

## THE FINANCIAL CRISIS INQUIRY REPORT INDEX

- Abacus 2004–1, 143, 145
- Abacus 2007–1, 192–193, 247
- ABS East conference, 157
- ABX index, 190–191, 195, 233, 235, 238, 242, 364
- ACA Capital, 190, 193
- Accountability
  - increasing sloppiness in
    - mortgage paperwork, 11
    - mortgage lending fraud, 14
    - systemic breakdown in, xxii
- Accountant firms, 122
- Accounting practices
  - AIG valuation, 271–272
  - AIG–Goldman dispute over CDO, 269–270
  - collapse of subprime lenders, 75
  - GSEs’ capital shortfall, 319
  - Lehman Brothers, 324–325
  - mark-to-market rules, 47, 226–227, 234, 239, 253, 263, 277, 445
- Adams, Stella, 21
- Adelson, Mark, 131
- Adjustable-rate mortgages (ARMs), 90, 104, 409, 423
  - delinquency, 216
  - hybrids, 105–106
  - increasing popularity of, 6–7, 85
  - mechanism of, 42
  - mortgage-securities entanglement, 11
  - option ARMs, 106–109
  - savings and loan crisis, 34
  - Wachovia’s liquidity concerns, 366
  - See also* Option ARM loans
- Adverse market conditions, 74–75
- Affordable housing, 40–41, 97–99, 183–186
- African Americans: jobless rate, 391
- Agosta, Jeff, 394
- Aguero, Jeremy, 393
- AIG Financial Products, 139–142
- Alex Brown & Sons, 53
- Alix, Michael, 282, 285, 290
- Allianz, 348
- Ally Financial, 225
- Alt-A securitization, 104–105, 122–125, 165, 216, 219, 227
- Alvarez, Scott, 93, 96, 296, 342, 435
- Alwaleed bin Talal, 302
- Ambac, 276
- American Bankers Association, 13, 21
- American Home Mortgage, 251
- American International Group (AIG)
  - bailout, 347–351, 432–433
  - CDO structuring, 132, 139–142, 200–202
  - credit default swaps, 50
  - failure triggering crisis, xvi
  - financial crisis and bailout, 376–379
  - Goldman dispute over subprime losses, 265–274
  - government rescue, 23
  - lack of concern over subprime-mortgage failure, 243–244
  - liquidity failure, 345–347
  - liquidity puts, 139
  - Merrill Lynch’s CDO tranches, 204
  - over-the-counter derivatives, xxvi
  - payment to AIG counterparties, 377(fig.)
  - risk management, xix
  - systemic risk after Bear Stearns collapse, 300–301
  - TARP, 376
- Ameritrust, 8, 12–13, 89, 164, 423
- Andrukonis, David, 179–180
- Antoncic, Madelyn, 18–19
- Appraisals, inflated, 91–92
- Arbitrage, 99–100
- Archstone Smith trust, 176–178
- Arizona: mortgage delinquency, 215, 393
- Arthur Andersen, 122
- Ashcraft, Adam, 348
- Ashley, Stephen, 184
- Asset-backed commercial paper (ABCP) programs
  - BNP Paribas SA loss, 250–252
  - Countrywide, 248–250
  - expanding use of, 113–114
  - IKB as casualty, 246–248
  - latent subprime exposure, 246
  - money market funds, 253–255
  - SIVs, 252–253
- Asset-backed securities, 45(fig.)
- Associates First, 92

- Athan, Tom, 244, 268–269
- Auction rate securities (ARS), 277–278
- Australia  
house price appreciation, 2002–2008, 415 (fig.)  
housing bubble, 415–416
- Automobile manufacturers, 375
- Automotive Industry Financing Program, 375
- Bacon, Kenneth, 184
- Bailey, Kevin, 317
- Bailouts  
AIG, 344–351, 432  
controversy over Lehman Brothers collapse, 433–435  
Fannie Mae/Freddie Mac, 321–322  
savings and loan crisis, 36–37  
"too big to fail" principle, 37, 57–58
- Bair, Sheila C., 11, 64, 79, 306, 369, 373–374
- Baker, Dean, 23–24
- Bakersfield, California, 14, 391
- Balloon mortgages, 34
- Bank of America  
acquisition of Countrywide, 22  
agencies' peer group study of mortgage practices, 172  
Bear Stearns toxic hedge funds, 239  
consolidation and growth of banks, 53  
Countrywide's ABCP loss, 250  
CRA-qualifying portfolio, 220  
credit default swaps, 50, 192  
financial crisis, 382–386  
financial sector growth, 65  
GSE delinquent loans, 225  
Lehman Brothers collapse, 336, 434  
litigation over delinquencies, 226  
money market funds, 254  
mortgage fraud, 162
- mortgage-backed securities market losses, 256  
nontraditional loans, 20  
*See also* Investment banks
- Bank runs, 250, 354–355, 367
- Bankers Trust, 47, 53
- Banking  
bank failure affecting commercial real estate market, 398  
big bank bets and bank failures, 427–431  
dismantling Glass-Steagall, 52–56  
failure numbers, 401  
financial fallout from recession, 393–394  
savings and loan crisis, 34–37  
*See also* Commercial banks; Investment banks
- Barber, Mark, 396–397
- Barclays, 335
- Barker, Randolph, 198
- Barnes, Murray, 261–263
- Basel International Capital Accords, 49, 151, 171–172
- Basis Yield Alpha Fund, 237
- Bass, J. Kyle, 19–20, 148, 288
- Baxter, Tom, 321, 336–339, 342, 379
- BBB-rated securities, 127–128, 131, 194
- Beal, Vicki, 166
- Bear Stearns  
BSAM role in CDO business, 134–137  
commercial real estate, 176  
CSE oversight, 153  
fall of, 280–291  
financial sector growth, 66  
government response to collapse of, xxi  
hedge fund creation, 9  
JP Morgan purchase of, 292, 431  
mortgage-backed securities market losses, 256  
regulators' concerns over failure of, 293–295  
risk concentration, 22  
risk exposure of hedge funds, 238–242
- synthetic CDOs, 193  
*See also* Investment banks
- Bear Stearns Asset Management (BSAM), 134–137, 221–222, 238, 262–263
- "Bear Stearns Light" liquidity scenario, 297
- "Bear Stearns" liquidity scenario, 297
- Beneficial Mortgage, 75
- Bensinger, Steven, 243, 273
- Bernanke, Ben  
acknowledging housing market drop, 17  
Bear Stearns' collapse, 290–291  
Bear Stearns' toxic hedge funds, 241  
BofA-Merrill Lynch merger, 383  
concerns over Lehman's liquidity, 330  
consumer advocates' concerns about mortgage lending, 21  
credit rating agencies' role in CDO structuring, 149  
delinking Fed interest rate hikes and real estate bubble, 103  
Fed-Lite, 55  
Fed's failure of housing regulation, 3  
financial crisis of 2008, 354  
global capital flows, 420  
housing bubble, 159  
housing prices leading to nontraditional lending products, 423  
lack of concern over housing bubble, xxi  
Lehman collapse, 339–342, 433–435  
measuring investment bank liquidity risk, 297  
monetary policy contributing to credit bubble, 421  
mortgage fraud, 15–16  
predatory lending practices, 95  
recession of 2001, 84

- refusal to believe in housing market crash spillover, 22  
 run on Goldman Sachs, 362  
 small businesses' losses during recession, 395  
 TARP, 372–374  
 underestimating magnitude of systemic risk, 27, 229  
 underestimating the housing bust, 227  
*See also* Federal Reserve  
 Bies, Susan, 15–16, 20–21  
 Bisenius, Donald, 315  
 Black, Dennis J., 17–18  
 Black, William K., 15, 110–111, 164  
 Blankfein, Lloyd, 3, 63, 236–237, 362, 376  
 Blinder, Alan, 31  
 Blow up risk, 238  
 BNP Paribas SA, 139, 250–252  
 BNY Mellon, 283–284, 295, 355, 361–362  
 Bookstaber, Richard, 196  
 Born, Brooksley, 47–48  
 Bowen, Richard, 19, 111, 168–169  
 Braunstein, Sandra, 79, 94  
 Breaking the buck, 253, 357  
 Breeden, Richard, 4, 34  
 Brendsel, Leland, 122  
 Broderick, Craig, 140, 235, 237–238  
 Brown, Lloyd, 99  
 Brown, Richard, 159  
 Bruce, Kenneth, 250  
 Bubbles. *See* Credit bubble; Housing bubble; Mortgage bubble  
 Buffett, Warren, 3, 49, 347–348, 363  
 Burks, Gail, 11, 67  
 Burry, Michael, 194  
 Bush, George W., 9, 40–41  
 Bushnell, David, 261, 263  
 Bynum, Gregory, 393  
  
 Calhoun, Michael, 90  
 California  
   delinquency, 220, 393  
   fallout from the crisis, 390  
   foreclosures, 403  
   government response to economic shortfalls, 398  
   mortgage delinquency, 215  
   SIV losses, 255  
   underwater mortgages, 404 (fig.)  
 California Reinvestment Coalition (CRC), 10, 78  
 Callahan, Jim, 44, 68  
 Callan, Erin, 327  
 Canada: housing bubble, 158  
 CanagaRetna, Sujit, 398–399  
 Canavan, Sheila, 17  
 Capital flows  
   insufficient capital leading to bank failure, 428  
   mortgage-backed securities losses, 256  
 Capital Markets Approval Committee (Citigroup), 139  
 Capital Purchase Program, 376  
 Cardwell, J. Thomas, 13–14  
 Carter, Carolyn, 22  
 Case, Karl, 17  
 Case-Shiller Index, 17  
 Cash management accounts, 30  
 Cash reserves, 256, 288, 394  
 Cassano, Joseph, 200–201, 267–273  
 Cattani, Arnold, 4, 120  
 Causes of the crisis, xv  
   big bank bets and bank failure, 427–431  
   credit bubble, 419–422  
   differing theories of, 414–417  
   housing bubble, 422–425  
   mortgage securitization, 425–427  
   systemic failure through common shock, 432–433  
   systemic failure through contagion, 431–432  
   ten essential causes, 417–419  
 Cayne, Jimmy, 282–283, 285  
 Cecala, Guy, 403  
 Center for Responsible Lending, 90  
 Century Financial, 71  
 Chanos, Jim, 234  
 Charles Schwab, 226  
 Chase Home Financial, 225  
  
