



# National Institute of Economic and Social Research

## THE FUTURE OF HOUSING FINANCE

**Third Annual Finance Conference**

**Date:** Friday 12 September 2014

**Location:** Bank of England Conference Centre, Threadneedle St, London EC2R 8AH

Housing finance was at the epicentre of the global financial crisis. It raises a variety of risks which change over time and are notoriously difficult to manage, including credit, interest rate and market risk and mortgage pre-payment risks. The welfare consequences of these risks are particularly important because house buying is usually the largest financial transaction households make, and the cost of housing means that they cannot usually hedge their exposures to these risks. As recent events have shown, housing finance is also central to financial intermediation and stability. Innovation may have increased the supply of housing finance but it may also have heightened the concentration or risks.

There is an extraordinarily diverse set of national models of housing finance. It is natural to ask which one is best, whether they can be transferred across national boundaries and how to undertake reform. In the UK, housing finance policy was under review prior to the crisis; in the US there is an unfinished conversation about the government sponsored enterprises, and in Continental Europe the role of covered bonds has come under scrutiny. Many regulatory issues at both micro-prudential and macro-prudential levels are wide open. This conference is an opportunity to discuss ideas with leading experts in housing finance.

**Session 1 – “Housing finance and policy” Chair: Charles Goodhart (LSE)**

*Roman Sustek (QMUL): “Housing finance and monetary policy”*

*John Muellbauer (Oxford) “When is a housing market overheated enough to threaten stability?”*

**Session 2 – “International Perspectives” Chair: Angus Armstrong (NIESR)**

*Susan Wachter, (University of Penn) “Market structure of housing finance and the US housing bubble”*

*Larry Schembri (Bank of Canada) “Housing finance in Canada – structural reasons for a different experience in the 2000s”.*

**Session 3: “Mortgage market dynamics” Chair: David Miles (Imperial College)**

*Emilios Avgouleas (Univ of Edinburgh) “Housing finance, financial regulation and bankers’ incentives”*

*Angus Armstrong and E Philip Davis (NIESR) “Comparing housing booms and mortgage supply”*

**Session 4: Securitisation issues: Chair: Kate Barker (Credit Suisse)**

*Franklin Allen (Imperial College): “Financial innovations and stability of the housing market”*

*Jesper Berg (Nykredit) “The Danish Housing Finance System in an international perspective”*

**Panel “The future of housing finance” Chair: Jesse Norman, MP & NIESR**

*Charles Goodhart (LSE), David Miles (Monetary Policy Committee and Imperial College), Martin Wolf (Financial Times)*

A more detailed programme will be circulated closer to the date.

To RSVP and for any conference enquiries, please contact Brooke Hollingshead by August 15<sup>th</sup> at [b.hollingshead@niesr.ac.uk](mailto:b.hollingshead@niesr.ac.uk) or 0207 654 1923.

**The conference will be conducted under Chatham House Rules**

## BIOGRAPHIES OF SPEAKERS

**Franklin Allen** is the Executive Director of the Brevan Howard Centre and Professor of Finance at Imperial College London. He is on leave from the Wharton School of the University of Pennsylvania where he is the Nippon Life Professor of Finance and Professor of Economics. He is a former editor of the Review of Financial Studies and is currently Managing Editor of the Review of Finance, a past President of the American Finance Association and a Fellow of the Econometric Society. He is a co-author with Richard Brealey and Stewart Myers of the eighth through eleventh editions of the textbook Principles of Corporate Finance.

**Dr Angus Armstrong** is Director of Macroeconomic Research at the National Institute of Economic and Social Research (NIESR) and a Visiting Professor at Imperial College London. He is an ESRC Senior Scottish Fellow and a member of the Management team of the ESRC's Centre for Macroeconomics. Prior to joining NIESR, Angus was Head of Macroeconomic Analysis at HM Treasury, closely involved with stability measures to mitigate the financial crisis. He was previously Chief Economist Asia and Managing Director at Deutsche Bank. Angus's research interests are in macroeconomics, comparative financial systems, financial crises and early childhood interventions. He has studied at Stirling, Harvard, MIT and Imperial.

