

**The Financial Crisis: Causes and Cures**  
**A summary of thirty articles**

**By**

**Anthony Catanach**

**Maguire Fellow at The American College Center for Ethics in Financial Services**

**Causes of the Financial Crisis**

Blame greed, irresponsibility, lax government oversight, conflicts of interest and especially blind faith in a housing boom that seemingly had no end. But end it did, setting off a chain reaction...a perfect storm...

- Allan Meltzer is a professor of political economy at the Carnegie Mellon University in Pittsburgh, said: "Alan Greenspan was much too afraid of a slowdown or other recession...he allowed the credit to expand too rapidly."

The origins of the current crisis can be found in an earlier calamity — the collapse of the technology industry in 2000. The Federal Reserve responded to that downturn by lowering interest rates. Ideally, lower rates trigger more borrowing and spending, which in turn lead to economic growth. In May 2000, the Federal Reserve's federal funds rate — the rate banks charge one another for overnight loans — was 6.5 percent. By August of 2001, it was 3.5 percent. The Fed further lowered rates after the attacks of September 11, to 1.75 percent by December. By June 2003, the rate had been cut to 1 percent and the average monthly rate on a 30-year, fixed mortgage, according to the Federal Home Mortgage Corp. (Freddie Mac) survey, dropped to 5.23 percent, the lowest level since the mortgage buyer started tracking rates in 1971. And so everyone, it seemed, was looking to buy a home.<sup>i</sup>

Alan Greenspan was responsible for cutting interest rates to near zero in the US in the aftermath of September 11, flooding the world with cheap and easily available money. Did this pave the way for a "once-in-a-century credit tsunami"? In October last year he said: "I made a mistake in presuming that the self-interest of organizations, specifically banks and others, was such that they were best capable of protecting their own shareholders."

But the super-low interest rates Greenspan brought in the early 2000s and his long-standing disdain for regulation (particularly as they related to derivatives) are now held up as leading causes of the mortgage crisis. The maestro admitted in an October congressional hearing that he had "made a mistake in presuming" that financial firms could regulate themselves.<sup>ii</sup>

- At the same time, investments known as "mortgage-backed securities," were becoming increasingly popular.

Wall Street's insatiable appetite for mortgages to "securitize" was satisfied largely by subprime lenders that specialized in volume, earning their money off fees and commissions. Many of the originators — most based in California, now out of business — used a computerized process that sped the approval process dramatically. Lender profits increasingly became dependent on quantity, not on quality. Pretty soon, those in the business were joking about "NINJA" loans — as in loans made to borrowers with "no income, no job and no assets." As demand increased for the bonds, so too did demand for large numbers of mortgages. As a result, "subprime" loans became much more popular. The Federal Reserve reported subprime loans accounted for about 19 percent of all home loan originations in 2004, up from less than 5 percent in 1994.<sup>iii</sup>

By 2004, Fannie and Freddie had begun buying billions of dollars worth of "private label" mortgage-backed securities created by investment banks as a means to further affordable housing goals. Fannie and Freddie's participation gave the whole business an air of legitimacy and safety. With interest rates so low and so much money available for lending, home prices soared. Real estate speculators had a field day. Increasing property values led to a surge in refinancing. Homeowners converted equity in their homes to cash, bought more homes and "flipped" them for a profit.<sup>iv</sup>

Between 2000 and 2007, underwriters of mortgage-backed securities — primarily Wall Street and European investment banks — poured \$2.1 trillion into underwriting subprime mortgage backed securities, according to Inside Mortgage Finance, and the loans had spread far and wide — to bank portfolios, hedge funds, pension plans, and more.<sup>v</sup>

Between 2000 and 2007, backers of subprime mortgage-backed securities — primarily Wall Street and European investment banks — underwrote \$2.1 trillion worth of business, according to data from trade publication Inside Mortgage Finance. The top underwriters in the peak years of 2005 and 2006 were Lehman Brothers at \$106 billion; RBS Greenwich Capital Investments Corp., at \$99 billion; and Countrywide Securities Corp., a subsidiary of the lender, at \$74.5 billion. Also among the top underwriters: Morgan Stanley, Merrill Lynch, Bear Stearns, and Goldman Sachs.<sup>vi</sup>