 Chau, Wing, 130, 132–133, 189, 203  
 Checks and balances, 54  
 Cheyne Capital Management, 253–254  
 Chicago Board of Trade, 46  
 Chicago CRA Coalition, 98  
 Children, housing foreclosures and, 409  
 China  
   credit bubble, 417  
   global capital flows, 419–420  
   GSE securities, 321  
 Christie, Chris, 399  
 Cioffi, Ralph, 8–9, 135–136, 238–240  
 Cisneros, Henry, 76  
 CIT Group Inc., 396  
 Citibank  
   Fannie Mae involvement in housing bubble, 179  
   Maiden Lane payments, 376–377  
 Citicorp: deregulation of bank consolidation, 54  
 CitiFinancial, 20, 68, 93  
 Citigroup  
   agencies' peer group study of mortgage practices, 172  
   Ameriquest acquisition, 164  
   Bear Stearns' toxic hedge funds, 239–240  
   CDO losses, 129, 195–200  
   CDO structuring, 131–132  
   commercial banks' 2007 downturn, 302–304  
   consolidation and growth of banks, 53  
   credit default swaps, 50  
   deregulating bank consolidation, 54  
   due diligence and disclosure, 168–170  
   expansion of, 92–93  
   failure to control excesses, xviii  
   failure to heed warning signs, 19  
   financial crisis, 379–382  
   financial sector growth, 65  
   lending violations, 84  
   liquidity puts, 137–139, 196

- Citigroup (*continued*)  
 mortgage securitization, 71, 90  
 mortgage-backed securities market losses, 256  
 raising capital after Bear Stearns collapse, 302  
 reducing subprime exposure through CDS, 234  
 2007 subprime exposure level, 260–265  
 Wachovia acquisition, 369–370  
 warehouse lending, 113–118
- Civil rights, 106
- Clark, Timothy, 317, 328
- Clarke, Vaughn, 122
- Clarkson, Brian, 150, 208–209, 221
- Clawback provisions, 198
- Clayton Holdings, 166–168
- Clearing banks, 283–284
- Cleveland Ohio: predatory lending practices, 9–10
- “Climbing the Wall of Subprime Worry” report, 223–224
- Clinton, Bill, 9  
 affordable housing, 40–41  
 Commodity Futures Modernization Act, 48  
 CRA lending, 74  
 Gramm-Leach-Bliley Act, 55  
 HOEPA, 76
- Cloutier, C.R., 395
- CMLTI 2006-NC2, 71, 115, 115 (fig.), 116, 116 (fig.), 121, 132–133, 145, 402
- Coffey, Kevin, 346
- Cohen, H. Rodgin, 334, 336–337
- Cohn, Gary, 237
- Cole, Roger, 302, 307, 379
- Collateral call, 266
- Collateralized debt obligations (CDOs), xxiv, 425–426  
 AIG dispute with Goldman over, 265–274  
 AIG involvement, 139–142, 200–202  
 Bear Stearns’ asset management business, 134–137  
 Bear Stearns’ collapse, 281
- Bear Stearns toxic hedge funds, 238–239
- Citigroup liquidity puts, 137–139
- Citigroup’s synthetic CDOs, 195–200
- Consolidated Supervised Entity program, 151–154  
 creating demand for lower-rated tranches, 127–128  
 creation and expansion of, 129–134  
 downgrading, 228–230  
 due diligence and disclosure, 170  
 end of the boom, 214  
 Goldman Sachs, 140, 235–238  
 housing boom repackaging, 8  
 housing entanglement in securities market, 8–9  
 leverage, 134  
 managers’ response to the madness, 189–190  
 mechanism of, 128 (fig.)  
 Merrill Lynch, 202–204  
 Moody’s 2007 downgrade, 223–224  
 Moody’s role in, 146–150, 206–212  
 mortgage-backed securities market losses, 256  
 reducing subprime exposure through CDS, 234  
 regulators’ missed opportunity, 204–206  
 self-fueling machine, 188–189  
*See also* Credit default swaps
- Collateralized loan obligations (CLOs), 174–176, 209
- Commercial banks and thrifts  
 buying and selling home loans, 8  
 crisis and recession fallout, 401  
 decline after Bear Stearns collapse, 301–308  
 securitizing prime mortgages, 102  
 shadow banks and, 27–28  
 subprime origination and securitization, 88
- See also* Citigroup; Wachovia; Washington Mutual
- Commercial Paper Funding Facility, 395
- Commercial paper market, 30–31, 113–114, 427–428  
 AIG liquidity failure, 345–346, 349  
 Citigroup involvement, 262–263  
 Lehman decline, 326  
 money market funds, 358  
 post-recession financing, 394  
 stopping mortgage lender funding, 234
- Commercial real estate, 174–176, 397–398
- Commodification of the housing industry, 5–6
- Commodities, 46
- Commodity Exchange Act (1936), 46
- Commodity Futures Modernization Act (CFMA; 2000), 48
- Commodity Futures Trading Commission (CFTC), 46–48
- Common shock, 419, 432–433
- Community  
 fallout from the crisis, 389  
 housing industry links to, 4–5  
 mortgage fraud, 15–16
- Community Reinvestment Act (CRA), xxvii, 72–74, 97–99, 219–220, 414
- Community-lending pledges, 97–99
- Compensation controls, 269
- Compensation packages  
 Bear Stearns’ hedge fund collapse, 137  
 Bear Stearns preceding the fall, 285
- CDO machine breakdown, 189  
 changes in the financial industry, 61–64  
 Citigroup’s CDO business, 198  
 GSE executives, 322–323

- GSE penetration into subprime market, 181  
ignoring long-term consequences, xix  
Merrill's O'Neal's severance package, 259  
mortgage brokers, 90  
Congress, U.S.  
closing state shortfalls, 399  
Community Reinvestment Act, 72  
Depository Institutions Deregulation and Monetary Control Act, 34  
dismantling Glass-Steagall, 55  
Economic Stimulus Act, 312  
Fannie Mae/Freddie Mac debt, 40  
Fannie Mae/Freddie Mac mission, 39  
homeownership incentives, 9  
Housing and Economic Recovery Act, 317  
increasing deregulation, 52  
moratorium on OTC regulation, 48  
mortgage underwriting standards, 109–111  
regulating subprime mortgage lending, 76  
regulating thrifts, 40  
Resolution Trust Corporation, 68  
savings and loan crisis, 36  
shadow banking, 28  
TARP, 372, 436  
"too big to fail" principle, 37  
Congressional Budget Office, 87, 400  
Congressional Oversight Panel, xii, 398, 408  
Conover, C. Todd, 37  
Conseco, 75  
Consolidated Supervised Entity (CSE) program, 151–154, 283  
Consumer Advisory Council of the Federal Reserve Board, 21  
Consumer and Community Affairs Division (Federal Reserve), 94  
Consumer confidence, 393  
Consumer protection groups, 78  
Consumer spending, 87, 393–394  
Contagion, risk of, 419, 431–432  
Continental Illinois, 36–37  
CoreLogic, 393  
Corporate governance  
AIG failure, 347  
big bank failure, 427–431  
Citigroup's CDO business, 199–200  
condoning mortgage fraud, 14–15  
failure to control reckless practices, xviii–xix  
FHFA criticism of GSE management, 321–323  
GSEs' capital shortfall, 319  
ignoring risks of housing bubble, 18–19  
international credit bubble, 416  
response to CDO madness, 189–190  
response to recession and loss of credit, 394–395  
Corrigan, E. Gerald, 300, 329  
Counterparty Risk Management Policy Group, 300  
Countrywide, xxiii  
agencies' peer group study of mortgage practices, 172–173  
BofA acquisition, 22  
commercial paper casualty, 248–250  
expanding mortgage originations, 8  
GSE delinquent loans, 225  
GSE penetration into subprime markets, 184  
improper foreclosures, 408  
mortgage fraud, 162  
mortgage originations, 105  
nontraditional loans, 20  
option ARMs, 107–108  
recognition of long-term vulnerability, xxii  
single-cause theories, 414  
Cox, Christopher, xxi, 154, 283, 288, 298, 330, 338–339  
Cox, Prentiss, 12–13  
Crabtree, Gary, 14–15, 91  
Credit bubble, 414–416, 424  
causes of the crisis, 417–418, 422  
global capital flows, 419–420  
monetary policy, 420–421  
repricing of risk, 420  
*See also* Housing bubble; Housing bust; Mortgage bubble  
Credit card loans, 396  
Credit default swaps (CDS), xxiv–xxv, 427  
AIG dispute with Goldman, 265–274, 377–378  
AIG failure, 351  
AIG liability, 344–345  
AIG's international business, 140  
CDO machine, 193–196  
consumer advocates' concerns over mortgage industry, 23  
economists' concerns over stability of, 17  
Goldman Sachs collapse, 143, 145  
Greenspan's concerns over, 48–49  
housing entanglement in securities market, 8  
mechanism of, 50  
reducing subprime exposure through, 234  
regulators' reaction to the CDO madness, 189  
synthetic CDO growth, 190–195  
systemic risk after Bear Stearns collapse, 300–301  
*See also* Collateralized debt obligations  
Credit expansion, 83–101  
Credit markets, xvi, 83–84  
Credit ratings/credit rating agencies, xxv, 426  
AIG CDO involvement relying on, 139–141  
AIG downgrade, 349  
AIG valuation, 273  
as securitization watchdogs, 165

