOINT CENTER FOR HOUSING STUDIES OF HARVARD UNIVERSITY

Graduate School of Design

SPRING 2008

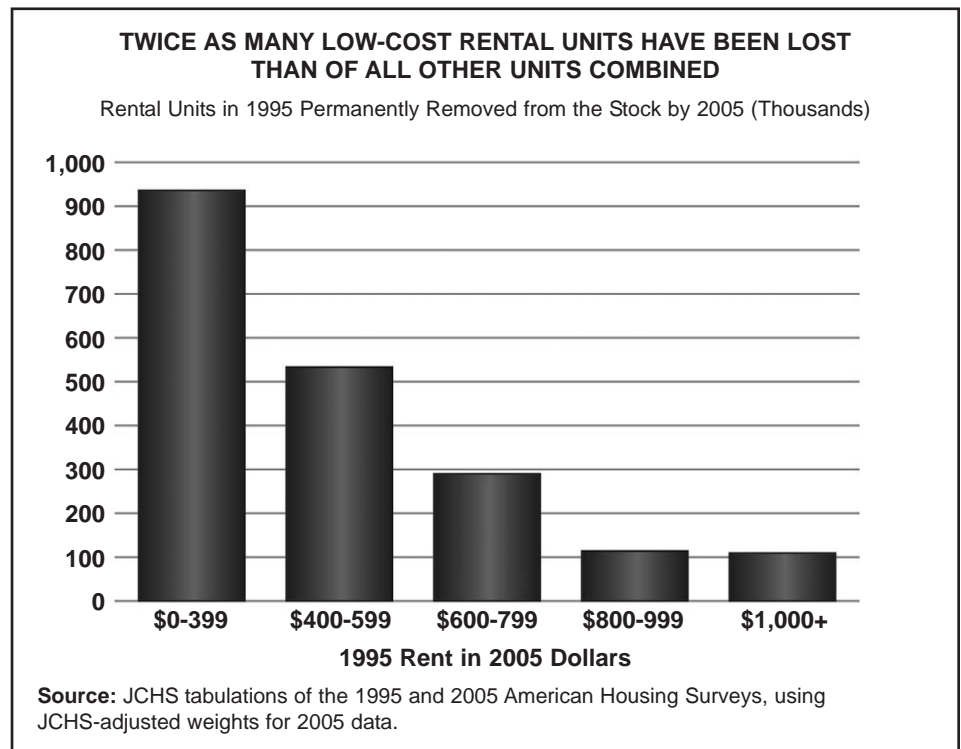
Harvard Kennedy School

AMERICA'S RENTAL HOUSING: THE KEY TO A BALANCED NATIONAL POLICY

Today's mortgage foreclosure crisis reaches deep into the rental market, according to the latest report from the *America's Rental Housing* series supported by the MacArthur Foundation and released in Chicago in late April. With affordability already a longstanding problem, the current housing debacle adds to the number of households competing for low-cost rentals and threatens renters living in foreclosed properties with sudden eviction. Moreover, since many of the high-risk loans now in default are concentrated in low-income and minority communities, the fallout from foreclosures is hitting the same neighborhoods where many of the nation's most economically vulnerable renters live.

Rising foreclosures and the resulting turmoil in credit markets threaten to undermine the already weak multifamily construction and housing preservation sector. Last year, completions of multifamily units for rent fell to 169,000 units—just two-thirds of the 2002 figure and only one-third of the 1985 record high. Today, with the cost of capital to fund new multifamily construction on the rise and a possible recession in the offing, the near-term prospects for this sector remain bleak.

With these unprecedented shifts on both sides of the rental market, the direction of rents is impossible to predict. For now at least, monthly gross rents (payments to property owners plus utility



costs) are still on the rise and last year reached an all-time, inflation-adjusted high of \$775. At the same time, each year thousands of older, lower-quality, lower-rent units are being demolished and abandoned. From 1995 to 2005, 1.4 million units renting for \$600 a month or less in 1995 were demolished or otherwise removed from the housing inventory. Not surprisingly, the number of renters paying more than 30 percent of their income for housing reached a new high in 2006 of 16.8 million, with over 12 million of these households in the lowest-income quartile.