- A broken banking business model: no value added and no product differentiation has forced big banks to compete on price resulting in shrinking margins and a search for new and exotic investments.
- Deregulation of the financial services industry...As chairman of the Senate Banking Committee from 1995 through 2000, Phil Gramm was Washington's most prominent and outspoken champion of financial deregulation. He played a leading role in writing and pushing through Congress the 1999 repeal of the Depression-era Glass-Steagall Act, which separated commercial banks from Wall Street. He also inserted a key provision into the 2000 Commodity Futures Modernization Act that exempted

over-the-counter derivatives like credit-default swaps from regulation by the Commodity Futures Trading Commission. Credit-default swaps took down AIG, which has cost the U.S. \$150 billion thus far.<sup>vii</sup>

Many believe the deregulatory Financial Services Modernization Act set the stage for the current financial meltdown. The legislation knocked down the Depression-era barriers between insurance, investment banking, and commercial banking. It allowed financial service companies to expand into other lines of business, but failed to create a sufficient guardian to oversee systemic risk to the economy. The bill passed Congress overwhelmingly, and was signed into law by former President Clinton.<sup>viii</sup>

- Homebuilders had plenty to do with the collapse of the housing market, not just by building more homes than the country could stomach, but also by pressuring people who couldn't really afford them to buy in. As CEO of Beazer Homes since 1994, McCarthy has become something of a poster child for the worst builder behaviors. An investigative series that ran in the Charlotte Observer in 2007 highlighted Beazer's aggressive sales tactics, including lying about borrowers' qualifications to help them get loans. The company has admitted that employees of its mortgage unit violated regulations — like down-payment-assistance rules — at least as far back as 2000.<sup>ix</sup>
- Financial institutions created new loan products. In the early 1980s, World Savings Bank became the first to sell a tricky home loan called the option ARM. And they pushed the mortgage, which offered several ways to back-load your loan and thereby reduce your early payments, with increasing zeal and misleading advertisements over the next two decades. Losses on World Savings' loan portfolio led to the implosion of Wachovia, which was sold under duress late last year to Wells Fargo.<sup>x</sup>
- Clinton administration told Fannie Mae to accept mortgages from people who had not previously been eligible to acquire mortgages.<sup>xi</sup>
- From his earliest days in office, Mr. Bush paired his belief that Americans do best when they own their own home with his conviction that markets do best when let alone. He pushed hard to expand homeownership, especially among minorities, an initiative that dovetailed with his ambition to expand the Republican tent — and with the business interests of some of his biggest donors. But his housing policies and hands-off approach to regulation encouraged lax lending standards.

For much of the Bush presidency, the White House was preoccupied by terrorism and war; on the economic front, its pressing concerns were cutting taxes and privatizing Social Security. The housing market was a bright spot: ever-rising home values kept the economy humming, as owners drew down on their equity to buy consumer goods and pack their children off to college. Lawrence B. Lindsey, Mr. Bush's first chief economics adviser, said there was little impetus to raise alarms about the proliferation of easy credit that was helping Mr. Bush meet housing goals.

“No one wanted to stop that bubble,” Mr. Lindsey said. “It would have conflicted with the president’s own policies.”<sup>xii</sup>

- Originally passed in 1977 and expanded, in part, during the 1990s, the purpose of the CRA was to compel banks to expand opportunities for home-ownership for lower income Americans, including minorities.

If you add up to the total value of all subprime loans, not just those in default, but all of them, the figure you get is about \$1.5 trillion. That’s a lot, but it’s a relatively small fraction of the many trillions of dollars of now bad mortgage-fueled securities. According to journalist and former Wall Street Banker Nomi Prins: “Subprime mortgages have been blamed for the financial crisis, but we’re spending more than five times more money (in Fed loans, injections, bailouts and guarantees) than the value of every subprime loan in the country combined.” So, not only is CRA not a cause of the subprime meltdown, but the subprime meltdown itself is only a relatively small part of a much larger real estate bubble whose bursting is a key reason for the current economic crisis.<sup>xiii</sup>

All told, since the real estate crash, the government — including the Treasury Department, the Fed, and the Federal Deposit Insurance Corporation — has committed to purchase or guarantee against losses a total of \$1.75 trillion in poorly performing assets — and that doesn’t include the TARP or a host of Fed programs created to jumpstart lending.<sup>xiv</sup>

- Sub-prime lenders in the US have been accused of using misleading marketing to push unsuitable mortgages on sub-prime homeowners who could not afford to service the debt, the root cause of the credit crunch.<sup>xv</sup>

However, nearly half of the loans made in 2006 were of the subprime variety, which increased the risk of borrowers defaulting on many banks’ balance sheets. “Prime mortgages dropped to 64 percent of the total in 2004, 56 percent in 2005 and 52 percent in 2006,” according to a recent Brookings Institution study.<sup>xvi</sup>