- Credit ratings/credit rating agencies (*continued*)
- Bear Stearns Asset Management business, 135
  - Bear Stearns' collapse, 281–282
  - CDO benefits, 128–129
  - CDO structuring, 131–132
  - Citigroup, 199
  - failure of subprime mortgage-backed securities, 242–243
  - Lehman Brothers' F rating, 327
  - Merrill Lynch's 2007 subprime exposure levels, 259
  - role in the crisis, 418
  - shorting CDOs, 193–194
  - structured finance, 43
  - See also* Moody's; Standard & Poor's
- Credit scoring, 67, 72
- Credit spreads, 420
- Credit squeeze, 389
- Credit Suisse, 89
- Credit Suisse Institutional Money Market Prime Fund, 254
- Crittenden, Gary, 263, 265
- Cruise, Christopher, 7–8
- Cuomo, Andrew, 40–41, 78, 178
- Dahlgren, Sarah, 378
- Dallavechia, Enrico, 181–182
- Darling, Alistair, 334, 336
- Davidson, Andrew, 106
- Davilman, Andrew, 243–244, 265–266
- Dean Witter, 53
- Debt levels, xvii
  - defaults on national debt, 56
  - Fannie Mae borrowing, 38
  - household debt after the recession, 391
  - increase in household debt after 2000, 83–84
  - increase in mortgage indebtedness, 7
  - 1980s and 1990s levels, 68
  - recession causing cutbacks, 393–394
  - risky assets combined with, xx
  - small businesses' hesitancy to take on new debt, 395
- Defaults, mortgage, 213–214, 223–224, 262, 389–390
- DEFCON calls, 264–265
- Delinquencies, mortgage, 214–221, 224–225, 392–393
- Deposit insurance, 33. *See also* Federal Deposit Insurance Corporation
- Depository Institutions Deregulation and Monetary Control Act, 34
- Deregulation of financial markets, xviii, 28, 46, 52–56
- Derivatives, 28, 45–51
  - assessing systemic risk after Bear Stearns collapse, 298–301
  - mortgage securitization, 425
  - OCC expansion of allowed activities, 35
  - single-cause theories, 414
  - See also* Over-the-counter (OTC) derivatives
- Desert Community Bank, 94
- Dickerson, Chris, 320
- Dimon, Jamie, 18, 63, 91, 289, 295, 325, 342
- Dinallo, Eric, 345, 348
- Disclosure, 165–170, 234
- Disintermediation, 33
- Ditech, 8
- Documentation on mortgage loans, 110–111
- Dodd, Christopher, 313, 371
- Dominguez, Nestor, 137–138, 198, 261
- Dot-com crash, 59–61, 87–88, 391
- Dow Jones average, 57, 292, 339, 356, 372–373
- Drexel Burnham Lambert, 37, 129–130
- Dreyfus fund, 328
- Drysdale, 31
- Dudley, William C., 213, 293, 314, 331, 347
- Due diligence, 165–170, 426
- Dugan, John, 13, 21, 74, 373–374
- Duke, Elizabeth, 395
- Duke, Ellen, 261
- Dunhill CDO, 270
- Early payment defaults, 215
- Economic crisis, 419
  - AIG-Goldman dispute over valuation, 265–274
  - AIG's lack of concern over, 243–244
  - assessing liquidity risk through repo markets, 296–298
  - assessing systemic risk after Bear Stearns collapse, 298–301
  - asset-backed commercial paper, 246
  - Bear Stearns' collapse, 280–291
  - BNP Paribas SA loss, 250–252
  - Citigroup's 2007 subprime exposure level, 260–265
  - commercial banks' decline, 301–308
  - Countrywide's ABCP loss, 248–250
  - credit rating agencies' lack of concern over, 242–243
  - financial losses of 2007, 274–276
  - financial market fallout, 393
  - IKB ABCP loss, 246–248
  - Merrill Lynch's massive 2007 losses, 257–259
  - money market funds, 253–255
  - monoline insurers, 276–278
  - mounting subprime losses stressing the economy, 256
  - post-housing bust indicators of impending crisis, 233–234
  - structured-investment vehicles, 252–253
  - See also* Financial crisis
- Economic growth, 83
- Economic Growth and Regulatory Paperwork Reduction Act (1996), 53

- Economic Stimulus Act, 312  
*Economist* magazine, 16, 60  
 Edwards, Jeffrey, 258–259  
 Ehrnman, Roger, 168  
 Eichel, Scott, 129  
 Eichner, Matthew, 282, 287, 290, 361  
 Einhorn, David, 327  
 Eisman, Steve, 194  
 Emerging markets, 35  
 Enhanced cash funds, 254  
 Enron, 59, 122, 137, 204–205  
 Equity borrowing, 83–84  
 Ernst & Young (E&Y), 177–178  
 Ethics, xxii, 236–239  
 European American Bank, 92–93  
 European markets  
   credit bubble, 414–418  
   EU requirement of U.S. consolidated supervisor, 150–151  
   single-cause theories, 414–415  
   *See also specific countries*  
 Excess liquidity, xxv–xxvi  
 Exchange-traded futures and options, 46
- Fair Isaac Corporation, 72  
 Falcon, Armando, Jr., 40, 64, 185  
 Fannie Mae/Freddie Mac, xix, xxv–xxvi  
   bolstering the struggling housing market, 311–313  
   capital increase, 314–315  
   choice of meeting the booming housing market, 178–187  
   conservatorship, 320, 435  
   credit scoring, 72  
   dual missions, 39  
   FHFA criticism of management, 321–322  
   financial sector growth, 65  
   foreclosure donations, 403  
   foreign investment flows, 103–104  
   government backing despite declining performance, 315–318  
   history and development of, 38–42  
   leverage ratio, xx  
   mission versus safety, 309–310  
   mortgage fraud, 161  
   mortgage securitization, 68–70, 102, 425  
   mortgage-backed securities market, 122–125  
   OCC discovery of capital shortfall, 318–319  
   originate-to-distribute mortgages, 89  
   portfolio cap relief, 310–311  
   regulators' critical concerns over, 319–320  
   role in crisis, 437  
   sellers' repurchasing guaranteed loans, 224–226  
   shadow banking, 427  
   single-cause theories, 414  
   *See also Government-sponsored enterprises*  
 Farrell, Mike, 313  
 Fass, Lloyd, 189  
 Federal Bureau of Investigation (FBI), 15, 161  
 Federal Deposit Insurance Corporation (FDIC)  
   AIG bailout, 432  
   bank bailouts, 432  
   cash management accounts, 30  
   Citigroup's TARP funds, 382  
   CRA lending, 74  
   creation of, 29  
   deregulation, 53  
   shutting down lending, 233  
   Wachovia acquisition, 370  
   Washington Mutual's impending collapse, 365–366  
   Washington Mutual's 2007 decline, 306  
 Federal Deposit Insurance Corporation  
   Improvement Act (FDICIA), 37  
 Federal Home Loan Bank of Chicago, 226  
 Federal Home Loan Banks, 274  
 Federal Home Loan Mortgage Corporation (Freddie Mac). *See* Fannie Mae/Freddie Mac  
 Federal Housing Association (FHA), 38  
 Federal Housing Enterprises Financial Safety and Soundness Act (1992), 40–41  
 Federal Housing Finance Agency (FHFA), 316–322, 431  
 Federal National Mortgage Association (Fannie Mae). *See* Fannie Mae/Freddie Mac  
 Federal Open Market Committee (FOMC)  
   AIG bailout, 349  
   Bear Stearns hedge funds, 241  
   Countrywide's ABCP casualty, 248–249  
   declining housing prices in 2006, 214  
   housing bubble presentation, 158–159, 171  
   restricting access to credit after recession, 394  
   Wachovia acquisition, 369  
 Federal Reserve  
   allowing bank-ineligible activities, 35  
   assessing systemic risk after Bear Stearns collapse, 298–301  
   Bank of America-Merrill Lynch merger, 383  
   Bear Stearns' collapse, 286–287  
   Citigroup ban, 137  
   Citigroup's CDO business, 198–199  
   Commercial Paper Funding Facility, 395  
   community development commitments, 98  
   concerns after Bear Stearns collapse, 293–295  
   Countrywide's ABCP casualty, 249  
   CSE program, 154  
   dot-com crash, 60

- Federal Reserve (*continued*)  
 failure to halt toxic mortgage flows, xvii  
 Fannie Mae/Freddie Mac mission, 39  
 Federal Open Market Committee, 158–159  
 financial crisis of 2008, 354  
 financial losses of 2007, 274–276  
 government housing policy contributing to irresponsible lending, xxvii  
 HOEPA hearings, 108–109  
 ignoring warning signs in housing industry, 3–4, 20  
 interest rate hikes, 103–104  
 JP Morgan acquisition of Bear Stearns, 292  
 lack of preparation for crisis, xxi–xxii  
 Lehman Brothers collapse, 331, 434–435  
 LTCM disaster, 57  
 measuring investment bank liquidity risk, 297–298  
 monetary policy contributing to credit bubble, 420–421  
 predatory lending practices, 93–96  
 President's Working Group on Financial Markets, 48  
 Recourse Rule, 99–100  
 refusal to investigate fraud, 16  
 risks of innovations, 53  
 shadow banking, 31  
 short-term interest rates after 2001 recession, 85  
 subprime mortgage lending regulation, 76  
 system failure through contagion, 431–432  
 TALF program, 396  
 Wachovia acquisition, 368  
 Wachovia's 2007 decline, 305  
 Federal Reserve Act, 287  
 Federal Reserve Bank of New York  
 AIG bailout, 345–351, 376  
 Citigroup decline, 303  
 concerns over Lehman liquidity, 329–330  
 failure to control Citigroup's excesses, xviii  
 GSE emergency loans, 316  
 GSEs' capital surcharge, 313  
 housing bubble presentations, 158–159  
 lack of preparation for crisis, xxi–xxii  
 measuring investment bank liquidity risk, 297  
 Morgan Stanley's stress during the financial crisis, 361–362  
 OTC regulation, 47–48  
 plea for mortgage lending rules, 10  
 Federal Trade Commission (FTC), 92–93  
 Federated Investors, 283–284, 328  
 Fed-Lite, 55, 77  
 Ferguson, Roger, 15–16, 53, 60  
 Ferrer, Wilfredo A., 160  
 FICO score, 72, 183, 217–219  
 Fidelity, 331  
 Financial Accounting Standards Board, 114  
 Financial Control Group (Citigroup), 260  
 Financial Crimes Enforcement Network (FinCEN), 15, 161–162  
 Financial crisis, 419  
 AIG bailout, 376–379  
 Bank of America, 382–386  
 Citigroup, 379–382  
 fallout from, 389  
 impact on today's economy, 391  
 money market funds, 356–360  
 Morgan Stanley response, 360–363  
 OTC derivatives, 363–365  
 TARP, 371–376  
 Wachovia's liquidity concerns, 366–371  
 Washington Mutual, 365–366  
 See also Economic crisis  
 Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA; 1989), 40  
 Financial sector growth, 64–66  
 Financial shock and panic, 419, 435–438  
 Finn, Mike, 350  
 First Alliance Mortgage Company, 12, 96  
 First American Bank, 94  
 First Data Corporation, 175  
 First Union Bank, 75  
 Fitch Ratings, 18, 43. *See also* Credit ratings/credit rating agencies  
 Fixed-rate mortgages, 34  
 Flight to quality, 74  
 Flipping loans, 11  
 Floating mortgage rate, 34–35  
 Florida  
 delinquency rate, 393  
 foreclosure increases, 403  
 impact of foreclosures on families and children, 409  
 mortgage delinquency, 215  
 underwater mortgages, 404(fig.)  
 Flowers, Christopher, 347–348  
 Fons, Jerome, 119–120  
 Fontana, Thomas, 328  
 Foreclosure assistance programs, 389–390, 405  
 Foreclosures  
 Bakersfield, California, 14  
 causes of, 402–403  
 CDO losses resulting from, 194  
 figures on, xv  
 impact of recession on, 393  
 initiatives to stem, 405–406  
 rate of, 23  
 renters as victims, 408  
 rising rate of and ongoing damage from, 402–404  
 systemic flaws in lending practices, 407–408  
 Foreign investors  
 AIG Financial Projects CDOs, 140  
 asset-backed commercial paper programs casualties, 246–248  
 CMLTI loans, 116(fig.)  
 global savings glut, 103–104