For the past decade, even as the problems facing the lowest-income renters continued to mount, promoting broader access to homeownership has been the centerpiece of federal, state, and local housing programs. The current surge in mortgage delinquencies and foreclosures exposes the tragic flaw in

this approach. While acknowledging the importance of efforts to assist homeowners facing foreclosure, the report proposes the development of a new and more balanced set of housing policy initiatives that would focus renewed energy on preserving the stock of subsidized rental housing, limiting losses of privately owned, low-cost units, and eliminating land use restrictions and other barriers that needlessly increase the cost of producing homes for sale as well as for rent. The report argues that the nation now has a unique opportunity to transform the large and growing inventory of foreclosed and vacant properties into the next generation of affordable rental housing and, in doing so, create a balanced housing policy for the benefit of all.

America's Rental Housing: The Key to a Balanced National Policy is available at www.jchs.harvard.edu

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RECENT PUBLICATIONS

MM07-1: Understanding Mortgage Market Behavior: Creating Good Mortgage Options for all Americans*by Ren S. Essene and William Apgar*

Consumers have a limited ability to make informed choices. Unlike consumer behavior toward common purchases, most buyers enter the mortgage market not knowing exactly what kind of mortgage they want or need and not fully understanding the short- and long-term implications of the many available mortgage products. In addition, many loan marketing strategies exploit these consumer decision making weaknesses, and the widespread use of incentive payments often encourage mortgage brokers and retail loan officers to promote higher-priced products. Consumers, therefore, often fail to obtain a loan product that they understand and have a reasonable ability to repay. This study examines consumer and lender behavior in the marketplace and suggests cooperative solutions for government officials, industry leaders and advocates to ensure that consumers receive “good mortgage loan” options.

MM07-2: Mortgage Market Channels and Fair Lending: An Analysis of HMDA Data*by William Apgar, Amal Bendimerad and Ren S. Essene*

Many argue that a mortgage lending gap exists because an increasing number of high-priced mortgages end up in the hands of minorities in low-income neighborhoods, even when those borrowers could have qualified for a lower-priced prime mortgage. This study uses 2004 Home Mortgage Disclosure Act data to better understand the flow of capital in the mortgage lending process to determine if all borrowers are evaluated fairly in the mortgage market. It demonstrates the correlation between the observed racial gap in the ability of households to secure lower-priced mortgages and the characteristics of the organization originating the loan, and it explains how higher-priced loans, particularly loans made to minorities in lower-income communities, are more likely than lower-priced prime loans to flow through less regulated channels.

W07-7: Projecting the Underlying Demand for New Housing Units: Inferences from the Past, Assumptions about the Future*By Eric S. Belsky, Rachel Bogardus Dren, and Daniel McCue*

This paper examines the challenges of projecting the long-run sustainable demand for new residential construction and presents a range of estimates for the likely demand for new housing over the period from 2005 through 2014. It increases the readers’ understanding of the logic behind long-run housing demand projections and makes them sensitive to the choice of datasets, interpretation of datasets, and assumptions behind these projections.

W07-8: The Performance of Remodeling Contractors in an Era of Industry Growth and Specialization*By Abbe Will and Kermit Baker*

Professional remodeling contractors have not experienced the same flurry of consolidation as in the national homebuilding industry in recent years. The home improvement industry remains fragmented with many small contractors that focus on local markets and are highly susceptible to failure with each new cycle of remodeling activity. This paper analyzes the structure, performance and survivorship trends of professional contractors serving the remodeling industry using data from the U.S. Census Bureau’s Economic Census of the construction sector and Business Information Tracking Series, as well as *Qualified Remodeler* magazine’s Top 500 Remodelers.

W07-9: Louisiana Land Reform in the Storms’ Aftermath*By Frank S. Alexander*

The Gulf Coast storms of 2005 took place in a legal landscape already hampered by complex statutory schemes for dealing with vacant, abandoned, substandard and tax delinquent properties. This paper focuses first on the meteorological hurricanes and their context in terms of vacant and abandoned properties. The focus then shifts to the post-Kelo constitutional amendments and the confusion wrought by the new and conflicting definitions of “public purpose” that now underlie expropriation. The paper then presents a broader perspective on how Louisiana has wrestled over the decades with blighted properties and the resulting chaos in definitions and approaches. It also gives attention to tax lien enforcement procedures and to the possibilities of major reforms that could lead to an efficient and effective system. Alexander concludes with information on government land banking as a tool for dealing with vacant and abandoned properties.