- The top subprime lenders whose loans are largely blamed for triggering the global economic meltdown were owned or bankrolled by banks now collecting billions of dollars in bailout money — including several that have paid huge fines to settle predatory lending charges. These big institutions were not only unwitting victims of an unforeseen financial collapse, as they have sometimes portrayed themselves, but enablers that bankrolled the type of lending that has threatened the financial system. Investment banks Lehman Brothers, Merrill Lynch, JPMorgan & Co., and Citigroup Inc. both owned and financed subprime lenders. Others, like RBS Greenwich Capital Investments Corp. (part of the Royal Bank of Scotland), Swiss bank Credit Suisse First Boston, and Goldman Sachs & Co., were major financial backers of subprime lenders. At least 21 of the top 25 subprime lenders were financed by banks that received bailout money — through direct ownership, credit agreements, or huge purchases of loans for securitization.<sup>xvii</sup>

*Securities created from subprime loans are widely blamed for the current economic meltdown. These top 25 subprime lenders were responsible for nearly \$1 trillion of the loans, according to a Center for Public Integrity computer-assisted analysis of 7.2 million "high interest" mortgage applications made between 2005 and 2007, at the peak and collapse of the subprime market.*

<b>Rank</b>	<b>Lender</b>	<b>Loan Volume</b>
1	Countrywide Financial Corp.	\$ 97,202,850,000
4	First Franklin Corp./National City Corp./Merrill Lynch & Co.	\$ 68,009,685,000
8	Wells Fargo Financial/Wells Fargo & Co.	\$ 51,887,522,000
9	HSBC Finance Corp./HSBC Holdings plc	\$ 50,368,364,000
10	WMC Mortgage Corp./General Electric Co.	\$ 49,655,812,000
11	BNC Mortgage Inc./Lehman Brothers	\$ 47,618,868,000
12	Chase Home Finance/JPMorgan Chase & Co.	\$ 30,027,847,000
15	CitiFinancial/Citigroup Inc.	\$ 26,327,651,000
16	Equifirst Corp./Regions Financial Corp./Barclays Bank plc	\$ 24,464,765,000
17	Encore Credit Corp./ECC Capital Corp./Bear Stearns Cos. Inc.	\$ 22,379,670,000
18	American General Finance Inc./American International Group (AIG)	\$ 21,832,938,000
19	Wachovia Corp.	\$ 17,605,460,000
20	GMAC LLC/Cerberus Capital Management	\$ 17,228,006,000
<b>TOP 25 TOTAL</b>		<b>\$ 997,538,108,000</b>
<b>ALL HIGH-INTEREST LENDERS</b>		<b>\$1,379,831,861,000</b>

*Source: Home Mortgage Disclosure Act data and Center for Public Integrity research.*

- The collapse of Lehman triggered the second destructive phase in the credit crunch and laid the foundations for a full blown global recession. Dick Fuld steered Lehman deep into the business of subprime mortgages, bankrolling lenders across the country that were making convoluted loans to questionable borrowers. Lehman even made its own subprime loans. The firm took all those loans, whipped them into bonds and passed on to investors billions of dollars of what is now toxic debt.<sup>xviii</sup>

Merrill Lynch also got into the lucrative game of creating collateralized debt obligations (CDOs), which were largely made of subprime mortgage bonds. By June 2006, Merrill had amassed \$41 billion in subprime CDOs and mortgage bonds, according to Fortune. As the subprime market unwound, Merrill went into crisis, and Bank of America swooped in to buy it.<sup>xix</sup>

- Any explanation of the financial crisis has to tell us why so many mortgage-backed bonds wound up in the hands of the world's commercial banks. For American banks, the answer seems to be an obscure regulation called the Recourse Rule. The Rule was enacted by the Fed, the FDIC, the Comptroller of the Currency, and the Office of Thrift Supervision in 2001. It was an amendment to the international Basel Accords governing banks' capital reserves—and all over the world, these regulations

appear to have caused the crisis. Under the Recourse Rule, American commercial banks were required to hold 80 percent more capital against commercial loans, 80 percent more capital against corporate bonds, and 60 percent more capital against individual mortgages than they had to hold against asset-backed securities, including mortgage-backed securities rated AA or AAA. The Rule thus created a 60-80 percent incentive to buy highly rated MBS for any bank that wanted to reduce its capital reserves. Basel II took essentially the same approach as the Recourse Rule, encouraging foreign banks to take on-balance-sheet leverage in the form of mortgage backed securities, just as in the United States. The regulators assumed that almost nothing could be safer than a highly rated bond backed by a pool of mortgages. That assumption turned out to be wrong.<sup>xx</sup>

