



James R. Follain

Specialization: Housing and Mortgage Markets

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I am a financial economist with 30+ years of experience relating to the analysis of a wide range of issues related to the economic and financial analysis of housing and mortgage markets and the major institutions within them. A consistent theme of my work has been the development of sound public policies in these markets. Examples include the analysis of housing vouchers, tax reform, especially provisions that affect housing and real estate, mortgage choice, economic and regulatory capital for financial institutions, the establishment of affordable lending goals for Freddie Mac and Fannie Mae, and the development and enforcement of fair lending policies and laws.

I established **James R. Follain, LLC** in September 2006 to capitalize upon my substantial interest and experience in the field of mortgage finance and housing economics and many relationships in the business. A recent assignment has generated a number of shorter articles about housing and mortgage markets around the country; here is one that offers [A Mortgage Modeler Offers Perspective on the Subprime Crisis](#). I often partner with other firms such as www.ficonsulting.com, which is headed by my son, Tom. Clients include the U.S. Department of Housing and Urban Development, the Small Business Administration, and Freddie Mac.

Previous Professional Positions:

Visiting Professor of Economics, Siena College, Loudonville, NY August 2007-May 2008).

Senior Vice President, Mortgage Valuation, Fidelity Hansen Quality (May 2005 to August 2006).

Senior Economist, Monetary and Financial Studies, Research and Statistics, Federal Reserve Board, May 2003 to August 2004.

Senior Director of Capital Management and Policy and Principal Economist, Freddie Mac, August 1998 to March 2003.

Professor of Economics, Syracuse University, Maxwell School of Citizenship and Public Affairs, 1988-1998.

Professor of Finance, University of Illinois at Urbana-Champaign, College of Business, 1984-1988.

Associate Professor of Economics, Syracuse University, Maxwell School of Citizenship and Public Affairs, 1980-1984.

Economist, Federal Home Loan Bank of San Francisco, 1979-1980.

Research Associate, Urban Institute, Washington, D.C., 1976-1979.

Education:

B.A. University of San Francisco, Economics, 1971

Ph.D. University of California, Davis, Economics (Public finance/econometrics), 1976

Selected Publications:

“Regulatory Capital Arbitrage and the Potential Competitive Impact of Basel II in the Market for Residential Mortgages,” with Paul Calem, *Journal of Real Estate Finance and Economics*, 2007, Volume 35, Issue 2.

“Evidence on the Asset-Correlation Parameter included in the New Basel Accord for the Case of 1-4 Family Residential Mortgages in the United States,” (with Paul Calem), November 2003, <http://www.federalreserve.gov/generalinfo/basel2/docs2003/asset-correlation.pdf> . Published on the FRB web site as part of the research done to support Basel II.

“An Examination of Mortgage Debt Characteristics and Financial Risk among Multifamily Properties,” *Journal of Housing Economics*, 0, 482-506, 2001 (with Donald Bradley and Amy Crews Cutts).

"Tax Induced Portfolio Reshuffling: The Case of the Mortgage Interest Deduction," *Real Estate Economics*, (with Robert Dunsky), 2000, Volume 28, 4:683:718.

"The False Messiah of Tax Policy: What Elimination of the Home Mortgage Interest Deduction Promises and a Careful Look at What It Delivers," (with Lisa Sturman Melamed), *Journal of Housing Research*, Volume 9, 2, 1998, 179-200.

"The Distribution of Multifamily Mortgage Originations: What We Know and Why We Care, (with Amy D. Crews and Robert Dunsky), *Journal of Housing Economics*, 6, 1997, 334-367.

"The Demand for Home Mortgage Debt and the Income Tax," (with Robert Dunsky), *Journal of Housing Research*, Volume 8, 2, 155-200, 1997.

"Constructing Indexes of the Price of Multifamily Properties Using the 1991 Residential Finance Survey," (with Charles Calhoun), *Journal of Real Estate Finance and Economics*, 14, 235-255, 1997.

"Ruthless Prepayment? Evidence from Multifamily Mortgages," (with Jan Ondrich and Gyan Sinha), *Journal of Urban Economics*, 41, 78-101, 1997, also CPR Occasional Paper No. 177.

"In Search of Empirical Evidence that Links Rent and User Cost," (with Dixie M. Blackley), *Regional Science and Urban Economics*, 26 (4), June 1996, 409-432. Also presented at a National Bureau of Economic Research Conference on Public Policy and Housing, October 1994, Kiawah Island, South Carolina and released as NBER Working Paper #5177, July 1995.

"Multifamily Housing: An Exploratory Analysis Using the 1991 Residential Finance Survey," (with Amy Bogdon), *Journal of Housing Research*, Volume 7, Issue 1, 1996, 79-116.

"Implications of Privatization: The Attainment of Other Social Goals," (with Susan Wachter, Peter Linneman, Roberto Quercia, and George McCarthy), in *Studies on Privatizing Fannie Mae and Freddie Mac*, U.S. Department of Housing and Urban Development, May 1996, 337-377.