- Forster, Andrew, 200, 243, 266, 269
- France  
house price appreciation, 2002–2008, 415(fig.)  
housing bubble, 415–416
- Frank, Barney, 312, 443–444
- Fraud  
accounting scrutiny of  
GSEs, 122–123  
AIG's reduced credit rating over manipulated earnings, 141–142  
Ameriquest, 12–13  
authorities' refusal to investigate, 15–16  
Bakersfield housing market, 14–15  
contributing to the housing bubble and crisis, 424  
crime-facilitative environments for mortgage fraud, 160–164  
Fannie Mae, 314  
improper foreclosures, 407  
increases between 1996 and 2005, xxii  
mortgage securitization, 75  
OTC derivatives, 47  
selling toxic funds to investors, 238–239  
state regulation of housing, 13–16  
synthetic CDOs, 192–193  
underwriting standards, 110–111
- Fraud Enforcement and Recovery Act (2009), xi
- Freezing, financial, 437–438
- Fremont Investment & Loan, 15, 233
- Friedman, Paul, 285
- Froeba, Mark, 208
- Frost, Alan, 243–244, 268–269
- Fuld, Richard, 63, 292–293, 325–327, 330, 341
- Fulmer, Ann, 160
- Funded investors, 144(fig.)
- Futures and options, 46
- Garn-St. Germain Act (1982), 34
- Gasvoda, Kevin, 235
- GE Asset Management Trust  
Enhanced Cash Trust, 254
- GE Capital, 345–346, 396
- Geanakoplos, John, 195
- Geithner, Timothy, xxi–xxii  
AIG bailout, 347, 351, 379  
Bear Stearns' collapse, 289, 291  
Citigroup decline, 303  
Citigroup's CDO crisis, 199–200  
concerns over Lehman's liquidity, 328, 330  
Counterparty Risk Management Policy Group, 300  
housing entanglement in securities market, 8  
Lehman Brothers  
bankruptcy, 336, 433–435  
money market funds, 358  
on market disruption and panic, 353–354  
TARP, 373–374
- Gelband, Michael, 18–19
- General Accounting Office (GAO), 47, 95
- Gensler, Gary, 79
- Gibson Greeting Cards, 47
- Ginnie Mae, 38, 161
- Glass-Steagall Act (1933), 29, 32, 36, 52–56, 414
- Glenn, David, 122
- Global capital flows, 419–422
- Global Financial Stability Report of the IMF, 228
- Globalization of financial markets, xvii
- Gnaizda, Bob, 9
- Gold rush mentality, 5–6
- Golden West Savings, 106, 304–305
- Goldman Sachs  
AIG dispute over subprime exposure, 265–274  
AIG downgrade, 346  
AIG failure, 243–244  
AIG's CDO involvement, 140  
Bear Stearns' collapse, 287  
Bear Stearns' toxic hedge funds, 239–240  
Buffett investment, 363
- CDO structuring, 131, 142–146  
compensation, 63  
CSE oversight, 154  
financial sector growth, 65  
fraud over synthetic CDOs, 192–193  
IKB as casualty of ABCP programs, 247–248  
Maiden Lane payments, 376–378  
OTC derivatives, 50–51  
reducing subprime exposure, 235–238  
run on the bank, 362  
synthetic CDOs, xxvi  
*See also* Investment banks
- Goldschmid, Harvey, 152–154
- Gonzales, Alberto, 15, 163
- Goodman, Laurie, 403, 406
- Gorton, Gary, 188, 200, 267
- Government actions and agencies  
AIG bailout, 378  
Ameriquest fraud investigation, 12–13  
Bank of America-Merrill Lynch merger, 382–385  
closing shortfalls after recession, 398–400  
concerns over Lehman Brothers solvency, 325–327  
credit ratings' link to regulation, 118–119  
critical concerns over GSEs, 319–320  
failure to challenge financial industry, 9–11  
Fannie Mae/Freddie Mac lobbyists, 41–42  
federal and state government regulation of banks, 13  
federal and state response to the financial crisis and recession, 398–400  
GSE backing despite declining liquidity, 315–318  
inflated housing appraisals, 91  
Lehman Brothers' bankruptcy, 333–334

- Government actions and agencies (*continued*)  
 peer group study of mortgage practices, 172–173  
 policy makers' lack of preparation for crisis, xxi–xxii  
 refusal to acknowledge potential crash, 9  
 refusal to heed warning signs of nontraditional loans, 19–23  
 response to financial crisis, 359–360  
 single-cause theories, 414  
 system failure through contagion, 431–432  
 TARP, 371–376  
 Wachovia's liquidity concerns, 367  
*See also* Bailouts; Congress, U.S.; Federal Reserve; Office of the Comptroller of the Currency; Office of Thrift Supervision; Regulation/regulators; Securities and Exchange Commission; Treasury Department, U.S.
- Government housing policy, xxv–xxvi, xxvii, 9, 414
- Government National Mortgage Association (Ginnie Mae), 38, 161
- Government-sponsored enterprises (GSEs)  
 conservatorship, 23, 431–432  
 due diligence, 168–169  
 flawed business model, xxvi  
 housing market drop, 16, 228  
 mortgage delinquency, 216–219  
*See also* Fannie Mae/Freddie Mac
- Gramlich, Edward, 10–11, 79, 93–94
- Gramm-Leach-Bliley Act (GLBA; 1999), 55, 77, 92, 171, 304
- Grand Teton National Park conference, 17
- Grant, James, 194
- Green Street Advisors, 398
- Green Tree Financial, 75
- Greenberg, Alan, 282
- Greenberg, Maurice “Hank,” 141–142
- Greenberger, Michael, 146
- Greenspan, Alan  
 accepting guidance, 22  
 acknowledging housing market drop, 16–17  
 advocating deregulation, 34  
 CRA lending, 72  
 defending decisions, 23  
 delinking Fed interest rate hikes and real estate bubble, 103  
 deregulating bank consolidation, 54  
 deregulation of financial markets, xviii, 28  
 dot-com crash, 60  
 economic growth and financial resilience, 83  
 expansion of banks' allowed activities, 35  
 Fed's failure of housing regulation, 3  
 housing bubble spread, 158  
 housing entanglement in securities market, 9  
 interest-rate cuts, 88  
 international credit bubble, 416  
 LTCM collapse, 58  
 monetary policy contributing to credit bubble, 421  
 OTC derivative regulation, 47–49  
 predatory lending practices, 11–12, 93–96  
 regulators' declining influence in the housing bubble, 171  
 risks of innovations, 53–54  
 subprime mortgage lending regulation, 79
- Greenspan put, 60–61
- Gregory, Joseph, 327
- Grenadier Funding, 138
- GSC Partners, 143–144
- Guidance, 21–22, 173
- Gussmann, David, 161
- Gutfreund, John, 63
- Habayeb, Elias, 243, 269
- Halloran, Michael, 283
- Hawke, John, 13, 53
- Hayman Capital Partners, 287–288
- Hedge funds  
 Bear Stearns' collapse, 286  
 Bear Stearns' toxicity, 238–242  
 BSAM business, 135–136  
 economists' concerns over, 18  
 Fed faith in Bear Stearns, xxi  
 housing entanglement in securities market, 9  
 LTCM collapse, 58  
 Merrill Lynch, 259  
 shadow banking, 427  
 surviving the financial crisis, 361  
*See also* Derivatives
- Hempstead, Todd, 182, 184
- Hendricks, Darryll, 114–115
- High-Grade Structured Credit Strategies Enhanced Leverage Fund, 135, 240–241
- High-Grade Structured Credit Strategies Fund, 135, 238, 240–241
- High-yield mortgage securities, 9
- Hockett, Ben, 193
- Home Affordable Modification Program (HAMP), 405–406
- Home Mortgage Disclosure Act, 219
- Home Ownership and Equity Protection Act (HOEPA), 10–11, 22, 76–77, 84, 93–94, 108–109
- Home starts, 14
- Homebuilder Comfort Homes of Florida LLC, 409
- HomeKeeper Program, New Jersey, 405
- Homelessness, 409
- Homeownership figures, 5, 86, 392
- Household Finance Corp., 67
- Household wealth, xv–xvi