Credit default swaps helped fuel the demand for the mortgage-backed bonds. Conservative institutional investors like pension funds and insurance companies lined up to buy the seemingly safe securities, while yield-hungry hedge funds bought securities from the riskier tranches. The Wall Street sellers of the securities had ready buyers thanks to a global savings glut. China and oil-producing nations, flush with cash, were looking for places to invest it. Probably the two most influential were Freddie Mac and the Federal National Mortgage Corporation (Fannie Mae).<sup>xxi</sup>

Hedge funds played an important role in the shift to sloppy mortgage lending. By buying up mortgage loans, hedge-fund managers made it profitable for lenders to make questionable loans and then sell them off. Hedge funds were more than willing to swallow the risk in exchange for the promise of fat returns.<sup>xxii</sup>

Bear Stearns bet the firm on risky home loans. Two of its highly leveraged hedge funds collapsed in mid-2007. But that was only the beginning. Bear held nearly \$40 billion in mortgage bonds that were essentially worthless. In early 2008 Bear was sold to JPMorgan for less than the value of its office building.<sup>xxiii</sup>

- **AIG, the insurance giant, had to be rescued in a US government bailout just days after Lehman Brothers was allowed to go bust. The insurer got heavily involved in the murky world of credit default swaps.<sup>xxiv</sup> Before the financial-sector meltdown, few people had ever heard of credit-default swaps (CDS). They are insurance contracts — or, if you prefer, wagers — that a company will pay its debt. In good times, AIG's massive CDS-issuance business minted money for the insurer's other companies. But those same contracts turned out to be at the heart of AIG's downfall and subsequent taxpayer rescue. Goldman originated or bought protection from AIG on about \$33 billion of the \$80 billion of U.S. mortgage assets that AIG insured during the housing boom.<sup>xxv</sup> So far, the U.S. government has invested and lent \$150 billion to keep AIG afloat.<sup>xxvi</sup>**
- **The credit rating agencies have been blamed for failing to ask tough questions about the collateralized debt products containing so many toxic sub-prime mortgages, which investors traded for millions of dollars during the booming housing years. The three biggest agencies have been accused of taking the word of investors and not**

properly assessing the risks involved in securitization. Critics argue that S&P and its main rival Moody's, as well as other agencies, face an inherent conflict of interest, in that many of their clients issue securities that are rated by its analysts.

By slapping AAA seals of approval on large portions of even the riskiest pools of loans, rating agencies helped lure investors into loading on collateralized debt obligations (CDOs) that are now unsellable. How could a ratings agency put its top-grade stamp on such flimsy securities? A glaring conflict of interest is one possibility: these outfits are paid for their ratings by the bond issuer.<sup>xxvii</sup>

- In June 2004, the Federal Reserve, fearing an increase in the rate of inflation, made the first of 17 consecutive quarter point interest rate increases. The federal funds rate topped out at 5.25 percent by the summer of 2006. The monthly average fixed rate on a 30-year mortgage had risen to 6.76 percent by July. Those higher rates led to a cooling housing market. Property values leveled off and eventually began to drop. Around the same time, millions of subprime mortgages with those low, two-year teaser rates were resetting upward, causing what federal regulators call “payment shock.” Borrowers who rode the wave up and took out loans they couldn’t afford — especially those who relied on selling their homes at a profit, or refinancing them to make future house payments — were in trouble.<sup>xxviii</sup>

Alarmed by the corresponding drop in the value of their portfolios, the big firms cut off credit to subprime lenders and forced some of them to buy back mortgages that were immediately going into default. By the summer of 2007, the subprime industry, starved for cash, had all but disappeared. The real estate crash was followed — inevitably — by the banking crash. Banks, concerned about the financial health and unseen liabilities of other financial institutions, stopped lending.<sup>xxix</sup>

- Henry Paulson, the former US Treasury Secretary, is the man who let the collapse of Lehman Brothers happen. According to Anatole Kaletsky, of The Times: “The global banking collapse could perhaps be described as a bullet in the head, since its proximate cause was a conscious decision by the US Treasury to jeopardize the stability of the world economy in pursuit of an essentially political objective - to show that the Bush Administration was willing to act ruthlessly against at least one big Wall Street investment bank. Until that point, savers and investors around the world had assumed that financial institutions such as Lehman were “too big to fail” and would always be supported by their governments. By shattering this belief Henry Paulson triggered a run on every important bank in the world and caused the sudden implosion of consumer and business confidence seen in the past two months.”<sup>xxx</sup>
- Lax regulation by the SEC. The ex-SEC chief’s blindness to repeated allegations of fraud in the Madoff scandal is mind-blowing, but it’s really his lax enforcement that lands him on this list. Cox says his agency lacked authority to limit the massive leveraging that set up last year’s financial collapse. In truth, the SEC had plenty of power to go after big investment banks like Lehman Brothers and Merrill Lynch for better disclosure, but it chose not to. Cox oversaw the dwindling SEC staff and a

