

PREFACE

The Financial Crisis Inquiry Commission was created to “examine the causes of the current financial and economic crisis in the United States.” In this report, the Commission presents to the President, the Congress, and the American people the results of its examination and its conclusions as to the causes of the crisis.

More than two years after the worst of the financial crisis, our economy, as well as communities and families across the country, continues to experience the aftershocks. Millions of Americans have lost their jobs and their homes, and the economy is still struggling to rebound. This report is intended to provide a historical accounting of what brought our financial system and economy to a precipice and to help policy makers and the public better understand how this calamity came to be.

The Commission was established as part of the Fraud Enforcement and Recovery Act (Public Law 111-21) passed by Congress and signed by the President in May 2009. This independent, 10-member panel was composed of private citizens with experience in areas such as housing, economics, finance, market regulation, banking, and consumer protection. Six members of the Commission were appointed by the Democratic leadership of Congress and four members by the Republican leadership.

The Commission’s statutory instructions set out 22 specific topics for inquiry and called for the examination of the collapse of major financial institutions that failed or would have failed if not for exceptional assistance from the government. This report fulfills these mandates. In addition, the Commission was instructed to refer to the attorney general of the United States and any appropriate state attorney general any person that the Commission found may have violated the laws of the United States in relation to the crisis. Where the Commission found such potential violations, it referred those matters to the appropriate authorities. The Commission used the authority it was given to issue subpoenas to compel testimony and the production of documents, but in the vast majority of instances, companies and individuals voluntarily cooperated with this inquiry.

In the course of its research and investigation, the Commission reviewed millions of pages of documents, interviewed more than 700 witnesses, and held 19 days of public hearings in New York, Washington, D.C., and communities across the country

that were hard hit by the crisis. The Commission also drew from a large body of existing work about the crisis developed by congressional committees, government agencies, academics, journalists, legal investigators, and many others.

We have tried in this report to explain in clear, understandable terms how our complex financial system worked, how the pieces fit together, and how the crisis occurred. Doing so required research into broad and sometimes arcane subjects, such as mortgage lending and securitization, derivatives, corporate governance, and risk management. To bring these subjects out of the realm of the abstract, we conducted case study investigations of specific financial firms—and in many cases specific facets of these institutions—that played pivotal roles. Those institutions included American International Group (AIG), Bear Stearns, Citigroup, Countrywide Financial, Fannie Mae, Goldman Sachs, Lehman Brothers, Merrill Lynch, Moody's, and Wachovia. We looked more generally at the roles and actions of scores of other companies.

We also studied relevant policies put in place by successive Congresses and administrations. And importantly, we examined the roles of policy makers and regulators, including at the Federal Deposit Insurance Corporation, the Federal Reserve Board, the Federal Reserve Bank of New York, the Department of Housing and Urban Development, the Office of the Comptroller of the Currency, the Office of Federal Housing Enterprise Oversight (and its successor, the Federal Housing Finance Agency), the Office of Thrift Supervision, the Securities and Exchange Commission, and the Treasury Department.

Of course, there is much work the Commission did not undertake. Congress did not ask the Commission to offer policy recommendations, but required it to delve into what caused the crisis. In that sense, the Commission has functioned somewhat like the National Transportation Safety Board, which investigates aviation and other transportation accidents so that knowledge of the probable causes can help avoid future accidents. Nor were we tasked with evaluating the federal law (the Troubled Asset Relief Program, known as TARP) that provided financial assistance to major financial institutions. That duty was assigned to the Congressional Oversight Panel and the Special Inspector General for TARP.

This report is not the sole repository of what the panel found. A website—www.fcic.gov—will host a wealth of information beyond what could be presented here. It will contain a stockpile of materials—including documents and emails, video of the Commission's public hearings, testimony, and supporting research—that can be studied for years to come. Much of what is footnoted in this report can be found on the website. In addition, more materials that cannot be released yet for various reasons will eventually be made public through the National Archives and Records Administration.

Our work reflects the extraordinary commitment and knowledge of the members of the Commission who were accorded the honor of this public service. We also benefited immensely from the perspectives shared with commissioners by thousands of concerned Americans through their letters and emails. And we are grateful to the hundreds of individuals and organizations that offered expertise, information, and personal accounts in extensive interviews, testimony, and discussions with the Commission.

We want to thank the Commission staff, and in particular, Wendy Edelberg, our executive director, for the professionalism, passion, and long hours they brought to this mission in service of their country. This report would not have been possible without their extraordinary dedication.

With this report and our website, the Commission's work comes to a close. We present what we have found in the hope that readers can use this report to reach their own conclusions, even as the comprehensive historical record of this crisis continues to be written.