W08-1: Enter the Housing Industry, Stage Right: A Working Paper on the History of Housing Policy*By Alexander von Hoffman*

This paper offers an in-depth historical account of housing policy in the United States. While most historians of housing policy study housing reformers and especially those who promoted public housing, von Hoffman additionally examines the influence of trade associations and private industry. He outlines the challenges that signified a need for housing policy, summarizes the various attitudes toward public housing and other existing responses, and discusses the origination of Eisenhower’s Housing Act of 1954.

W08-2: Good Home Improvers Make Good Neighbors*by Kevin Park*

Research on the determinants of home improvement activity generally ignores the neighborhood context in which homeowners live, but the condition and trends of the surrounding properties influence a homeowner’s attitude toward his or her own house. Similarly, the home improvement activities of an individual homeowner may impose costs and benefits on nearby property owners and thereby influence the general level of maintenance in the neighborhood. Using the Metropolitan Surveys of the American Housing Survey from 1995-2004, this paper analyzes the differences in real appreciation rates between neighborhoods with different levels of median home improvement spending.

UCC: Understanding Consumer Credit Working Papers

On November 28 and 29, 2007, the Joint Center for Housing Studies hosted *Understanding Consumer Credit: A National Symposium on Expanding Access, Informing Choices, and Protecting Consumers*, with the support of the Ford Foundation, Freddie Mac, and NeighborWorks® America. This symposium brought together leaders from the business, government, civic and academic sectors to examine the challenges of improving outcomes for consumers. These leaders also explored driving market efficiencies in the consumer credit system, while preserving the choice and access that borrowers with limited financial means and/or sub-par credit records now enjoy. The papers from the symposium are now available online as part of the Joint Center’s Working Paper Series.

Most Joint Center publications are available online for no charge at www.jchs.harvard.edu

UNDERSTANDING THE RECENT BOOM AND BUST OF THE SUBPRIME MARKET

Today, close to one million homeowners stand on the brink of losing their homes. In light of the rapid rise in foreclosures and the associated instability of U.S. mortgage markets, loans made in 2006 already appear to be the most foreclosure-prone ever originated. With support from the Ford Foundation, the Joint Center is launching a new study to better understand the combined factors that produced the latest boom and bust of the subprime mortgage market.

Currently, there is limited analysis of the complex factors that prompted the rapid buildup of subprime and non-traditional prime loans and the equally rapid demise of many large and seemingly sophisticated primary and secondary mortgage market entities. Some analysts point to the slowdown in housing production and sales and the associated softening of house price appreciation. Others focus on the fact that many borrowers, lenders and investors either implicitly or explicitly assumed that house prices would continue to steadily appreciate into the future. This false optimism not only fueled borrower demand, but worked its way into the risk analysis and the supply decisions of rating agencies and investors.

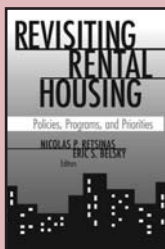
Industry practices and current regulations will be under scrutiny as solutions are put forward. To better understand the past and to guide future corrective action, the proposed research will address three main questions:

1. To what extent has the rapid run-up in house prices altered the demographic, economic, and spatial characteristics of households selecting higher-cost nonprime loans? What are the characteristics of mortgage lenders originating these loans?
2. To what extent have the alternative mortgage delivery channels changed in the period of rapid build-up in higher-risk lending, as well as the early phase of the market pull back?
3. What changes are needed to ensure that the recent turmoil in the mortgage market does not repeat itself in the future?

The upcoming research will build on the Joint Center's previous Ford Foundation funded research, *Understanding Mortgage Markets*, which examined the behavior of mortgage market participants and the emergence of new mortgage delivery channels linked to the rapid growth of higher-risk subprime mortgages. The Joint Center research will be guided by an advisory committee comprised of senior industry executives, community leaders, regulatory officials, and academic experts. In-depth empirical analysis of the best available mortgage and housing market data about the changing structure of lending nationwide will be complemented by discussion groups and in-depth interviews with housing and mortgage market experts.