sharp drop in action against some traders.<sup>xxx1</sup>

- We've been borrowing, borrowing, borrowing — living off and believing in the wealth effect, first in stocks, which ended badly, then in real estate, which has ended even worse. Now we're out of bubbles. We have a lot less wealth — and a lot more effect. Household debt in the U.S. — the money we owe as individuals — zoomed to more than 130% of income in 2007, up from about 60% in 1982. We enjoyed living beyond our means — no wonder we wanted to believe it would never end.<sup>xxxii</sup>

The Center for Public Integrity conducted a computer analysis of more than 350 million mortgage applications reported to the federal government between 1994 and 2007, and found that the amount of money spent by homeowners on their mortgages as a percentage of their income spiked sharply during the peak of the subprime boom.<sup>xxxiii</sup>

- At root, the causes of the financial crisis were boringly old-fashioned and predictable. An excess of cheap money, pumped out for too long, inflated a bubble and encouraged wild behavior on the part of governments, financiers and many consumers. The novelty came with the complex instruments designed inside banks, which too few of those using them properly understood. Then new technology only exacerbated the crisis, or sped it up, by making the contagion spread faster.

If you want the ultimate answer as to why the crisis happened, you will find it in human behavior and our perennial tendency to value hope more than we do experience.

The connection is history and the widespread contemporary ignorance of and contempt for the past and its lessons. We tend to pity those from the past, choosing to measure them against an exaggerated conceit of our own progress and imagined superiority. Impressed by ourselves we patronize our ancestors, overrate that which is new for its own sake and think we always know better than those who went before did. In this decade, it was that superior, smug, attitude that meant too many political and corporate leaders failed to ask simple penetrating questions of the kind that a Margaret Thatcher might have. Asking and then listening to the answers is no guarantee of success, but it can help a lot.<sup>xxxiv</sup> By the way, why aren't the auditors asking these types of questions....

## Cures

- People should have done their jobs: companies properly valued assets, auditors audited, rating agencies rated, regulators regulating...etc.

- Federal Reserve Chairman Ben Bernanke in April of this year in a speech argued for greater government oversight of financial institutions, “especially large and interconnected ones like AIG.” Bernanke said oversight of the insurance company’s activities was limited, which allowed it to take “dangerous risks largely out of sight of federal regulators.”<sup>xxxv</sup>
- Keep the fox out of the henhouse...see article on the tremendous influence of Goldman Sachs

The following 20 recommendations are from the WSJ Future of Finance Special Edition, Monday, December 14, 2009.

### The Top Five Regulatory Recommendations

#### 1. Improve Regulator Resources

Ensure that regulators are high quality and have deep knowledge of the industries and institutions they oversee. Regulator compensation should be competitive with compensation in regulated industries. Industry should "second" senior people to support the Financial Stability Board and regulatory bodies.

#### 2. Avoid Regulatory Arbitrage

To make global cooperation feasible and promote a level playing field, regulations should be of an achievable scope. Financial activities of similar substance and economic reality should be regulated in the same way from country to country.

#### 3. Don't Regulate Borrowers

Regulators should focus on the source of credit, not on borrowers, using capital requirements to restrict excessive leverage among borrowers, including alternative-asset managers.

#### 4. Effective Enforcement

The consequences of bad actions must include real "wallet harm" in order to be effective, and enforcement must be consistent across national boundaries.

#### 5. Rebuild Responsibility

Regulation alone is not the cure. The financial-services industry must show cultural leadership and promote responsible behavior by all practitioners.

### The Top Five Financial Innovation Recommendations

#### 1. Overhaul Rating Agencies

Restore investor confidence in rating agencies by eliminating conflicts of interest between agencies and issuers, returning to an "investor-pays" model, distinguishing between ratings of corporate debt and structured financial products and promoting new entrants to the credit-rating business.

## 2. New-Product Transparency

Improve structural and price transparency of new products, using modeling and stress testing to ensure that downside scenarios are as visible as upside scenarios.

## 3. Resist Over-regulation

Because financial innovation is central to growth and critical to a speedy recovery, the G-20 and successors should recognize that new rules and protocols should not thwart innovation, and the cost of regulation must be balanced against the benefits.

