



**Opening Remarks of
Chairman Phil Angelides
at the Final Hearing of the Financial Crisis Inquiry Commission
“The Impact of the Financial Crisis”
Sacramento, CA
September 23, 2010**

Good morning. I’m pleased to be back in Sacramento to chair this final in a year-long series of hearings examining the causes and the painful aftermath of the financial crisis.

I want to welcome my fellow commissioners to my hometown, where Julie and I were born and where we raised our three daughters. Sacramento, I am sad to say, is among many communities in the country that can show us how one of the safest purchases traditionally made by families – a home with a mortgage – became the beating heart of a financial monster. By looking more closely today at the story of boom and bust in this region, I’m hoping we can better understand the struggles that we now face in our community and across the nation.

When we began our work on this commission, some imagined that the financial crisis would be well behind us by the time we sent the results of our investigation to the President, to Congress and most importantly to the American people. Two years have passed since Lehman Brothers collapsed, and the federal government began funneling trillions of taxpayer dollars to prop up the banks. And yet the tangible evidence of real recovery in Sacramento, and in so many other places, is still hard to find.

There are 26 million Americans who are out of work, can't find full-time work or have given up looking for work. Two million families have lost their homes to foreclosure, and another four and a half million have slipped into the foreclosure process or are seriously behind in their mortgage payments. And over \$12 trillion in household wealth has been wiped away -- like a gigantic day trade gone terribly wrong.

Here in Sacramento County, the officially reported unemployment rate is 12.8 percent – well above the national average. Forty-three percent of homes with mortgages are now worth less than their loans.

Small businesses and families are trying to scrape by, and our community is juggling resources to fund our schools, services, and assistance for those most in need of help.

Yet -- 3,000 miles away on Wall Street, the picture looks a lot rosier. The banks that helped create the crisis by placing enormous and risky bets -- using some of Sacramento's mortgages as poker chips -- have now rebounded. Profits are back up, as are bank executives' paychecks and bonuses. It's as if we had a devastating earthquake that left the gleaming skyscrapers at the epicenter untouched, while the rubble was strewn everywhere else. Many hardworking people rightly wonder who will help to dig them out.

Over the past year, the commission has held 19 days of hearings -- in New York, Washington, Bakersfield, Las Vegas, Miami, and now here. Before our report is published in December, we will have studied hundreds of thousands of documents, and we will have interviewed more than 700 individuals -- from the captains of finance who drove their companies over the cliff; to key policymakers and regulators who failed

to protect the public; to the families and business owners who followed all the rules, but wound up losing what they'd spent years to build.

Our journey has been both fascinating and disturbing. We've seen breakdowns in corporate responsibility and appalling failures of corporate management, where firms created, packaged and sold financial products without regard to quality, risk or consequences. We've peered into a Wall Street world that's become increasingly about trading and betting and less about investing in jobs, enterprises and sustainable wealth in America. I feel like I have walked into a bank, opened a door, and found a casino as big as New York, New York.

We've observed government leaders -- including at the Federal Reserve -- who failed to contain the crisis amid warning signs of Wall Street's risk-taking and subprime lending that was spinning out of control.

And we've seen a stunning disconnect between Wall Street and Washington -- and the rest of the country. Many in authority in New York and the nation's capital claimed they "did not see it coming." But

if they had paid a visit to Bakersfield, Las Vegas, Miami or Sacramento, they would have seen how dry rot was eating away at our financial system.

Today we will examine the housing and mortgage markets in the Sacramento region during the run-up to the crisis. We'll look at subprime and predatory lending and mortgage fraud. We'll examine how the mortgages made in Sacramento were shipped to Wall Street and repackaged into the high-wire investment products that spread risk throughout our financial system. And we'll talk with representatives of small businesses, homeowners, local government and community lenders, who are struggling to stay afloat.

Let me close with this thought: My father grew up in the Great Depression. Like so many of his generation, he was keenly aware of the financial recklessness that made life in this country so hard. His generation learned the lessons of financial disaster so that the country could avoid it for decades. It is my hope that we will learn the lessons of our time.

Let me turn now to Bill Thomas, the able vice chairman of this commission, who has been instrumental in our work.

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