HOMEOWNERSHIP ISN'T ALWAYS THE ANSWER

On February 6, 2008, the Joint Center for Housing Studies and the Brookings Metropolitan Policy Program convened a policy discussion to celebrate the release of *Revisiting Rental Housing: Policies, Programs, and Priorities*. Following introductory remarks, the Honorable Brian D. Montgomery, Assistant Secretary for Housing-Federal Housing Commissioner at the U.S. Department of Housing and Urban Development, Mark Calabria of the U.S. Senate Committee on Banking, Housing and Urban Affairs, and Gail Laster, Deputy Chief Council for the U.S. House of Representatives' Committee on Financial Services shared their thoughts on the challenges and solutions offered in this volume.



Editors: Nicolas P. Retsinas and Eric S. Belsky

Rental housing is central in promoting family mobility, neighborhood stability and community economic development. This book pulls together the best of our current knowledge about these critical themes. Nowhere else is current thinking so clearly and succinctly summarized. Hats off to Retsinas and Belsky for shedding light on this important topic.

~ Nancy O. Andrews, President, Low Income Investment Fund

Rental housing is the best option for people who are not in a position to take on home ownership responsibilities because of financial, family or job-related considerations. Retsinas and Belsky's work give us a better understanding of both the benefits and limitations of renting and owning.

~ J. Ronald Terwilliger, Chairman and Chief Executive Officer, Trammell Crow Residential

Copies are available for purchase at www.brookings.edu

UNDERSTANDING CONSUMER CREDIT SYMPOSIUM

In November 2007, The Joint Center held *Understanding Consumer Credit: A National Symposium on Expanding Access, Informing Choices, and Protecting Consumers* to take stock and assess both where we've come from and where we are headed in mortgage and credit markets. This national symposium took place at the Harvard Business School with the support of the Ford Foundation, Freddie Mac, and NeighborWorks® America. The program gathered senior executives in government, industry, non-profit, and academic sectors to discuss the challenges of improving outcomes for consumers and driving market efficiencies in the consumer credit system while preserving the choice and access that borrowers with limited financial means and/or sub-par credit records now enjoy.

The symposium was made up of seven panels on topics including: 1) consumer credit decisions, 2) the effects of capital markets, public information, and regulatory structure on the supply of credit, 3) consumer disclosures and product regulation, 4) helping consumers make better decisions, 5) managing risks for the benefit of consumers, 6) protecting and empowering credit consumers in the OECD nations, and 7) implications. Paper presenters focused their presentations on the policy implications of their findings and suggested how best to formulate a more cogent government response to credit challenges. Leaders from many sectors responded to these findings and further explored their implications for business and public policy.

Later this year, selected papers will be co-published by the Joint Center and the Brookings Institution in *Borrowing to Live: Consumer and Mortgage Credit Revisited*.

Copies of the working papers and proceedings of the event are available online at www.jchs.harvard.edu/understanding_consumer_credit

**JOINT CENTER FOR HOUSING STUDIES:
FELLOWS AND AFFILIATES**

BARBARA T. ALEXANDER

Executive Fellow, Joint Center for Housing Studies

RACHEL BRATT

Professor, Urban and Environmental Policy and Planning,
Tufts University
Visiting Fellow, Joint Center for Housing Studies

JOHN DRISCOLL

Director, International Centre for Local and Regional Development
Vice President, Institute for Urban Development
Visiting Fellow, Joint Center for Housing Studies

MARK DUDA

Director of Housing Research, Institute for Social Development
and Public Policy, Beijing Normal University
Affiliate, Joint Center for Housing Studies

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Emerging Leaders in Community and Economic Development Fellow,
Joint Center for Housing Studies

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John R. Meyer Dissertation Fellow,
Joint Center for Housing Studies

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Visiting Fellow, Joint Center for Housing Studies

KAREN KEAVENEY

Lecturer in Spatial Planning, School of Planning, Architecture, and
Civil Engineering, Queen's University Belfast
Affiliate, Joint Center for Housing Studies

SHEKAR NARASIMHAN

Managing Partner, Beekman Advisors, LLC
Affiliate, Joint Center for Housing Studies

**2008 EMERGING LEADERS IN COMMUNITY AND
ECONOMIC DEVELOPMENT**

The Joint Center and NeighborWorks® America are pleased to announce the 2008 Emerging Leaders in Community and Economic Development Fellowship recipients, Rose Lindsay Finkenstaedt and Daniel Fleischman. They will develop analytical projects based on 10 weeks of on-site research at the NeighborWorks® America office in Boston.