## 4. Promote Risk Management

Boards should be required to demonstrate a full understanding of risks inherent in new products. Elevate risk managers to at least the same level as product makers and give them adequate representation at board level. Create globally recognized qualifications for risk managers, and implement standard certification through a risk "driving test."

## 5. Strengthen Infrastructure

Ensure financial infrastructure is commensurate with the innovation that it supports, both at the firm and the market level.

## The Top Five International Regulation Recommendations

### 1. Empower the Financial Stability Board

The Financial Stability Board should be empowered to define and seek agreement on broad-based principles that national regulators should try to make operational in consultation with market participants.

### 2. Global Imbalance Focus

The G-20 should focus on resolving global economic imbalances and integrate that process with discussions on financial stability.

### 3. Countries Should Follow the Financial Stability Board

G-20 countries should commit to implement in their jurisdictions the regulatory provisions put to them by the FSB, without significant amendment or supplementation.

### 4. Regulators Adopt Priorities

Global regulators over the next 18 months should achieve agreement on the adoption of accounting standards set by the International Financial Reporting Standards and appropriate capital and liquidity standards.

### 5. Clarify IMF Role

The International Monetary Fund should focus on global imbalances and defer to the Financial Stability Board on financial-stability principles while continuing to have surveillance responsibilities. IMF quotas should be revised to reflect global economic realities.

## The Top Five Financial Institution Recommendations

### 1. Better Governance

Hold systemically important institutions to higher standards of governance. Chief risk officers should report to the board and not the chief executive. Achieve greater transparency.

## 2. Market Infrastructure

Create a market structure to facilitate orderly unwinding of failed financial institutions, including greater use of central clearing.

## 3. Higher Capital Requirements

Financial institutions whose systemic importance requires national authorities to underwrite them if they fail should be required to hold more capital. This should include increasing risk weightings, asset/liability limits based on the business model rather than on simple capital ratios, as well as contingent capital and dynamic provisioning.

## 4. Living Wills

Systemically important banks should present regulators with living wills demonstrating how they would wind down business in the event of unsustainable losses. Cross-border arrangements should provide for burden-sharing in the event of failure.

## 5. Regulatory Mandate

Regulators should have a clear and strong mandate for financial stability, and should cooperate across borders and maintain a level playing field.

## The House Strikes at Wall Street



**New Drill**

Some consumer elements of the House financial-regulation bill:

- ✓ Creates consumer-protection agency to oversee products from credit cards to mortgages.
- ✓ Gives shareholders advisory vote on executive pay.
- ✓ Uses \$3 billion of TARP funds to reduce risk of foreclosures among unemployed.
- ✓ Creates whistleblower bounty program for those who uncover securities fraud.

DECEMBER 14, 2009

House Strikes at Wall Street

Bill Would Usher in Biggest Change to Finance Regulation Since '30s; Curbs on Fed

