

Introduction to Economic and Business Statistics

Homework #1

Please read the paper that I co-authored with Sean MacDonald: "Who Defaults? Who Goes into Foreclosure?"

The tables in the paper compare the empirical frequency distributions among borrowers who did and did not default and among defaulted borrowers who did and did not enter the foreclosure process.

Come to class prepared to answer the following questions:

1. How do the tables help the reader understand the reasons why a borrower defaults and why a defaulted borrower enters the foreclosure process?
2. What other tables should have been included in the analysis? Which should be omitted?
3. What are the limitations of the tables? Hint: Each table can only examine two variables at a time. What role might other variables play in affecting the rate at which borrowers default and the rate at which defaulted borrowers enter the foreclosure process?

The paper is available at: <http://www.doviak.net/foreclosure/foreclosure.htm>