Finkenstaedt graduated with honors from Trinity College and is a Master of Urban Planning (MUP) candidate at the Harvard Graduate School of Design. Her research this summer will investigate the challenges and opportunities of moving beyond project-based financing for affordable housing development.



Rose Lindsay Finkenstaedt



Daniel Fleischman

Fleischman graduated with high honors from Brandeis University and is also a MUP candidate at the Harvard Graduate School of Design. His research this summer will provide a critical appraisal of small property rehabilitation in neighborhoods with rising foreclosure rates.

The Emerging Leaders in Community and Economic Development Fellowship is a competitive summer program that provides a unique blend of academics and field experience. Designed for mature, forward-thinking Harvard students, this program provides an opportunity to learn, explore, and make a difference.

THE JOINT CENTER FOR HOUSING STUDIES OF HARVARD UNIVERSITY
& THE NATIONAL HOUSING ENDOWMENT

Invite you to attend

The 9th Annual John T. Dunlop Lecture

**REVOLUTION
IN MORTGAGE FINANCE**

Lewis S. Ranieri
Prime Originator & Founder, Hyperion



October 1, 2008, 6:00 pm
Graduate School of Design
Gund Hall, Piper Auditorium
48 Quincy Street
Cambridge, MA 02138

*This event is open to the public.
Please RSVP by September 24, 2008, to
(617) 495-7640 or elizabeth_england@harvard.edu*

To learn more about opportunities for students at the
Joint Center for Housing Studies, visit www.jchs.harvard.edu/education

PENSION FORUM MEETS IN WASHINGTON, DC

On March 27 and 28, 2008, the Leadership Forum on Pension Fund and Endowment Investments in Domestic Emerging Markets met in Washington, DC. The program began with a tour of the Arthur Capper/Carrollburg redevelopment led by Lois Fried of Mid-City Legacy. Eric Belsky moderated a discussion on the role housing cycles play in domestic emerging market investments, with panelists John McIlwain of the Urban Land Institute, Ronald Ratner of Forest City Residential Group, and J. Allen Smith of Prudential Real Estate Investors. Shekar Narasimhan of Beekman Advisors explored how to measure rates of return on emerging market investments, with input from Robert Dubinsky of the International Housing Coalition and Teresa Lynch of the Initiative for a Competitive Inner City. To conclude the session, Heather Williamson of the Evangelical Lutheran Church of America Board of Pensions led a discussion on pension fund investment strategies with input from Leonard English of the General Board of Pension and Health Benefits of The United Methodist Church, Rita Sallis from the New York City comptroller's office, and Laurie Weir of the California Public Employees Retirement System (CalPERS).

This meeting marked a change in Forum leadership, and the Joint Center is pleased to welcome the new chair, Theodore (Ted) Eliopoulos. Eliopoulos has served as Senior Investment Officer for Real Estate at CalPERS since January 2007. He monitors CalPERS' \$21 billion real estate portfolio to ensure consistency and high quality across asset classes, portfolios and investment strategies. Prior to his current role, he served as Deputy Treasurer and then Chief Deputy Treasurer for the State of California. He is also on the board of the Pension Real Estate Association.

Ted Eliopoulos leads the investment roundtable discussion at the March 2008 meeting of the Leadership Forum on Pension Fund and Endowment Investments in Domestic Emerging Markets in Washington, DC.

GRADUATE SCHOOL OF DESIGN WELCOMES DEAN MOHSEN MOSTAFAVI

In January 2008, Mohsen Mostafavi, an international figure in the fields of architecture and urbanism, became the dean of the Harvard Graduate School of Design (GSD). Prior to this appointment, Mostafavi served as dean of Cornell University's College of Architecture, Art and Planning, where he was also the Arthur L. and Isabel B. Wiesenberger Professor in Architecture. Before Cornell, he was an associate professor of architecture at the GSD and director of the Masters of Architecture I program.