By DAMIAN PALETTA and ROBIN SIDEL

<http://online.wsj.com/article/SB126055726422487665.html>

- 
- <sup>i</sup> Meltdown 101SUBPRIME MORTGAGES AND THE ROAD TO FINANCIAL RUIN By John Dunbar | May 06, 2009 | [http://www.publicintegrity.org/investigations/economic\\_meltdown/articles/entry/1306/#11/20/2009](http://www.publicintegrity.org/investigations/economic_meltdown/articles/entry/1306/#11/20/2009)
- <sup>ii</sup> [http://timesbusiness.typepad.com/money\\_weblog/2009/01/the-ten-men-to-blame-for-the-credit-crunch.html](http://timesbusiness.typepad.com/money_weblog/2009/01/the-ten-men-to-blame-for-the-credit-crunch.html)
- <sup>iii</sup> Meltdown 101SUBPRIME MORTGAGES AND THE ROAD TO FINANCIAL RUIN By John Dunbar | May 06, 2009 | [http://www.publicintegrity.org/investigations/economic\\_meltdown/articles/entry/1306/#11/20/2009](http://www.publicintegrity.org/investigations/economic_meltdown/articles/entry/1306/#11/20/2009)
- <sup>iv</sup> Meltdown 101SUBPRIME MORTGAGES AND THE ROAD TO FINANCIAL RUIN By John Dunbar | May 06, 2009 | [http://www.publicintegrity.org/investigations/economic\\_meltdown/articles/entry/1306/#11/20/2009](http://www.publicintegrity.org/investigations/economic_meltdown/articles/entry/1306/#11/20/2009)
- <sup>v</sup> Meltdown 101SUBPRIME MORTGAGES AND THE ROAD TO FINANCIAL RUIN By John Dunbar | May 06, 2009 | [http://www.publicintegrity.org/investigations/economic\\_meltdown/articles/entry/1306/#11/20/2009](http://www.publicintegrity.org/investigations/economic_meltdown/articles/entry/1306/#11/20/2009)
- <sup>vi</sup> The Roots of the Financial Crisis: Who Is to Blame? By John Dunbar and David Donald | May 06, 2009, [http://www.publicintegrity.org/investigations/economic\\_meltdown/articles/entry/1286/#](http://www.publicintegrity.org/investigations/economic_meltdown/articles/entry/1286/#)
- <sup>vii</sup> [http://www.time.com/time/specials/packages/printout/0,29239,1877351\\_1877350\\_1877330,00.html11/20/2009](http://www.time.com/time/specials/packages/printout/0,29239,1877351_1877350_1877330,00.html11/20/2009)
- <sup>viii</sup> Meltdown 101SUBPRIME MORTGAGES AND THE ROAD TO FINANCIAL RUIN By John Dunbar | May 06, 2009 | [http://www.publicintegrity.org/investigations/economic\\_meltdown/articles/entry/1306/#11/20/2009](http://www.publicintegrity.org/investigations/economic_meltdown/articles/entry/1306/#11/20/2009)
- <sup>ix</sup> [http://www.time.com/time/specials/packages/printout/0,29239,1877351\\_1877350\\_1877338,00.html11/20/2009](http://www.time.com/time/specials/packages/printout/0,29239,1877351_1877350_1877338,00.html11/20/2009)
- <sup>x</sup> [http://www.time.com/time/specials/packages/printout/0,29239,1877351\\_1877350\\_1877343,00.html11/20/2009](http://www.time.com/time/specials/packages/printout/0,29239,1877351_1877350_1877343,00.html11/20/2009)
- <sup>xi</sup> [http://timesbusiness.typepad.com/money\\_weblog/2009/01/the-ten-men-to-blame-for-the-credit-crunch.html](http://timesbusiness.typepad.com/money_weblog/2009/01/the-ten-men-to-blame-for-the-credit-crunch.html)
- <sup>xii</sup> [http://www.nytimes.com/2008/12/21/business/21admin.html?\\_r=2&adxnlnx=1230591747-oXEVIvIbkyBG...](http://www.nytimes.com/2008/12/21/business/21admin.html?_r=2&adxnlnx=1230591747-oXEVIvIbkyBG...) 11/11/2009
- <sup>xiii</sup> <http://newsone.com/nation/right-wing-media-watch-economic-crisis-and-the-community-reinvestment-act/> 11/11/2009
- <sup>xiv</sup> Meltdown 101SUBPRIME MORTGAGES AND THE ROAD TO FINANCIAL RUIN By John Dunbar | May 06, 2009 | [http://www.publicintegrity.org/investigations/economic\\_meltdown/articles/entry/1306/#11/20/2009](http://www.publicintegrity.org/investigations/economic_meltdown/articles/entry/1306/#11/20/2009)
- <sup>xv</sup> [http://timesbusiness.typepad.com/money\\_weblog/2009/01/the-ten-men-to-blame-for-the-credit-crunch.html](http://timesbusiness.typepad.com/money_weblog/2009/01/the-ten-men-to-blame-for-the-credit-crunch.html)
- <sup>xvi</sup> How a 'perfect storm' led to the economic crisis by Manav Tanneeru <http://www.cnn.com/2009/US/01/29/economic.crisis.explainer/index.html>
- <sup>xvii</sup> The Roots of the Financial Crisis: Who Is to Blame? By John Dunbar and David Donald | May 06, 2009, [http://www.publicintegrity.org/investigations/economic\\_meltdown/articles/entry/1286/#](http://www.publicintegrity.org/investigations/economic_meltdown/articles/entry/1286/#)
- <sup>xviii</sup> [http://timesbusiness.typepad.com/money\\_weblog/2009/01/the-ten-men-to-blame-for-the-credit-crunch.html](http://timesbusiness.typepad.com/money_weblog/2009/01/the-ten-men-to-blame-for-the-credit-crunch.html)
- <sup>xix</sup> [http://www.time.com/time/specials/packages/printout/0,29239,1877351\\_1877350\\_1877344,00.html11/20/2009](http://www.time.com/time/specials/packages/printout/0,29239,1877351_1877350_1877344,00.html11/20/2009)
- <sup>xx</sup> Capitalism without Romance, By Jeffrey Friedman, Saturday, December 5, 2009, The American: The Journal of the American Enterprise Institute.
- <sup>xxi</sup> Meltdown 101SUBPRIME MORTGAGES AND THE ROAD TO FINANCIAL RUIN By John Dunbar | May 06, 2009 | [http://www.publicintegrity.org/investigations/economic\\_meltdown/articles/entry/1306/#11/20/2009](http://www.publicintegrity.org/investigations/economic_meltdown/articles/entry/1306/#11/20/2009)
- <sup>xxii</sup> [http://www.time.com/time/specials/packages/printout/0,29239,1877351\\_1877350\\_1877324,00.html11/20/2009](http://www.time.com/time/specials/packages/printout/0,29239,1877351_1877350_1877324,00.html11/20/2009)
- <sup>xxiii</sup> [http://www.time.com/time/specials/packages/printout/0,29239,1877351\\_1877350\\_1877327,00.html11/20/2009](http://www.time.com/time/specials/packages/printout/0,29239,1877351_1877350_1877327,00.html11/20/2009)