"Incorporating the Number of Existing Home Sales into a Structural Model of the Market for Owner-Occupied Housing," (with Orawin Velz), *Journal of Housing Economics*, 4, 93-117, June 1995.

"A Framework for Evaluating Government's Evolving Role in Multifamily Mortgage Markets," (with Edward J. Szymanoski), *Cityscape*, Volume 1, 2, June 1995, 151-177.

"Some Possible Directions for Research on Multifamily Research," 5, 4, 533-568, *Housing Policy Debate*, 1994, Fannie Mae, Washington, D.C.

"Shocks and the Valuation of Residential Real Estate," (with James Alm), *Journal of Urban Economics*, 36, 2 September 1994: 117-142.

"Moving Toward a Market-Oriented Housing Finance System in Slovakia," (with Michael Lea and Maris Mikelsons), *Housing Finance International*, December 1993: 32-43.

"The Preferential Income Tax Treatment of Owner-Occupied Housing: Who Really Benefits?" (with David C. Ling and Gary A. McGill), *Housing Policy Debate*, 4 1993: 1-24.

"The Outlook for Owner-Occupied Housing in the Year 2000," in *Upheaval in Urban Housing Markets*, Frank Bonnelo and Tom Swartz (eds.), Sharpe Press, 1993: 79-106

"Identifying the Effects of Tax Reform upon Residential Rental Real Estate," (with Donald Leavens and Orawin Velz), *The Journal of Urban Economics*, 34 (1993): 275-298.

"Real Estate Markets Since 1980: What Role Have the Tax Changes Played?" (with Patric H. Hendershott and David C. Ling), *National Tax Journal*, September 1992: 253-66.

"Microfoundations of a Mortgage Prepayment Function," (with Louis O. Scott and T.L. Yang), *Journal of Real Estate Finance and Economics*, 5, 1992: 197-217.

"The Federal Tax Subsidy to Housing and the Reduced Value of the Mortgage Interest Deduction," (with David C. Ling), *National Tax Journal*, XLIV (2) (June) 1991: 147-168.

"An Econometric Model of the Metropolitan Housing Market," (with Dixie Blackley), *Journal of Housing Economics*, I (2) 1991: 140-167.

"The Property Tax in Jamaica," (with Dan Holland) in *Tax Reform in Jamaica*, Roy Bahl (ed.). Boston, MA: Oegleschlager, Gunn and Hain, 1991.

"Land Versus Property Taxation: A General Equilibrium Analysis," (with Tamar Miyake), *National Tax Journal*, 34 (4): 451-470. A longer version is also published as Chapter 24 in *Tax Reform in Jamaica*, Roy Bahl (ed.). Boston, MA: Oegleschlager, Gunn and Hain, 1991.

"The Unbundling of Residential Mortgage Finance," (with Peter M. Zorn), *Journal of Housing Research*, Federal National Mortgage Association, 1 (1) 1990: 63-88).

"Mortgage Choice," *American Real Estate and Urban Economics Association Journal*, 18(2), Summer 1990: 125-144.

"Hedging Mortgage Interest Rate Risk with Treasury Futures: Taking Account of the Prepayment Option," (with Hun Y. Park), *The Review of Futures Markets*, 8(1) 1989: 62-78.

"ARMs and the Demand for Housing," (with Jan K. Brueckner), *Regional Science and Urban Economics*, 19(2), 1989: 163-187.

"Another Look at Inflation, Taxes and Tenure Choice," (with David Ling), *American Real Estate and Urban Economics Association Journal*, 16(3) Fall 1988: 207-229.

"Why Do Homeownership Rates Vary Among Metropolitan Areas?" (with Dixie Blackley), *Housing Finance Review*, 7(2) 1988: 109-132.

"The Interest Rate Differential Needed to Justify Refinancing A Mortgage," (with Dah-nein Tzang), *Appraisal Journal*, April 1988: 243-251.

"The Rise and Fall of the ARM: An Econometric Study of Mortgage Choice," (with Jan Brueckner), *Review of Economics and Statistics*, February 1988: 92-103.