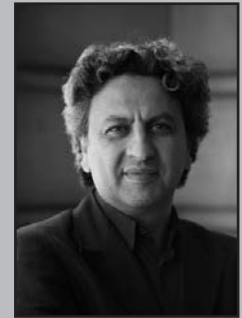


Photo by Jason Kioski

He also served for nine years as chairman of the Architectural Association School of Architecture in London, one of Europe's foremost schools of design. Born in Iran, Mostafavi received a diploma in architecture from the AA in 1976. He then undertook research on counter-reformation urban history at the University of Essex (1976-81) and the University of Cambridge (1981-84).

For more information on Dean Mohsen Mostafavi, including Harvard President Drew Faust's introductory remarks, visit www.gsd.harvard.edu



STAFF PRESENTATIONS

Affordable Housing Investors Council
 The Brookings Institution
 Center for Responsible Lending
 Columbus Housing Partnership
 Demos: A Network for Ideas and Action
 Federal Reserve Bank of Boston
 Ford Foundation
 Home Center Industry President's Council
 International Builders' Show
 International Center for Local and Regional Development
 Lincoln Institute of Land Policy
 National Association of Realtors
 National Council of State Housing Agencies
 Oldcastle
 Remodeling Show 2007
 Society for American City and Regional Planning History
 United States Military Academy at West Point
 University of Chicago
 University of Connecticut Law School

PUBLISHED RESEARCH AND COMMENTARY

NICOLAS P. RETSINAS

"Building Sand Castles: The Subprime Adventure." HBS Working Knowledge. September 12, 2007.
 "The crumbling of the sub-prime empire." *Providence Journal*. October 30, 2007.
 "A House Divided: Investment or Shelter." HBS Working Knowledge. January 23, 2008.
 "What was lost when home values soared." *Reuters*. February 19, 2008.
 "Revisiting the Vocabulary of Housing: A Place to Live." *National Mortgage News*. February 25, 2008.
 "The reality of home 'as an investment'." *Providence Journal*. February 25, 2008.

ZHU XIAO DI, ERIC BELSKY, XIAODONG LIU

"Do homeowners achieve more household wealth in the long run?" *Journal of Housing Economics*. Volume 16, Numbers 3-4, November 2007.

ALEXANDER VON HOFFMAN

John F. Kennedy's Birthplace: A Presidential Home in History and Memory. A Historic Resource Study. National Park Service, U.S. Department of Interior, 2007.

SPRING 2008 BROWN BAG LECTURES

HOUSING FINANCE AROUND THE WORLD SEMINAR SERIES

The Regulator's Dilemma: Managing the Promise and Pitfalls of Access to Credit in Developing Countries *February 20, 2008*
David Porteous, Director, Bankable Frontier Associates

Regulatory Barriers to the Redevelopment of Community Housing Following Disasters *March 3, 2008*
Jesse Keenan, Partner, Baker Cronig & Keenan LLP, and Visiting Fellow, Joint Center for Housing Studies

Public Policy Interventions: The Chile Experiment *March 5, 2008*
Felipe Kast, Ph.D. Candidate, Harvard Kennedy School, and 2008 John R. Meyer Dissertation Fellow, Joint Center for Housing Studies

Carolina for Kibera, Inc.: Urban Planning in Kenya *April 21, 2008*
Rye Barcott, Co-founder, Carolina for Kibera, MBA candidate, Harvard University, and Catherine B. Reynolds Foundation Social Entrepreneurship Fellow

Property Rights and Housing: For Whom? *April 24, 2008*
Sylvia Martinez, Independent Adviser, U.N. Commission on Legal Empowerment of the Poor, and Visiting Fellow, Joint Center for Housing Studies

Sustainable Communities in Ireland *May 7, 2008*
John Driscoll, Director, International Centre for Local and Regional Development, and Visiting Fellow, Joint Center for Housing Studies

HOUSING FINANCE IN MASSACHUSETTS SEMINAR SERIES

Cosponsored with The Rappaport Institute for Greater Boston and the Taubman Center for State and Local Government