**Emilios Avgouleas** is the inaugural holder of the International Banking Law and Finance Chair at the University of Edinburgh. He is also the Head of the Commercial & Financial Law group and the Director of the Edinburgh LLM in International Banking Law and Finance. Emilios has published extensively in the wider field of international and European finance law and economics and behavioural finance. He has an active interest in public policy and financial reform and he has advised governments, development organisations, and central banks on issues ranging from bank rescues to sovereign debt restructuring and financial stability and on issues of economic development and market integrity. He is a qualified lawyer with many years of practice in the field of global markets.

**Dame Kate Barker** is a Senior Adviser to Credit Suisse. She is also a non-executive director of Electra Private Equity plc, Taylor Wimpey plc and the Yorkshire Building Society. She is presently chairing a commission on the Future of Health and Social Care for the King's Fund, is chair of the Society of Business Economists and a non-executive board member at the Office for Budget Responsibility. Kate was a member of the Bank of England's Monetary Policy Committee (MPC) from 2001 until May 2010. During this period, she led two major policy reviews for Government, on housing supply – published in 2004, and on land use planning, published in 2006.

**Jesper Berg** is a member of the Executive Board at Nykredit Bank, which is a Danish-based financial services group with activities ranging from mortgage banking, commercial banking and insurance to investment, pension and estate agency business. Jesper is also responsible for regulatory affairs and ratings at the group level. Jesper Berg has previously held positions as Head of Financial Stability, Head of Market Operations and Head of Payment Systems at the Danish central bank. He also served as Head of the Capital Markets and Financial Structure Division at the European Centralbank from 2000-2004 and was an economist at the IMF's Exchange and Trade Relations Department from 1988-1991. He has written extensively on financial issues, and he was the co-author of *Finansernes Fald*, a well received book about the financial crisis, which was published in 2009.

**E. Philip Davis** is Visiting Fellow at NIESR, Professor of Banking and Finance, Brunel University, West London and an Adviser on Macropprudential Policy to the International Monetary Fund. Davis was employed by the Bank of England from leaving Oxford in 1980 up to 2000 except for two periods on secondment, to the BIS and the European Monetary Institute. At the Bank of England he held a number of positions related to financial stability, including Senior International Financial Advisor, Europe and the US. Davis has published widely in the fields of financial stability, banking, corporate finance, and financial regulation as well as pensions, institutional investment, international financial markets and macroeconomics, and most recently Christian Economics.

**Charles Goodhart**, CBE, FBA is Emeritus Professor of Banking and Finance with the Financial Markets Group at the London School of Economics. He worked at the Bank of England for seventeen years as a monetary adviser, becoming a Chief Adviser in 1980. In 1997 he was appointed one of the outside independent members of the Bank of England's new Monetary Policy Committee until May 2000. Besides numerous articles and books, he has written an acclaimed monetary textbook, *Money, Information and Uncertainty*, and two collections of papers on monetary policy: *Monetary Theory and Practice* (1984) and *The Central Bank and The Financial System* (1995).

**David Miles** joined the Monetary Policy Committee at the Bank of England in June 2009. He is also a Professor at Imperial College, London where he was formerly head of the Financial Economics Department. As an economist he has focused on the interaction between financial markets and the wider economy. He was Chief UK Economist at Morgan Stanley from October 2004 to May 2009. He has been a specialist economic advisor to the Treasury Select Committee. In Budget 2003, the Chancellor commissioned Professor Miles to lead a review of the UK mortgage market. The result, published at Budget 2004, was the report: "The UK mortgage market: taking a longer-term view". He is a council member of the Royal

Economic Society, a research fellow of the Centre for Economic Policy Research and at the CESIFO research institute in Munich. He is a former editor of "Fiscal Studies". He was re-appointed by the Chancellor of the Exchequer for a second term on the MPC in February 2012. His second term will run until May 2015.