- "Why Do Some Real Estate Salespeople Earn More Than Others?" (with Terry Lutes and David Meier), *The Journal of Real Estate Research*, 2(1)(Fall) 1987: 73-82.
- "Understanding the Real Estate Provisions of Tax Reform: Motivation & Impact," (with Patric Hendershott & David Ling), *National Tax Journal*, XL (3) (September) 1987: 363-72.
- "Real Estate and the Tax Reform Act of 1986," (with Patric Hendershott and David Ling) in *The Tax Reform Act of 1986*, Joseph Pechman (ed.). Washington, DC: Brookings Institute, 1987: 71-94.
- "Consumer Demand for Adjustable-Rate Mortgages," (with James Alm), *Housing Finance Review*, 6(1) 1987: 1-16.
- "Tests of Locational Equilibrium in the Standard Urban Model," (with Dixie M. Blackley), *Land Economics*, 63(1) 1987: 46-61.
- "An Evaluation of Hedonic Price Indexes for 34 Large SMSAs," (with Dixie Blackley), *American Real Estate and Urban Economics Association Journal*, 14(2) Summer 1986: 179-205.
- "*The Impact of the Senate Finance Committee's Plan for Tax Reform on Real Estate*" (with Patric Hendershott). Washington, DC: Urban Institute Press, Summer 1986.
- "The Demand for Housing Characteristics in Three Developing Countries," (with E. Jimenez), *Urban Studies*, 22, 1985: 121-32.
- "A Qualitative Look at the Proposed Rules Concerning Interest Deductibility and At-Risk Limits," *Tax Notes*, 28(13), 1985: 1493-5.
- "Tax Expenditures and Other Programs to Stimulate Housing: Do We Really Need More?" (with James Alm), *Journal of Urban Economics*, 18, 1985: 180-195.
- "Estimating the Demand for Housing Characteristics: A Survey and Critique," (with E. Jimenez), *Regional Science and Urban Economics*, 15, 1985: 77-107.
- "Tax Reform and the Link Between Savings and Homeownership," (with James Alm), *Proceedings of the 1984 Meeting of National Tax Institute-Tax Institute of America*, Fall 1984.
- "Housing Crowding and the Demand for Unique Occupancy," (with Gill Chin Lim and Bertrand Renaud), *Journal of Urban Economics*, September 1984.
- "Box-Cox Estimation of Hedonic Models: How Serious Is the Iterative-OLS Variance Bias?" (with Paul Blackley and Jan Ondrich), *The Review of Economics and Statistics*, May 1984.
- "Alternative Mortgage Instruments, the Tilt Problem, and Consumer Welfare," (with James Alm), *Journal of Financial and Quantitative Analysis*, March 1984.
- "Federal Income Taxes, Inflation and Residential Location Choices," (with Dixie Blackley), *Regional Science and Urban Economics*, 4, 1983.

"Housing Crowding in Developing Countries and Willingness to Pay for Additional Space: The Case of Korea," (with Gill Chin Lim and Bertrand Renaud), *Journal of Development Economics*, 11(November) 1982: 249-272.

"Alternative Mortgage Instruments: Their Effects on Consumer Housing Choices in an Inflationary Environment," (with James Alm), *Public Finance Quarterly*, 10(April) 1982: 134-157.

"Does Inflation Affect Real Behavior: The Case of Housing," *Southern Economics Journal*, January 1982: 570-82.

"Another Look at Racial Differences in Housing Prices," (with Stephen Malpezzi), *Urban Studies*, June 1981.

"The Flight to the Suburbs: Insights Gained from an Analysis of Central-City Versus Suburban Housing Costs," (with Stephen Malpezzi), *Journal of Urban Economics*, April 1981.

"Are Occupants Accurate Appraisers?" (with Stephen Malpezzi), *Review of Public Data Use*, March/April 1981.

"Estimates of Housing Inflation for 39 SMSAs: An Alternative to the Consumer Price Index," (with Stephen Malpezzi), *Annals of Regional Science*, November 1980.

"Local Government Response to Grants: Reliability of OLS Analysis of Pooled Data," *Annals of Regional Science*, March/April 1980.

"Determinants of Homeownership in a Developing Economy: The Case of Korea," (with Gill Chin Lim and Bertrand Renaud), *Urban Studies*, February 1980.

"The Demand for Housing in Developing Countries: A Case Study of Korea," (with Gill Chin Lim and Bertrand Renaud), *Journal of Urban Economics*, 7, 1980.

"How Well Do Section 8 FMRs Match the Cost of Rental Housing? Data from 39 Large SMSAs," *American Real Estate and Urban Economics Association Journal*, Winter 1979.

"Economic Forces Underlying Urban Decentralization Trends: A Structural Model for Density Gradients Applied to Korea," (with Bertrand Renaud and Gill Chin Lim), in *Environment and Planning A*, II, 1979: 141-551.

"A Study of the Demand for Housing by Low Versus High Income Households," *Journal of Financial and Quantitative Analysis*, November 1979.

"Full-Information Maximum Likelihood Estimates of the Effects of Grants Upon Local Fiscal Behavior," *Public Finance Quarterly*, October 1979.

"The Long-Run Price Elasticity of the Supply of New Construction," *Land Economics*, May 1979.

"Homeownership Effects of Alternative Mortgage Instruments," (with Raymond Struyk), *American Real Estate and Urban Economics Association Journal*, May 1977.

Publications: Congressional Testimony

“Statement of James R. Follain before the Subcommittees on Financial Institutions and Consumer Credit and Domestic and International Monetary Policy, Trade and Technology”, May 11, 2005. See: <http://financialservices.house.gov/media/pdf/051105jfpc.pdf>.

"Statement of James R. Follain, Jr., Before the Subcommittee on Taxation and Debt Management of the Senate Committee on Finance Hearings on Mortgage Revenue Bonds" (S. 137), May 13, 1983.