

U.S. Subprime Mortgage Crisis, Wavelets and Policy Solutions.

by

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Abstract

This paper studies the persistence of shocks on home equity returns in U.S. housing market. The main findings are: (1) the augmented Dickey Fuller (ADF) unit root test appears to exhibit low power relative to the wavelet-based method employed; and (2) U.S. home price index returns appear, at worse, to be governed by some by near-unit root process over the period of study. The implications for home price stabilization policies are discussed.

Keywords: Subprime, Mortgage, Crisis, Wavelets, Unit Root

JEL Classification: C4, G01, R0

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