- Housing and Economic Recovery Act (HERA), 317
- Housing and Urban Development Department (HUD)
- affordable housing goals, xxvi–xxvii, 41
- Ameriquest fraud investigation, 12–13
- Fannie Mae/Freddie Mac debt, 40
- foreclosure donations, 403
- GSE penetration into subprime markets, 183–186
- predatory lending report, 11
- subprime mortgage lending regulation, 76
- Housing bets, 426–431
- Housing bubble, xvi
- as warning sign, 4
- authorities' refusal to acknowledge, 15–17
- bank borrowing and mortgage interest rates, 86(fig.)
- banks' expansion into emerging markets, 35–36
- betting against CDOs, 193
- big bank bets and bank failures, 427–431
- causes of, 424–425
- CDS role in ending, 193, 195
- community and economic links to, 4–6
- components and possible causes, 422–424
- credit-induced price boom, 157–160
- economic growth and financial resilience, 83
- Fannie Mae/Freddie Mac involvement, xxvi, 178–187
- foreign investment flows, 103–104
- government incentives for homeownership, 9
- inflated appraisals, 91–92
- international spread of, 158, 415–416
- job and industry growth after 2000, 84–88
- Lehman's increasing risk, 176–178
- leveraged loans and commercial real estate, 174–176
- Moody's denial of, 121
- mortgage fraud, 160–164
- owning the risk, 226–229
- policy makers' lack of awareness, xxi
- predatory lending practices, 9–10
- predicting the burst, 17–18
- quality control in the mortgage industry, 165–170
- real estate boom generating jobs, 9
- regulators' declining influence, 170–174
- risky asset holdings, xx
- role in the crisis, 418
- single-cause theories, 414–415
- See also* Foreclosures; Housing bust; Mortgage-backed securities market; Subprime lending
- Housing bust
- CDO downgrades, 223–224
- delinquencies, 214–221
- financial consequences, 233
- impact on families and communities, 391
- legal remedies, 224–226
- rating downgrades, 221–223
- risk concentration, 213–214
- Housing discrimination, xxvii
- Housing policy. *See* Government housing policy
- Housing prices
- after 2001 recession, 85–86
- appreciation in selected countries, 2002–2008, 415(fig.)
- Bakersfield, California, 14
- bank borrowing and mortgage interest rates, 87(fig.)
- boom and bust from 1997 to 2006, 156–157
- causes of foreclosure, 402–403
- correlating mortgage-backed securities to, 148–149
- credit-induced price boom, 157–160
- crisis fallout, 390–392
- Fed interest rate cut, 5
- hybrid ARMS, 106
- increases leading to proliferation of nontraditional mortgage products, 423
- investors' assumptions about the movement of, 428
- mortgage lenders' betting on rising prices, 111
- 1980s bubble, 35–36
- peak values, 214
- risk concentration, 428
- 2007 drops in, 262
- Housing starts, 5
- HUD-Treasury report, 93, 95
- Hunt, Dawn, 409–410
- Hybrid ARMS, 105–106
- Hybrid CDOs, 142, 191
- IBGYBG (“I’ll be gone, you’ll be gone”), 8, 17
- IKB Deutsche Industriebank, 143–145, 246–248
- Immigrants, housing fraud and, 160
- Impaired securities, 229(fig.)
- Independent finance companies, 396
- Independent mortgage lenders, 88–90
- Inflated housing appraisals, 91–92
- Inflation, 29
- Initial public offerings (IPOs) of stocks, 59
- Insurance, 56. *See also* American International Group
- Interbank lending, cost of, 355(fig.)
- Interest rates, 421. *See also* Short-term interest rates
- Interest-only loans, 17, 34, 105
- International Monetary Fund (IMF), 228

- Internet-based trading, 254  
 Interthinx, 160  
 Investment banks  
   as root cause of crisis, 430  
   assessing systemic risk after  
     Bear Stearns collapse,  
     300–301  
   buying and selling home  
     loans, 8  
   community development  
     commitments, 97–99  
   compensation packages,  
     61–64  
 Consolidated Supervised  
 Entity program, 151–154  
 consolidation of insurance,  
 banks and securities  
 firms, 56  
 controversy over Lehman  
 Brothers collapse, 433–  
 435  
 dot-com crash, 59–61  
 EU demand for U.S.  
 oversight, 150  
 excessive borrowing, risky  
 investments, and lack of  
 transparency, xix–xx  
 failure and loss of  
 confidence, 23  
 financial losses of 2007,  
 274–275  
 financial sector growth, 65  
 Lehman Brothers collapse  
 triggering financial  
 panic, 435–437  
 leveraged loans and  
 commercial real estate,  
 174–176  
 liquidity risk measures,  
 296–298  
 LTCM leveraging strategy,  
 57  
 mortgage fraud, 15–16  
 repo market and  
 commercial paper  
 market, 30  
 runs on, 354–355  
 securitization, 44  
 shadow banking, 33, 427  
 solvency and liquidity  
 failure, 429  
 subprime origination and  
 securitization, 88  
 system failure through  
 contagion, 431–432  
 “too big to fail,” 36–37  
*See also* Bear Stearns;  
 Goldman Sachs; Lehman  
 Brothers; Merrill Lynch;  
 Morgan Stanley  
 Ireland  
 house price appreciation,  
 2002–2008, 415 (fig.)  
 housing bubble, 415–416  
 Jackson, Alphonso, 13  
 Jamison, Bill, 241  
 Jobs  
   effects of recession on, 390–  
   391  
   financial sector losses after  
     crisis and recession, 400–  
     401  
   housing industry growth in  
     2001, 84–85  
   jobless recovery, 85  
   real estate boom generating  
     jobs, 9  
   *See also* Unemployment  
 Johnson, Keith, 166–168  
 Jost, Jerry, 395–396  
 JP Morgan  
   Bear Stearns’ collapse, 283–  
   284, 288  
   Bear Stearns’ collapse  
     leading to risk  
     awareness, 295–297  
   Bear Stearns purchase, 292,  
   431  
   Bear Stearns’ toxic hedge  
     funds, 240  
   community development  
     commitments, 98  
   compensation, 63  
   consolidation and growth of  
     banks, 53  
   credit default swaps, 50  
   financial crisis, 361  
   financial sector growth, 65  
   GSE delinquent loans, 225  
   Lehman Brothers’  
     bankruptcy, 330–331,  
     334–335  
   mortgage-backed securities  
     market losses, 256  
   reducing exposure to  
     Lehman, 328  
   risk concentration, 22  
     Washington Mutual sale,  
     436  
 Junk mortgages, 426  
 Justice Department, 163–164  
 Kashkari, Neel, 366  
 Keefe, Kirsten, 405  
 Kelly, Austin, 322  
 Kerr, John, 321–322  
 Keystone Bank, 75, 99  
 Kim, Dow, 202, 257–258  
 Kimball, Andrew, 209–211  
 King, Mervyn, 17  
 Kirby, Mike, 398  
 Kirk, Alex, 337  
 KKR equity firm, 175  
 Kleros Real Estate Funding III,  
 132–133  
 Klio I, II, and III, 136–137  
 Klipsch, Mark, 18, 134  
 Kohn, Daniel, 159  
 Kolchinsky, Eric, 119, 149,  
 223–224  
 Korea Development Bank, 330  
 Kovacevich, Richard, 366, 368  
 Krimminger, Michael, 380  
 Land use restrictions, housing  
 bubble and, 422  
*Large Bank Supervision  
 Handbook*, 307  
 LaTorre, Alejandro, 347–348  
 Lattanzio, Dale, 258  
 Lazear, Edward, 391  
 Leach, Brian, 61–62  
 Leadership Conference on Civil  
 Rights, 106  
 Lehman Brothers  
   accounting irregularity,  
   324–325  
   AIG bailout, 349  
   bankruptcy, 330–333,  
   335–337  
   bankruptcy versus failure,  
   338–339  
   Bear Stearns’ toxic hedge  
     funds, 239–240  
   compensation, 63  
   concerns after Bear Stearns  
     failure, 325–327  
   controversy over failure of,  
   433–435  
   failure triggering crisis, xvi

