

The Opportunist

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Dear Economics Students,

Welcome Back!

Welcome back to SJU! I hope everyone had a great summer. Now that the semester is in full swing, I wanted to get a chance to let everyone know about some important

Inside this issue:

<i>Welcome Back!</i>	1
<i>A Mortgage Out of Balance</i>	2
<i>Ireland Meets SJU</i>	3
<i>Ask Aunt Milly</i>	4
<i>Internship Opportunities</i>	4

economics department matters. First, we are tremendously excited about the department's new internship program, which was developed and is being overseen by Professor Bookman. This semester, we have 15 students that are receiving upper level economics credit for participating in internships at a range of local institutions, including Morgan Stanley, ING Financial Partners, Center for Public Health Research, and the U.S. Department of Labor. This is a great opportunity to get some experience outside of academia that can both improve your chances of getting a job after college and also help you fulfill your economics curriculum requirements. Please contact Dr. Bookman (mbookman@sju.edu) if you are interested in an internship for the Spring 2014 semester.

Speaking of the economics curriculum, I wanted to remind everybody that we've introduced a new track within the economics major which we call the "quantitative track."

The quantitative track requires econometrics (ECN 410), and three other courses that are somewhat more technical than our other upper division courses. At this time, the following classes are included in the quantitative track: Game Theory, Monetary Economics, International Macroeconomics, Economic Forecasting, and Labor economics (note: labor

economics has the option to be taken as a quantitative track course if the student is willing to do some additional assignments.)

Students interested in the quantitative track can try taking these courses, and can change his or her mind at any time. All of the quantitative track courses also give upper division credit for the standard economics major, so any quantitative track courses will still help each student complete the standard economics major.

We also want students know that there are multiple opportunities to get involved with some of the activities and projects of the economics society. This includes helping out with this newsletter, or our economics society t-shirts, or simply attending some of the fun upcoming events which will be announced throughout the year. We want to encourage everyone to attend our EMMMs (Economics Majors Monthly Meetings), which will start up in October. This is a chance to hang out with economics majors and faculty, enjoy a free lunch (despite what economists may have told about free lunches), and listen to a speaker discuss an interesting economics topic.

Please don't hesitate to contact me with any issues of concern (bliebman@sju.edu). I hope everyone has a great fall semester.

Sincerely,
Dr. Ben Liebman

A Mortgage Out of Balance

In today's mortgage market, government-conforming mortgage rates are now higher than jumbo loans. These jumbo loans are issued mostly to borrowers with good credit. Conforming loans should be typically lower because the government fully guarantees repayment if default occurs. Jumbo loans are not fully guaranteed. Clearly there is an abnormality in the mortgage market that is promoting conforming mortgages more than jumbo loans.

The government has been a necessary supporter to the mortgage market since the 2008 financial crisis. It has been backing an increasing proportion of mortgages that banks package as bonds to the Fed, and the Fed is looking to buy these bonds to reinvigorate the economy and decrease the mortgage rate. Now that the economy has gained strength, the government wants to purchase fewer of these bonds. Now with a higher yield on bonds, the mortgage rate for conforming loans has increased, and there are far more conforming loans being traded in markets than jumbo loans. Banks may now believe if the jumbo rates remain low they have less to lose from jumbo defaults compared to conforming defaults that the government guarantees.



Although the government guarantees repayment, there is a huge caveat. If anything goes wrong with the loans that lead to default- such as a bank making a mistake in checking the borrower's income- they can send the loan back to the bank that issued it to them. Returning loans can devastate the bank. Since it's out of the government's hands, it is the banks major loss on default. This has already begun to happen; banks are now charging extra interest on these conforming loans to cover risk of possible default; in turn the banks risk of loss will fall.

The banks and the government have their own ideas that satisfy their interests. Banks would love to have greater down payments on conforming loans, but the Fed has gone out of its way to ignore this. The government wants to maximize access to credit and involve more borrowers who cannot afford large down payments. This may involve more borrowers, but the banks might respond by increasing the rates to cover their risk in case the government sends back a default. If this happens there would be less access to credit. At this point the government could do nothing and leave some unable to get mortgages, or it could tell the banks that it will send fewer loans back and the banks will not be as worried. If the banks are not worried, mortgage rates will fall and mortgages will be more attractive. Ultimately this is a battle between the interests of the two parties.

