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# AN INTRODUCTION TO THE SUBPRIME MORTGAGE MARKET AND THE 2008-2009 FINANCIAL CRISIS

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## ABSTRACT

*Since the beginning of summer 2008, the subprime mortgage market has become a contributing drag on the financial sector, with the S&P index dropping to its lowest level in more than a decade, and the Dow Jones Industrial Average falling below 10,000 for the first time since October 2004. The financial sector turmoil, in turn, worsened the already dreadful situation in mortgage and credit markets. Losses on the subprime mortgage market arose from a two stage process. First, financial intermediaries drove the expansion of the subprime mortgage market. Second, borrowers stopped making payments when default was optimal for their situation. We often see and hear new stories where the repetition of the terminology convinces us of the importance of the issues. Many do not have the background or knowledge of the evolution of the issues, or lack the framework with which to develop a meaningful understanding. Subprime lending and its significance to current events is one such issue. A primer on subprime lending and its relationship to current events in 2008-2009, it seems, would appear to be a timely exposition. This paper explores origins of the subprime mortgage lending crisis and gives insights of the impacts subprime mortgages have on the recent financial issues. Finally, some policy options aimed at preventing the crisis from worsening in the future are offered.*

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# **THE USE OF THE ACTIVITY-BASED MATRIX MODEL TO ASSESS DEPARTMENTAL EFFECTIVENESS IN HIGHER EDUCATION**

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## **ABSTRACT**

*The purpose of this study is to present a model that can be used by top academic administrators to profile and assess academic units of the University in a logical framework. Although complex, the format is easily developed and results in significant information in order to assess the interaction among academic units and the economic effects of these interactions. From this model the efficiencies and effectiveness of academic units can be used to make decisions with respect to the allocation of scarce resources. The model tracks the revenues from credit hours generated by students within the school, the department, and programs, attributable to students of the majors of a school and from credit hours contributed to the school from students with majors in other schools. The model goes a step further by tracking the credit hours generated outside of the school by the students of the school. The by-product of the resulting matrix of department by department or program by program connections also serves to identify service-based departments from production departments and hybrid departments. Where service departments have more credit hours generated by outsiders than majors of the school, production units have the opposite effect and hybrids are a mixture of majors and outsiders. It is argued that armed with this data (which can be directly placed on a profit margin basis) upper management can make informed economical decisions regarding what departments to sustain, merge, or eliminate to survive or prosper in the current economic environment.*

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## **WHERE DO WE GO FROM HERE? SETTING A GROWTH STRATEGY FOR THE GUARANTEED ANNUITIES COMPANY**

The Executives of Prudential Financial Company  
Select Professors of the Hampton University School of Business

*Although some of the information presented within this case study may be similar to the actual experience of companies in the insurance industry, no direct connection should be drawn to any individual company. In addition, any forward-looking information is hypothetical and is intended for the sole purposes of this educational case study and does not represent any actual expectations of the future.*

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# AN ALTERNATIVE RANKING METHODOLOGY OF THE BEST COLLEGES AND UNIVERSITIES FOR AFRICAN-AMERICANS

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## ABSTRACT

*For an African-American, choosing the best college or university is important since the choice of college includes the complex decision of whether to attend one of the nation's 89, four-year Historically Black Colleges or Universities (HBCU) or a Traditionally White Institution (TWI). Numerous periodicals publish annual rankings of the nation's "best colleges." Black Enterprise magazine (BE) focuses on the best colleges for African-Americans. Recently, BE's rankings were criticized by the editors of the Journal of Blacks in Higher Education (JBHE 2005) for "stacking the deck" in favor of HBCUs by applying a low weight to important factors such as retention and graduation rates. This study uses a variation of the College-Football Success Model (Walker, Keogh, & Civils, 2006), to determine the rankings of the best universities for African-Americans. With this model we also answer the question, - what type of institution, the HBCU or the TWI, is the "best" college choice for African-Americans? The results collected on 411 of the most influential African-Americans in the country; indicate that HBCUs with approximately 32 percent of undergraduate degrees conferred nationally produced 156 of the 411 (or 38%) of the most influential African-Americans in 2005. It was also found that although HBCUs represent only four percent of the nation's approximately 1,800 four year colleges, 52 (or 26%) of the 202 undergraduate schools attended by these individuals were HBCUs. The study also indicates that there is no difference between HBCUs and TWIs in the movement of graduates into "top-quality" graduate schools.*

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**ABSTRACTS**

**CEO DUALITY: AN ENDOGENOUS DECISION**

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**ABSTRACT**

*In response to the political desire to separate the CEO and Chairman positions, this paper examines whether splitting these two positions would be beneficial to shareholders. Results indicate that split positions is a firm decision heavily influenced by the existing level of agency problems and agency control mechanisms. Split positions are found in firms with higher agency costs of equity and debt. Firms that have split positions exhibit, on average, no lower or higher performance than other firms after integrating into the model industry effects, role of other agency control mechanisms, level of agency problems, and other board and firm characteristics. However, firms with split position do exhibit a different relationship between information asymmetry and performance, and institutional investors have a greater effect on performance for non-split than split firms. Thus, shareholders should not urge all firms to have split positions.*

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