Subprime Outcomes: Risky Mortgages, Homeownership Experiences, and Foreclosures in Massachusetts *February 13, 2008*
Paul Willen, Senior Economist and Policy Advisor, Federal Reserve Bank of Boston

Building an Effective Regulatory Response to the Mortgage Foreclosure Crisis in Massachusetts *April 2, 2008*
Martha Coakley, Massachusetts Attorney General

Creating Good Mortgage Options for All Americans *April 16, 2008*
William Apgar, Lecturer, Harvard Kennedy School, and Senior Scholar, Joint Center for Housing Studies

FAIR HOUSING SEMINAR SERIES

Cosponsored with Fair Housing of Greater Boston and The Rappaport Institute for Greater Boston

Subprime Lending in Greater Boston: New Findings from the 2006 HMDA Data *February 19, 2008*
Jim Campen, Executive Director, Americans for Fairness in Lending

Whatever Happened to Racial Integration After the Enactment of "Anti-Snob Zoning" Laws? Some Lessons from the Massachusetts, Connecticut, and Rhode Island Experience *April 8, 2008*
Sharon Krefetz, Associate Professor of Government and Director of the Urban Development and Social Change Program, Clark University

JCHS STAFF

William C. Apgar, *Senior Scholar*
Kermit Baker, *Director - Remodeling Futures Program*
Pamela Baldwin, *Deputy Director*
Eric S. Belsky, *Executive Director*
Zhu Xiao Di, *Senior Research Analyst*
Rachel Drew, *Research Analyst*
Elizabeth England, *Program Coordinator*
Ren S. Essene, *Research Analyst*
Angela Flynn, *Staff Assistant*
Jackie Hernandez, *Assistant to Nicolas Retsinas and Eric Belsky*
Nancy Jennings, *Financial Administrator*
Daniel McCue, *Research Analyst*
Meg Nipson, *Research Assistant*
Kevin Park, *Research Assistant*
Nicolas P. Retsinas, *Director*
Laurel J. Trayes, *Outreach Coordinator and Webmaster*
Alexander von Hoffman, *Senior Research Fellow*
Abbe Will, *Research Assistant*

Established in 1959, the Joint Center for Housing Studies is a collaborative unit affiliated with the Graduate School of Design and the Harvard Kennedy School.

The Joint Center illuminates the role of housing in shaping communities and outlines the ways in which housing policy and practices are shaped by economic and demographic trends. Through research, education, and public outreach programs, the Joint Center informs debate on critical housing issues and provides leaders in government, business, and the non-profit sector with knowledge and tools for formulating effective policies and strategies.

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POLICY ADVISORY BOARD WELCOMES AMERICAN STANDARD, USG CORPORATION

The Policy Advisory Board is pleased to welcome its newest member companies, American Standard and USG Corporation.

With operations in more than 40 countries, American Standard is proud to be a market leader in each of its three business segments: air conditioning systems and services, bath and kitchen products, and vehicle control systems. The company pioneered many of the plumbing product improvements introduced in the early 1900s, including the one-piece toilet, built-in tubs, combination faucets (which mix hot and cold water to deliver tempered water) and tarnish-proof, corrosion-proof chrome finishes for brass fittings.

American Standard is represented on the Policy Advisory Board by Donald C. Devine, chief executive officer. Devine joined the company in 2006 after spending three years at Jacuzzi Brands Inc., where he served as the company's president and chief operating officer, as well as a member of the board of directors. He is a graduate of the United States Military Academy at West Point and the Executive Program at Darden Business School, University of Virginia.



USG Corporation is a Fortune 500 manufacturer and distributor of high-performance building systems through its United States Gypsum Company, USG Interiors, Inc., L&W Supply Corporation and other subsidiaries. Headquartered in Chicago, USG serves the residential and non-residential construction markets, repair and remodel construction markets, and industrial processes. USG's wall, ceiling, flooring and roofing products provide leading-edge building solutions for customers, while L&W Supply center locations efficiently stock and deliver building materials nationwide.