- failure triggering financial panic, 435–437  
 financial crisis, 354  
 financial sector growth, 65  
 increasing risk burden, 176–178  
 lenders' and supervisors' concerns over liquidity, 327–328  
 Maiden Lane payments, 376  
 management refusal to acknowledge housing bubble risks, 18–19  
 Primary Fund holdings in 2008, 356–357  
 regulators' concerns over liquidity, 328–331  
 repo market as liquidity risk measure, 296–298  
*See also* Investment banks
- Leverage risk, xx**  
 Bear Stearns Asset Management business, 135–137  
 Bear Stearns “window dressing” to lower ratio, 281–282  
 CDOs, 134  
 financial sector growth, 65  
 GSEs, 309  
 investment banks' increasing levels from 2004, 153–154  
 Lehman's stake in Archstone Smith, 176–178  
 leveraged loans and commercial real estate, 174–176  
 LTCM, 56–57  
 OTC derivatives, 49  
 role in the crisis, 418  
 shadow banking, 32, 427  
 Levin, Robert, 124–125, 180–181, 184, 237, 311, 323  
 Levitt, Arthur, 47, 53  
 Lewis, Ken, 335, 383  
 Lewis, Robert, 243  
 Liar loans, 20  
 Lindsey, Lawrence, 43, 45, 61, 74  
 Lippmann, Greg, 191  
 Liquidity puts, 137–139, 196, 239, 247–248  
 Liquidity risk/liquidity failure, 429
- AIG, 345–347  
 Bear Stearns collapse, 288–289, 289(fig.)  
 Citigroup, 380  
 derivatives markets, 364–365  
 GSEs' government backing, 315–318  
 GSEs' portfolio cap relief, 310–311  
 investment banks after Bear Stearns collapse, 296–298  
 Lehman Brothers, 325–327  
 Lehman's lenders' and supervisors' concerns over, 327–328  
 overdependence on short-term liquidity, 428  
 role in the crisis, 418
- Litigation**  
 Goldman Sachs, 237  
 over delinquencies, 224–226
- Loan Prospector, 72  
 Loan-to-value (LTV) ratios, 109–111, 217
- Lobbying**  
 causes of the crisis, 416  
 deregulation of bank consolidation, 54  
 dismantling Glass-Steagall, 54–55  
 Fannie Mae/Freddie Mac, 41–42  
 Lockhart, James, 42, 180, 310–311, 314–315, 320  
 Lombard-Wall, 31  
 Loney, Glenn, 76  
 Long Beach Mortgage, 117–118  
 Long Beach Savings and Loan, 67
- Long-Term Capital Management (LTCM),** 47–48, 56–59, 74, 241
- Low-documentation loans,** 110–111
- Lowitt, Ian, 337  
 Ludwig, Eugene, 171  
 Lund, Thomas, 178–179, 182, 310–311
- M<sub>3</sub> Prime model,** 120  
 Macciaroli, Michael, 282, 290  
 Mack, John, 353, 363  
 Madigan, Lisa, 11–13
- Madness, 188–189  
 Magnetar, 192  
 Maheras, Thomas, 138, 198, 262  
 Mai, Jamie, 193  
 Maiden Lane LLC, 290, 376–379  
 Maker, Ruhi, 15–16  
 Mann, Karen, 17–18, 91, 409  
 Marano, Thomas, 240–241, 282, 285
- Market Risk Amendment to Basel rules,** 151
- Market share, Moody's** emphasis on, 208–209
- Mark-to-market accounting,** 47, 226–227, 234, 239, 253, 263, 277, 445
- Martin, William, 4  
 Martinez, Mel, 372  
 Masters, Michael, 363–364  
 Mayer, Christopher, 158  
 Mayo, Michael, 6
- MBIA, 129, 141, 158, 266, 276–277
- McCarthy, Callum, 336  
 McCleskey, Scott, 208  
 McCoy, Patricia, 95  
 McCulley, Paul, 4, 251  
 McDade, Bart, 88, 335, 337  
 McDaniel, Raymond, 208–210, 221, 223
- McDermott, Jeannie, 391  
 McDonough, William, 57  
 McGinn, Kevin, 243, 272  
 McQuade, Eugene, 181
- Medicaid, 399  
 Meier, Steven, 248
- Memorandum of understanding (MOU),** 298, 304
- Mergers**  
 Bank of America-Merrill Lynch, 382–385  
 Citigroup expansion, 92–93
- Merrill Lynch**  
 AIG's CDO involvement, 140  
 Bank of America merger, 382–385  
 Bear Stearns' toxic hedge fund, 240  
 cash management accounts, 30  
 CDO losses, 129, 202–204  
 CDO structuring, 131  
 compensation, 63

- Merrill Lynch (*continued*)  
 corporate governance  
   breakdown, xix  
 Countrywide's ABCP loss, 250  
 credit default swaps, 192  
 financial sector growth, 66  
 JP Morgan reducing  
   exposure to, 328  
 massive 2007 losses, 257–259  
 mortgage-backed securities  
   market losses, 256  
 OTC claims, 47  
 reducing subprime exposure  
   through CDS, 234  
 repo market as liquidity risk  
   measure, 297  
*See also* Investment banks  
 Mewbourne, Chris, 300  
 Michalek, Richard, 210, 223  
 Michigan: underwater  
   mortgages, 404(fig.)  
 Miller, Harvey, 334, 338–339  
 Mills, Susan, 260  
 Minimum capital standards, 33  
 Minow, Nell, 327  
 Mishkin, Frederic, 275  
 Mission Bank, Bakersfield,  
   California, 120  
 Mital, Aseem, 89  
 Mitsubishi UFJ, 363  
 Monetary policy contributing  
   to credit bubble, xxv–  
   xxvi, 420–422  
 Money market mutual funds,  
   29–31, 33–34, 253–255,  
   293, 356–360, 427  
 The Money Store, 75  
 Monoline insurers, 276–278,  
   300–301  
 Moody's, 3  
   AIG downgrade, 344–345  
   AIG valuation system, 271  
   asset-backed commercial  
   paper programs, 113–  
   114  
   breakdown in mortgage-  
   related securities, xxv  
   CDO machine, 146–150,  
   206–212  
   commercial real estate  
   status, 398  
   early payment default  
   evaluation, 221–222  
   housing bust, 213  
   mortgage-backed securities  
   market, 118–122  
   structured finance, 43  
   structured-investment  
   vehicles, 252  
   *See also* Credit ratings/credit  
   rating agencies  
 Moral hazard, 61  
 Morgan Stanley  
   asset growth, 53  
   compensation packages,  
   61–62  
   CSE oversight, 154  
   due diligence, 168  
   financial crisis, 360–363  
   GSE review, 317  
   mortgage-backed securities  
   market losses, 256  
   repo market as liquidity risk  
   measure, 297  
   subprime originators, 89  
   *See also* Investment banks  
 Morrice, Brad, 157  
 Mortgage Bankers Association,  
   13, 17, 21  
 Mortgage brokers, 13–14, 90  
 Mortgage bubble, 423–425  
 Mortgage Electronic  
   Registration Systems,  
   Inc. (MERS), 407–408  
 Mortgage fraud. *See* Fraud  
 Mortgage Insurance Companies  
   of America, 21  
 Mortgage Lenders Network,  
   233–234  
 Mortgage lending  
   asset-backed commercial  
   paper programs, 113–118  
   community development  
   commitments, 97–99  
   crime-facilitative  
   environments for  
   mortgage fraud, 160–164  
   four Cs of, 67  
   funding for, 69(fig.)  
   government regulators'  
   failure to challenge  
   financial industry, 9–11  
   GSE goals, 125  
   GSEs' increasing importance  
   in 2008, 312  
   housing price surge and, 423  
   impact of CDOs on, 133–  
   134  
   increasing homeownership  
   after 2001, 86–87  
   second mortgages, 406  
   shadow banking, 29–34  
   state regulation, 111–113  
   toxic financial assets  
   stemming from, 425–427  
   underwriting standards,  
   109–111  
   *See also* Foreclosures;  
   Housing bubble;  
   Housing bust  
 Mortgage modification  
   programs, 405, 409  
 Mortgage-backed securities  
   market, 102–103  
 Bear Stearns' collapse, 280–  
   281  
 billion-dollar losses, 256  
 BSAM involvement, 135–137  
 CDOs stimulating demand  
   for, 189–190  
 collapsing lending standards  
   fueling crisis, xxiii–xxiv  
 commercial real estate, 174–  
   176  
 credit rating agencies  
   enabling meltdown, xxv  
 ethical breakdown in loan  
   behavior, xxii  
 financial creativity, 5–9  
 GSE role in, 122–125  
 GSE securities maintaining  
   value, xxvi  
 high-risk products, 104–111  
 improper foreclosures, 407  
 international housing  
   bubbles, 416  
 money market collateral,  
   293–294  
 Moody's downgrading of,  
   221–223  
 Moody's involvement in,  
   118–122  
 mortgage modification to  
   hold off foreclosure, 406  
 non-GSE, 124  
 over-the-counter  
   derivatives, xxiv–xxv  
 players involved in, 113–118  
 policy makers' failure to  
   control, xviii–xix

- potential hazards of, 7–8  
rating agencies' confusion  
over failure of, 242–243  
securitization transforming  
mortgages into, 425  
subprime originators, 89  
synthetic CDO growth, 191  
toxicity of, 20  
value by 2006, 22  
*See also* Collateralized debt obligations; Fannie Mae/Freddie Mac; Housing bubble; Housing bust; Subprime lending
- Mosser, Patricia, 331  
Moynihan, Brian, 389  
Mozilo, Angelo, 5–6, 20, 108, 172–173, 248–250  
MSCI World Index stock fund, 393  
Mudd, Daniel, 41, 178, 183–185, 310, 313, 319–322  
Mueller, Robert, 163  
Mukasey, Michael, 15, 163  
Murton, Arthur, 380
- Najarian, Ed, 366  
Naked credit default swaps, 50  
National Archives and Records Administration, xii  
National Association of Realtors, 215  
National City, 20, 172  
National Conference of State Legislatures, 399  
National Consumer Law Center (NCLC), 78  
National League of Cities, 399  
National recognized statistical rating organization (NRSRO), 119  
National Transportation Safety Board, xii  
NationsBank, 98–99  
Nevada  
commercial real estate bust, 397  
delinquency rate, 393  
foreclosure increases, 403  
impact of foreclosures on children, 409  
mortgage delinquency, 215  
underwater mortgages, 404 (fig.)  
Nevada Fair Housing, Inc., 11, 78  
New Century, 89–90, 111, 157, 160, 233–234, 423  
New York Stock Exchange (NYSE), 61  
NIR Capital Management, 192  
No-documentation loans, 110–111  
Non-agency mortgages, 68  
Nontraditional mortgages, 418.  
*See also* Subprime lending  
Norma CDO, 192  
North Carolina: state regulation of predatory lending, 96  
Notional amount of OTC derivatives, 298–301
- Office of Federal Housing Enterprise Oversight (OFHEO), 40–42, 122–123, 163, 180–183, 310–313, 315–316, 321–323  
Office of the Comptroller of the Currency (OCC)  
CDO regulation, 205  
Citigroup decline, 303–304  
Citigroup's 2007 subprime exposure, 263  
Citigroup's CDO business, 198–199  
CRA lending, 74  
deregulating bank consolidation, 54  
expansion of banks' admissible activities, 35  
GSE review, 317  
guidance, 22  
ignoring complaints of nontraditional loans, 21  
mortgage guidance delay, 172–173  
regulating subprime mortgage lending, 76  
state regulation of mortgage lending, 13, 96, 111–113  
Wachovia's 2007 decline, 305  
*See also* Government actions and agencies
- Office of Thrift Supervision (OTS)  
AIG liquidity failure, 346, 350–351  
AIG oversight, 150  
AIG valuation, 274  
Countrywide's ABCP casualty, 249  
CRA compliance, 74  
deregulating bank consolidation, 54  
early concerns about housing-securities entanglement, 10  
Lehman's increased risk, 178  
mortgage guidance, 173–174  
regulating subprime mortgage lending, 76  
state regulation of mortgage lending, 13, 96, 111–113  
Washington Mutual's 2007 decline, 306  
*See also* Government actions and agencies
- Ohio: foreclosure increases, 403  
Olson, Mark, 21, 93, 154  
O'Neal, Stanley, 58, 63, 202, 259  
Option ARM loans, xxiii, 105–109, 117–118, 165  
Orange County, California, 47  
Orient Point CDO, 270  
Originate-to-distribute, 89  
Originate-to-hold, 89  
Origination and securitization of subprime mortgage lending, 88–92, 105, 107, 425–426
- Oversight  
Consolidated Supervised Entity program, 151–154  
housing appraisers, 91  
OTC derivatives market, 48  
*See also* Regulation/regulators
- Over-the-counter (OTC) derivatives, xxiv–xxv, 46, 56, 213–214, 298–301, 328–330, 363–365  
Ownit Mortgage Solutions, 233
- Paine Webber, 53  
Palumbo, Michael, 357  
Pandit, Vikram, 199, 334, 380–381