---

<sup>xxiv</sup> [http://timesbusiness.typepad.com/money\\_weblog/2009/01/the-ten-men-to-blame-for-the-credit-crunch.html](http://timesbusiness.typepad.com/money_weblog/2009/01/the-ten-men-to-blame-for-the-credit-crunch.html)

<sup>xxv</sup> Goldman Fueled AIG Gambles by Serena Ng and Carrick Mollenkamp, Wall Street Journal B1, December 12-13, 2009.

<sup>xxvi</sup> [http://www.time.com/time/specials/packages/printout/0,29239,1877351\\_1877350\\_1877321,00.html](http://www.time.com/time/specials/packages/printout/0,29239,1877351_1877350_1877321,00.html)  
11/20/2009

<sup>xxvii</sup> [http://timesbusiness.typepad.com/money\\_weblog/2009/01/the-ten-men-to-blame-for-the-credit-crunch.html](http://timesbusiness.typepad.com/money_weblog/2009/01/the-ten-men-to-blame-for-the-credit-crunch.html)

<sup>xxviii</sup> Meltdown 101SUBPRIME MORTGAGES AND THE ROAD TO FINANCIAL RUIN By John Dunbar | May 06, 2009 | [http://www.publicintegrity.org/investigations/economic\\_meltdown/articles/entry/1306/#](http://www.publicintegrity.org/investigations/economic_meltdown/articles/entry/1306/#)  
11/20/2009

<sup>xxix</sup> Meltdown 101SUBPRIME MORTGAGES AND THE ROAD TO FINANCIAL RUIN By John Dunbar | May 06, 2009 | [http://www.publicintegrity.org/investigations/economic\\_meltdown/articles/entry/1306/#](http://www.publicintegrity.org/investigations/economic_meltdown/articles/entry/1306/#)  
11/20/2009

<sup>xxx</sup> [http://timesbusiness.typepad.com/money\\_weblog/2009/01/the-ten-men-to-blame-for-the-credit-crunch.html](http://timesbusiness.typepad.com/money_weblog/2009/01/the-ten-men-to-blame-for-the-credit-crunch.html)

<sup>xxxi</sup> [http://www.time.com/time/specials/packages/printout/0,29239,1877351\\_1877350\\_1877323,00.html](http://www.time.com/time/specials/packages/printout/0,29239,1877351_1877350_1877323,00.html)  
11/20/2009

<sup>xxxii</sup> [http://www.time.com/time/specials/packages/printout/0,29239,1877351\\_1877350\\_1877319,00.html](http://www.time.com/time/specials/packages/printout/0,29239,1877351_1877350_1877319,00.html)  
11/20/2009

<sup>xxxiii</sup> The Roots of the Financial Crisis: Who Is to Blame? By John Dunbar and David Donald | May 06, 2009,  
[http://www.publicintegrity.org/investigations/economic\\_meltdown/articles/entry/1286/#](http://www.publicintegrity.org/investigations/economic_meltdown/articles/entry/1286/#)

<sup>xxxiv</sup> Farewell to a Decade of Debt and Disaster By IAIN MARTIN WSJ DECEMBER 15, 2009  
<http://online.wsj.com/article/SB10001424052748704398304574598350918417532.html>

<sup>xxxv</sup> Meltdown 101SUBPRIME MORTGAGES AND THE ROAD TO FINANCIAL RUIN By John Dunbar | May 06, 2009 | [http://www.publicintegrity.org/investigations/economic\\_meltdown/articles/entry/1306/#](http://www.publicintegrity.org/investigations/economic_meltdown/articles/entry/1306/#)  
11/20/2009