USG Corporation is represented on the Policy Advisory Board by James S. Metcalf, president and chief operating officer. Metcalf joined USG as a sales trainee in 1980 and has held



management positions in USG Corporation's three major operating units. He is actively involved in the Union League Club Chicago, the Executive Club of Chicago, Chicago Cares and the Who's Who of International Business Professionals. Metcalf holds a Bachelor's degree from The Ohio State University and a Master's degree in Business Administration from Pepperdine University and Stanford University SEP.

Established in 1971, the PAB has a longstanding history of supporting housing research at Harvard. The group also serves as a distinguished national forum for leading companies across all industries with interests in the future of housing, including homebuilding, building materials manufacturing and distribution, housing and mortgage finance, industry publishing, design, construction and renovation.

Members of the Policy Advisory Board play a critical role in identifying emerging issues and trends and join our commitment to advancing housing as a national priority. A complete list of member companies and representatives may be found on page 8.

POLICY ADVISORY BOARD: HIGHLIGHTS FROM OUR OCTOBER MEETING

ECONOMIC OVERVIEW

David Wyss, Standard & Poor's

THE CURRENT TURBULENCE IN CAPITAL MARKETS AND ITS EFFECT ON MORTGAGES: A GLOBAL PERSPECTIVE

Brian C. Beazer, Beazer Homes USA, Inc.

THE HOUSING DOWNTURN IN PERSPECTIVE

Eric S. Belsky, Harvard Joint Center for Housing Studies

HAS GLOBALIZATION PASSED ITS PEAK?

Rawi Abdelal, Harvard Business School

LOOKING BACK AT KATRINA AND LOOKING FORWARD

Jonathan Reckford, Habitat for Humanity International

CREATING VALUE DURING THE DOWNTURN

Moderator:

Adam L. Reeder, UBS Investment Bank

Discussants:

Barry Gill, UBS Investment Bank

Neil P. Simpkins, The Blackstone Group

Michael H. Thaman, Owens Corning

HIGHLIGHTS FROM OUR FEBRUARY MEETING

ECONOMIC OVERVIEW

Mark Zandi, Moody's Economy.com, Inc.

THE MEDIA AND THE MARKET

Noelle Knox, USA Today

HOME BUILDING AT A CROSSROADS: HOW CONSOLIDATION CAN BENEFIT BUILDER PERFORMANCE

Speaker:

Kermit Baker, Harvard Joint Center for Housing Studies

PAB Respondents:

Daniel S. Fulton, Weyerhaeuser Company

Paul W. Hylbert, Pro-Build Holdings, Inc.

Allan P. Merrill, Beazer Homes USA, Inc.

THE TAX POLICY AGENDA

Jon Sheiner, U.S. House Committee on Ways and Means

REVISITING THE GSEs

James B. Lockhart III, Office of Federal Housing Enterprise Oversight

CYCLING BACK: ANOTHER LOOK AT HOUSING CYCLES

Speaker:

Eric S. Belsky, Harvard Joint Center for Housing Studies

PAB Respondents:

Joseph Riggs, K. Hovnanian Companies

Emery S. Severin, Boral Industries, Inc.

Carol B. Tomé, The Home Depot

POLICY ADVISORY BOARD 2008

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AGC FLAT GLASS NORTH AMERICA

Brad Kitterman

AMERICAN STANDARD

Donald C. Devine

ANDERSEN CORPORATION

Jim Humphrey

ARMSTRONG WORLD INDUSTRIES

Michael D. Lockhart, Frank Ready

BEAZER HOMES USA, INC.

Brian C. Beazer, Ian J. McCarthy, Allan P. Merrill

BLUELINX CORPORATION

Howard Cohen

BOISE CASCADE, LLC

Tom Stephens, Stan Bell

BORAL INDUSTRIES

Emery S. Severin

THE BOZZUTO GROUP

Thomas S. Bozzuto

BRADCO SUPPLY CORPORATION

Barry Segal, Brad J. Segal

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FORTUNE BRANDS, INC.

Bruce A. Carbonari, Richard E. Forbes

FREDDIE MAC

Patricia L. Cook, Edward L. Golding

GAF MATERIALS CORPORATION

Robert Tafaro

GEORGIA-PACIFIC CORPORATION

Brent H. Paugh

GIBRALTAR INDUSTRIES

Henning Kornbrekke

HANLEY WOOD, LLC

Frank Anton, Peter Goldstone

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