- Panic: systemic freezing in financial markets, 353–355, 419, 435–438
- Park, Gene, 141, 200–201, 266–267
- Parker, Ed, 12, 161
- Parkinson, Patrick, 129, 146, 296, 299, 328–329
- Parmer, Darcy, 162
- Pastine, Armand, 190
- Patterson, Scott, 44
- Paulson, Henry
  - Bear Stearns' collapse, 289
  - BofA-Merrill Lynch merger, 383
  - Goldman Sachs collapse, 142–146
  - GSE, concerns over potential failure of, 293, 309, 321
  - GSE capital increase, 314
  - GSE receivership, 316–317
  - lack of concern over housing bubble, xxi
  - Lehman collapse, 334, 336, 339, 433–435
  - Recourse Rule, 100
  - response to financial crisis, 359–360
  - subprime exposure as indicator of impending crisis, 234
  - synthetic CDOs, 193–195
  - TARP, 371–374
  - underestimating the housing bust, 227
- Pay-as-you-go CDSs, 190–195
- Payment shock loans, 11
- Payment-option ARMS, 105
- Penn Central Transportation Company, 30
- Pension funds: credit ratings reliance, 119
- Pension plans, economic fallout, 393
- Performance index, 190–191
- Peterson, Warren, 24, 156
- Piggyback lending, 110
- PIMCO, 189–190, 251
- Pinto, Ed, 219
- Plepler, Andrew, 99
- Poethig, Erika, 408
- Policymaking. *See* Government actions and agencies
- Political action committees. *See* Lobbying
- Pontell, Henry N., 161
- Pooling loans, 43
- Population growth, housing bubble and, 422
- Porter, Katherine, 408
- Portfolio cap relief, 310–311
- Predatory lending practices, 9–13, 90, 92–99. *See also* Subprime lending
- President's Working Group on Financial Markets, 48, 58
- Price, Joe, 383
- Price, Mike, 185
- PricewaterhouseCoopers, 122, 269, 271, 273
- Primary Dealer Credit Facility (PDCF), 294–295, 337, 354, 362
- Prince, Charles, 3, 102, 113, 137, 175, 199, 260, 262–265
- Private mortgage insurance (PMI) companies, 225
- Private-label securities, 70, 72
- Procter & Gamble, 46–47
- Property taxes, 399
- Public Employees Retirement Association plan (Colorado), 393
- Putnam, Tom, 67
- Putnam Investments, 357
- Qualified purchasers, 254
- Quality standards, 426
- Quants (quantitative analysts), 44
- Quick Flip, Operation, 163–164
- Raines, Franklin, 64
- Rajan, Raghuram, 17
- Ranieri, Lewis, 20, 89–90, 188–189, 221
- Real estate credit bubble, 415
- Recession (2001), 84
- Recession (2007–2008), 389
  - commercial real estate, 397–398
  - governments' struggle to close shortfalls, 398–400
  - impact on small businesses and families, 394–397
  - jobs and house prices, 390–391
- Reconstruction Finance Corporation, 38
- Recourse Rule, 99–100
- Redlining, xxvii
- Reed, John, 55, 220–221, 265
- Refinancing, 5, 86–87
- Regulation Z, 76
- Regulation/regulators
  - AIG liquidity failure, 345–346
  - asset-backed commercial paper programs, 114
  - Bear Stearns collapse, 292–293
  - CDO structuring, 204–206
  - checks and balances of banking regulation, 54
  - Citigroup expansion, 92–93
  - Citigroup's CDO business, 198
  - commercial banks' 2007 downturn, 307–308
  - concerns over Lehman's liquidity, 328–331
  - Consolidated Supervised Entity program, 150–154
  - CRA lending, 74
  - credit ratings' link to, 118–119
  - dual banking system, 28
  - failures in regulation and supervision aiding crisis, xviii
  - futures and options exchange, 46
  - Glass-Steagall Act, 29, 32, 36, 52–56, 414
  - Goldman Sachs's CDO structuring, 142
  - government obstacles to regulating unfair lending practices, 13
  - GSE review, 317–318
  - GSEs' capital increase, 314–315
  - housing bubble, 170–174
  - inflated housing appraisals, 91
  - international credit bubble, 416
  - mortgage securitization, 75–80, 426

- OCC expansion of allowed activities, 35
- OTC derivatives, 50
- over-the-counter derivatives, xxiv–xxv
- predatory lending practices, 93–96
- reaction to the CDO madness, 189
- Recourse Rule, 99–100
- shadow banking, 27–34
- single-cause theories, 414
- state regulation of mortgage lending, 13, 96–97, 111–113
- subprime mortgage lending, 75–80
- synthetic CDOs, 192
- TARP, 373–374
- “too big to fail” principle, 37
- See also* Deregulation of financial markets; Federal Reserve
- Reich, John, 350–351, 369
- Reinhart, Vincent, 45
- Rejected loans, 166–168
- Renters, 408
- Repo market, 30–31, 427–428
- assessing systemic risk after Bear Stearns collapse, 298–301
- Bear Stearns’ collapse, 280, 283–284, 288
- Bear Stearns hedge funds, 241–242
- BNP Paribas ABCP loss, 252
- borrowing levels, 115 (fig.)
- BSAM involvement, 135
- JP Morgan’s systemic risk concerns, 295
- liquidity risk measures, 296–298
- regulators’ concerns over Bear Stearns failure, 293
- regulatory changes boosting growth, 114
- shutting down lending, 234
- Reserve Primary Fund, 356, 435–437
- Residential mortgage-backed securities, 73 (fig.)
- Resolution Trust Corporation (RTC), 68–70
- Rhineland program, 247–248
- Ricciardi, Chris, 131, 202
- Riegle-Neal Interstate Banking and Branching Efficiency Act, 52
- “Risk Governance Diagnostic: Recommendations and Case for Economic Capital Development” (Bear Stearns report), 284–285
- Risk management
- assessing systemic risk after Bear Stearns collapse, 298–301
- bank failure, 427–431
- big bank failure, 429
- commercial banks’ 2007 downturn, 303–308
- compensation structures, 63–64
- concentration in largest firms, 22
- corporate governance’s failure to control, xviii–xix
- derivatives, 45–51
- emerging markets, 35–36
- GSE penetration into subprime market, 181–183
- high-risk products mortgage products, 104–111
- housing bust resulting from, 213–214
- housing industry, 6
- Lehman’s stake in Archstone Smith, 176–178
- LTCM collapse, 58
- mortgage lending, 67
- option ARMs, 108
- regulators’ declining influence on the housing industry, 171
- repricing of risk, 420–422
- role in the crisis, 418
- structured finance, 42–45
- See also* Liquidity risk/liquidity failure
- Risk-focused approach to regulation, 170–171
- Robo-signers, 407
- Roeder, Douglas, 308
- Rokakis, James, 10, 403
- Roseman, Alan, 193, 276
- Rosner, Joshua, 315
- Rubin, Robert, 0, 19, 47, 137, 260, 262
- Russian debt crisis, 56, 74
- St. Denis, Joseph, 266
- Salaries. *See* Compensation packages
- Salomon Brothers, 53, 265
- Sambol, David, 172–173, 248
- Sand states. *See* Arizona; California; Florida; Nevada
- Sandler, Herb, 20, 91, 106, 110
- Sarbanes, Paul, 79
- Savings and loan crisis, 34–37
- Savitt, Marc S., 14
- Schapiro, Mary, 64
- Schwartz, Alan, 240, 282, 284, 288–289, 356
- Schwartz, Faith, 7
- Schwartz, Laura, 191, 193
- Scion Capital, 193–194
- Sebring Capital, 233
- Second mortgages, 406
- Securities and Exchange Commission (SEC)
- AIG valuation, 273
- Bear Stearns’ collapse, 282–284, 286, 289
- CDO regulation, 205
- Citigroup’s CDO business, 198
- Consolidated Supervised Entity program, 152–154
- deregulating bank consolidation, 53
- dismantling Glass-Steagall, 55
- due diligence and disclosure, 165, 169–170
- failure to protect financial system, xviii
- fixed commissions on stock trades, 29–30
- Lehman Brothers’ decline and collapse, 326, 334–335
- Lehman’s disregard of risk management, 177
- LTCM collapse, 58
- Merrill Lynch’s 2007 subprime exposure, 259