-Stephen Mellet



Ireland Meets SJU



As you walk from class to class, activity to activity, do you ever wonder whom you're walking by? Where everyone is from? I got the honor to meet someone in my Sports Economics class who just flew in from Dublin, Ireland, to become a Saint Joseph's University Hawk as well as an Economics major!

Rachel Marie Barnett, the daughter of Deirdre and Alan Barnett, the sister of Ross, 22, and Aaron, 18, born on August 3rd, 1993 is a junior transfer from Dublin, where she studied economics, politics and law. Rachel decided to move to the states as a year out option from her program in Ireland so that she could further her education by visiting Istanbul, Warsaw, Scotland, Paris, Boston, and now the states. Also, Rachel is a dedicated field hockey player, so multiple universities across the states offered her field hockey scholarships, including SJU; this helped her decision with moving to the states.

Rachel has been a field hockey player for eleven years, and she has played in goal and outfield. She's won multiple titles, medals, and cups while playing in Ireland, including the Irish junior and senior cup, European goal medal, Celtic cup, and many more. The ability to play at SJU helped her decide on this school, but more than that Rachel likes the community aspect of being a hawk. She is very close to her family at home, and being on this campus makes her feel like she's part of a family with the feeling of togetherness. Rachel could have gone to a lot of other schools to play, but SJU stood out to her and captured her attention.



Rachel, so far, has had a good transition into the states and SJU thanks to the warm welcoming she received here at school. The field hockey team has especially been welcoming to her and has helped her transition go a lot more smoothly. The hardest parts of the transition for her have been the distance from her family and boyfriend, the time difference and the confusion over her major. Her major has changed three times – from finance to political social to economics – since arriving at Saint Joseph's University, but she finally settled on economics. She decided on economics because it worked with her major from home, economics, politics and law. Also, she likes the option of being able to take new economics classes, such as the sports economics class with Dr. Burke.



Rachel originally thought of becoming an actuary after graduation, but her eyes have been opened to new opportunities and she is no longer set on one thing. Rachel hopes to explore some options this year and see what she wants to do once she graduates college. The economics department is happy to welcome Rachel Barnett into the economics world here at Saint Joseph's University.

-Kelsey Lazicki



Ask Aunt Milly



During Spring 2013, the Economics Department introduced an advice service called **Ask Aunt Milly**, which features student questions about a broad range of issues such as balancing classes and work, love, room mate issues, course selection, I-hate-my-prof problems, parents, money, etc. The advice provided by an anonymous economist will surprise you (or not, depending on how alert you were in your classes).

You can seek advice from Aunt Milly by dropping off questions in the appropriate mailbox in the Economics Department suite or by emailing them to Dori (dpappas@sju.edu).

Disclaimer. The views expressed here are exclusively those of Aunt Milly and do not represent the views of the Economics Department or Saint Joseph's University.

Dear Aunt Milly,

I live off campus with two friends. We all hate to do housework so dirty dishes fill the countertops, pizza boxes pile up, and there are dust balls in all the corners. Problem: the apartment smells so much my girlfriend won't come over anymore.

Drowning in Filth '14

Dear Drowning in Filth '14,

Use your economics skills to convince your friends of the benefits of trade. Sit down with your housemates and make a list of the chores you hate least doing and those you would "pay" someone else to do. In the process you will each identify the opportunity cost of doing chores. If you each specialize in one chore and then trade services, you will each be better off than you'd be without cooperating.

Heads up: your friends might just say, "Your girlfriend, Your problem!"

Aunt Mil

Make Internships Part of Your College Experience!

Fall 2013 is the inaugural semester for the Economics Department Academic Internship Program. Ten local employers (Morgan Stanley, Dept. of Labor, Lankenau Hospital, ING Financial, etc.) have teamed up with the department to offer semester long internships for qualifying economics majors (students get course credit for ECN 493). They cover a broad range so that students interested in health economics, finance, labor, economic development and environmental policy can further explore their interests. In this first semester of the program, 15 students have been placed with 10 employers. If you are interested in hearing about their experiences and learning more about the program, please join us on **Tuesday October 8th**, 5-6pm in the Greaton Room (Barbelin) or contact Dr. Bookman (mbookman@sju). All your questions will be answered in time for Spring registration!