**John Muellbauer** is a Senior Research Fellow of Nuffield College, Professor of Economics and a Senior Fellow of the Institute for New Economic Thinking at the Oxford Martin School, Oxford University. He is a Fellow of the British Academy, of the Econometric Society and of the European Economic Association and a CEPR Research Fellow. He has been a consultant to the Bank of England, HM Treasury and the UK Department for Communities and Local Government (DCLG). He has been a Visiting Scholar at the Federal Reserve Board and the IMF and was a Wim Duisenberg Visiting Fellow at the ECB in 2012/13. Recent work includes research on sovereign debt spreads in the Eurozone; interactions between finance, housing and the real economy focused on the household sector; inflation forecasting and exchange rate pass-through, and mortgage delinquencies and foreclosures in the UK; lessons from the role of housing in the financial crisis, on what drives US house prices, and on the implications of the long-term shift in US credit market architecture.

**Jesse Norman** is the Member of Parliament for Hereford and South Herefordshire, and a member of the Treasury Select Committee. He was educated at Oxford University (BA) and at University College London (MPhil, PhD). Among other things he ran an educational project giving away medical textbooks in Communist Eastern Europe, was a director at BZW (part of Barclays), and researched and taught philosophy at UCL. He serves on the boards of the Roundhouse and the Hay Festival, and is a Senior Fellow at Policy Exchange and on the NIESR Council of Management, as well as supporting numerous charitable and philanthropic organisations in Herefordshire. He writes a column for the Hereford Times, a blog for the Telegraph, and regularly in the national press as well as having authored a number of books. In 2013 he was asked to join the Policy Board at 10 Downing Street, but left after the vote on Syria. He was awarded Spectator Parliamentarian of the Year 2012, The House Backbencher of the Year 2012, and Rebel of the Year 2013.

**Lawrence Schembri** is Deputy Governor of the Bank of Canada. In this capacity, he is one of two deputy governors responsible for overseeing the Bank's analysis and activities in promoting a stable and efficient financial system. As a member of the Bank's Governing Council, he shares responsibility for decisions with respect to monetary policy and financial system stability, and for setting the strategic direction of the Bank. After completing a PhD at MIT Mr Schembri became an associate professor at Carleton University and joined the Bank in 1997 as a visiting Research Adviser in the International Department. Mr. Schembri became Chief of the International Economic Analysis Department in 2005. In 2010, he was appointed Adviser to the Governor, with responsibilities focused on financial stability and on coordinating the Bank's contribution to the Financial Stability Board. He also chaired the Editorial Board of the Bank of Canada Review.

**Roman Sustek** is a Lecturer in Economics at Queen Mary, University of London and a Research Associate at the Centre for Macroeconomics, London School of Economics. Before joining academia, he worked as an economist at the Bank of England. He holds a PhD from Tepper School of Business, Carnegie Mellon University.

**Susan M Wachter** is the Richard B. Worley Professor of Financial Management; Professor of Real Estate, Finance and City and Regional Planning at the Wharton School, University of Pennsylvania. Her research areas are Real estate economics; urban economics; and housing finance. Current research includes modelling default and delinquency; tenure choice and homeownership affordability; real estate price index methodologies; and modelling neighbourhood change. She is on the board of editors of a number of journals including the Journal of Housing Economics and the Journal of Real Estate Finance.

**Martin Wolf CBE** is Associate Editor and Chief Economics Commentator at the Financial Times, London. He was awarded the CBE (Commander of the British Empire) in 2000 for services to financial journalism. Mr Wolf was joint winner of the Wincott Foundation senior prize for excellence in financial journalism for 1989 and 1997. He won the Ludwig Erhard Prize for economic commentary for 2009. He won the 33rd Ischia International Journalism Prize in 2012. He was a member of the UK's Independent Commission on Banking in 2010-11. His most recent publications are Why Globalization Works (Yale University Press, 2004) and Fixing Global Finance (Washington D.C: Johns Hopkins University Press, and London: Yale University Press, 2008 and 2010).