- Securities and Exchange Commission (SEC) (*continued*)
- Merrill Lynch's CDO business, 203
  - money market fund accounting, 253
  - monoline insurers, 277
  - Moody's rating of mortgage-backed securities and CDOs, 211–212
  - OTC derivatives, 47
  - President's Working Group on Financial Markets, 48
  - repo markets indicating liquidity risk, 297
  - Reserve Primary Fund, 436–437
  - shadow banking, 33
  - subprime exposure as indicator of impending crisis, 234
  - synthetic CDOs, 192–193
- Securities Industry Association, 54
- Securitization, 28, 42–45
- early concerns about housing-securities entanglement, 10
  - end of the boom, 214
  - housing bust, 213–214
  - role in the crisis, 418
  - subprime mortgage lending, 68–72, 88–91
  - transforming mortgages into mortgage-backed securities, 425
  - warehouse lending to mortgage originators, 113–118
- Senate Committee on Banking, Housing, and Urban Affairs, 313
- Senate Permanent Subcommittee on Investigations, 204–205
- Senate Subcommittee on Economic Policy, 21
- Senate Subcommittee on Housing, Transportation and Community Development, 21
- Senderra Funding, 88
- Senior Loan Officer Survey, 396
- Seven deadly frictions in mortgage securitization, 165
- Shadow banking, 27–34, 52–56, 213–214, 275, 427
- Shafran, Steve, 329
- Shearson, 53
- Shelby, Richard, 313
- Shelf registration, 169
- Sherwood, Michael, 269, 273
- Shiller, Robert, 17
- Shock and panic, 419, 435–438
- Short investors, 142–143, 144(*fig.*), 145, 191–194, 236–237
- Short-term borrowing, costs of, 359 (*fig.*)
- Short-term interest rates, 40, 56, 84, 421
- Short-term liquidity, 428
- Shu, Sihan, 193–194
- Shumer, Charles, 312
- Siddique, Sabeth, 20–22, 172
- Siegel, Jay, 120–121
- Sieracki, Eric, 248
- SIGTARP, 378–379
- Simpson, William A., 21
- Single-cause explanations, 414–417
- Sirri, Erik, 153, 233, 297
- Sivak, Edward, 22
- Small businesses, 389, 395–396
- Smith Barney, 53
- Snow, John, 66, 172
- Société Générale Bank, 94, 139–141, 268–269
- Solomon, Michael, 302
- Solomon, Peter J., 61
- Solvency failure, 429
- Soundview Home Equity Loan Trust, 145
- Southern Pacific Funding (SFC), 74–75
- Spain
- house price appreciation, 2002–2008, 415(*fig.*)
  - housing bubble, 415–416
- Spare tire theory, 56, 58
- Sparks, Dan, 145
- Special Inspector General for TARP, xii
- Spector, Warren, 285
- Spillenkothen, Richard, 54
- Spitzer, Eliot, 141–142
- Stages of the crisis, 417
- Staley, Jes, 336
- Standard & Poor's 500 Index, 393
- Standard & Poor's (S&P)
- AIG downgrade, 344–345
  - Bear Stearns' collapse, 281–282
  - mortgage securitization, 71
  - structured finance, 43
  - See also* Credit ratings/credit rating agencies
- State government: lending regulations, 13, 96–97, 111–113
- State Street Global Advisors, 284
- Steel, Robert, 305, 313–315, 326, 366
- Stein, Kevin, 11, 108–109
- Stein, Roger, 121
- Stephan, Jeffrey, 407
- Stock market, xvi, 393
- Stock options, 63
- Structured Credit committee, 121
- Structured finance, 28, 42–45
- Structured Investment Vehicles, 427
- Structured-investment vehicles (SIVs), 252–255
- Subprime lending, 101(*fig.*)
- adjustable-rate mortgages, 85
  - adverse market conditions for lenders, 74–75
  - as warning sign, xvii
  - California, 11
  - Citigroup expansion, 92–93
  - Community Reinvestment Act, xxvii, 72–74, 97–99, 219–220, 414
  - credit bust destabilizing business models, 233–234
  - delinquency, 216
  - due diligence, 168
  - easy financing contributing to the housing bubble, 422
  - foreclosure causes, 403
  - Goldman Sachs reducing exposure before the bust, 235–238
  - increasing access to, 72–74
  - increasing levels of, 13–14

- loan origination, 70(fig.), 88–92
- mortgage securitization, 68–72
- OTC derivatives during the financial crisis, 364
- regulation, 75–80
- 2/28 and 3/27 mortgages, 105–106
- See also* Adjustable-rate mortgages; Housing bubble; Mortgage lending; Mortgage-backed securities market; Predatory lending practices
- Subsidy: Fannie Mae/Freddie Mac, 40
- Sullivan, Martin, 243, 273
- Sumitomo Corporation, 47
- Summers, Lawrence, 17, 47–48, 78
- Sun, Jake, 266
- Superior Bank, 75
- Super-senior tranches, xix, 195–197, 257–259, 261, 270
- Supreme Court: federal and state government regulation of banks, 13
- Survey of Consumer Finances, 87
- Suspicious activity reports (SARs), 15
- SWAT teams, 297
- Swecker, Chris, 15, 161–162
- Synthetic CDOs, 142–146, 144(fig.), 189, 191, 194–200, 247, 426. *See also* Collateralized debt obligations
- Synthetic securities, xvi, 426
- Syron, Richard, 41, 179–180, 314–315, 320
- Systemic failure, 431–433
- Taber, Henry, 253
- Taking the name, 361–362
- Tannin, Matt, 137, 238–239
- Taylor, John, 10, 103, 404, 421
- Taylor rule, 421
- TCW Group, 143, 145
- Technology: mortgage market modeling, 72
- Technology bubble, 59–61
- Term Asset-Backed Securities Loan Facility (TALF), 396, 400
- Term Auction Facility (TAF), 275
- Term Securities Lending Facility (TSLF), 286–287, 294, 354
- Thain, John, 335, 342
- Thomas, Jason, 314
- Thompson, Diane, 78
- Thompson, Ken, 304
- 3/27 mortgages, 104–106
- Timberwolf CDO, 237
- “Too big to fail” (TBTF), 37, 57–58, 431–432
- Tourre, Fabrice, 235–236
- Tranches
- attraction of mortgage-backed securities, 124–125
  - CDO structuring into, 131–133
  - CDOs creating demand for, 127–128, 128(fig.)
  - Citigroup CDO structuring, 195–200
  - Citigroup liquidity puts, 138
  - Goldman Sachs’ synthetic CDOs, 143–144
  - Moody’s ratings, 120–122
  - See also* Collateralized debt obligations; Super-senior tranches
- Tranching loans, 43, 70–72, 73(fig.), 115–117, 116(fig.), 406
- Transparency, xix–xx
- Travelers Insurance: deregulation of bank consolidation, 54
- Treasury bills, 56
- Treasury bonds, 30–31
- Treasury Department, U.S.
- Citigroup TARP funds, 381
  - concerns over GSEs, 310
  - GSE emergency line of credit, 316
  - lack of preparation for crisis, xxi–xxii
  - Lehman Brothers collapse, 434–435
- measuring investment bank liquidity risk, 297–298
- mortgage fraud, 15, 161–162
- predatory lending report, 11
- President’s Working Group on Financial Markets, 48
- savings and loan crisis, 36
- subprime mortgage lending, 78–79
- supporting GSEs, xxvi
- TARP, 374–375
- Trichet, Jean-Claude, 17
- Tri-party repo market, 283–284, 328–331, 334–335, 354, 361
- Triple-A mortgage-backed securities, 100
- Troubled Asset Relief Program (TARP), xii, 350, 371–376, 381, 396, 400, 405, 434, 436
- Turner, Adair, 64
- 2/28 mortgages, 104–106
- UBS Securities, 129, 131, 133–134, 226
- Underemployment rate, 390–391
- Underwater mortgages, 404(fig.)
- Underwriting standards, 105, 109–111
- Unemployment
- Cleveland, 9–10
  - during 2007, 233
  - figures on, xv
  - foreclosure and, 402–403
  - increase in metropolitan areas, 23
- Unfettered markets, 29–34
- United Kingdom
- house price appreciation, 2002–2008, 415(fig.)
  - housing bubble, 415–416
  - Lehman Brothers bankruptcy, 335–336
- University endowments: credit ratings reliance, 119
- Upton, Robert, 281–282, 286, 288
- Value at Risk (VaR) model, 44, 237
- Varley, John, 335
- Vasile, Marie, 392

- Vertical integration mortgage model, 204
- Veterans Administration (VA), 38–39
- Vicente, Danielle, 346
- Viniar, David, 235, 273, 377
- Volcker, Paul, 33, 44–45
- Wachovia  
 acquisition by Wells Fargo, 23  
 consolidation and growth of banks, 53  
 credit default swaps, 50  
 financial crisis, 366–371  
 Goldman Sachs's CDOs, 143, 145  
 refusal to follow state regulation, 13  
 2007 decline, 304–306
- Wachter, Susan M., 17
- Wagner, Ira, 193
- Wagstaff, Bruce, 398
- Waivers, mortgage loans, 166–169
- Wall Street. *See* Banking; Commercial banks and thrifts; Corporate governance; Investment banks
- Warehouse lending, 113–118
- Waring, Brad, 351
- Warne, Janice, 198, 261
- Warning signs, xvii, 3–4, 17–19
- Warrack, Tom, 242
- Warsh, Kevin, 21, 296, 321, 366
- Washington Mutual, xxiii, 436  
 agencies' peer group study of mortgage practices, 172  
 financial crisis, 365–366  
 mortgage-backed securities deals, 117–118  
 nontraditional loans, 20  
 option ARMs, 107–108  
 2007 decline, 302, 306–307
- Websites, xii
- Weill, Nicolas, 221–222
- Weill, Sandy, 55, 63–64
- Wells Fargo  
 agencies' peer group study of mortgage practices, 172  
 consolidation and growth of banks, 53  
 financial sector growth, 65  
 GSE delinquent loans, 225  
 litigation over delinquencies, 226  
 mortgage fraud, 162  
 nontraditional loans, 20  
 Wachovia acquisition, 23, 367–370
- Westreich, Anthony, 397
- Wilcox, Ellen, 164
- Williams, Clarence, 390
- Williams, Julie, 13
- Willumstad, Robert, 273, 347–348
- Wilson, David, 367
- Winer, Mark, 124–125, 181–182
- Winslow, F. Dana, 407–408
- Witt, Gary, 147, 149, 208
- Wood, Jonathan, 360–361
- WorldCom, 59
- Wyman, Oliver, 284–285
- Yield spread premiums, xxii
- Yingling, Edward, 54
- Yoshizawa, Yuri, 150, 211
- Zandi, Mark, 23, 214–215
- Zero-loss tolerance concept, 276