Sarah Hanks - CAP - (handwritten)

Background - Undergrad: degree speech path and
Univ. of Houston
Teach public school
NJ Rutgers - law degree 1976
Solo practice - civil law

Teach class: Rutgers
Univ. Houston
- Texas
- Penn
Harvard since 1995 -
Leo Gottlieb dept of law

Track One - Consumer perspective: causes +
consequences

Too many to work @ Iv
100,000 feet - imp to their act: incy freq prominent families
1970s - flat wages for fully employed
Rising + rising health care: Tramp costs -
Premium on families
Both genders in workplace
Role on more debt - to deal w/ emergencies
stopped savings -

Mid late 1990s - families taking on
more debt -
absence of

Credit laws are the teat-pole of consumer
regulation - Knocked our feet
1979 - credit cards
1980 - by Congress on mortgages

Adapt new big models - takes a decade -
Old idea - lead to these losers congress
Gave way to profitable model -
lead widely on in large Ames -
To the who have managed ability to repay

When there were usury ceiling - not worth using
 products very cheaper - closer more & -
Compare on to costs -
Once cap gone - products become complex -
Consumers can't compare prices

Ex: 1980 credit card agreement
700 words - interest rate was the variable
by 2005 - agreements 20pp. & largely
incomprehensible text - can't tell fees
pricing - you can see them in revenue stream

Feb 2007 - Congressional Hear
Universal defaulter into credit card
agreements -
effect - you kept making payments 79%
79 to 2970— a penalty rate of interest

> Cerda said it was long away of universal default—
   6 mos. late - they were adding back in -
   statement VP - we made our card a
   while cleaner -
   all we did was give up revenue -
   jump back to old way of doing biz -

> Gary C - pp. of card statement -
   response to market or regulation?
   (Both + Both) - Yes + Yes

The product itself became complicated.
Nominal int. rate $, but cost of credit product $1

Credit cards = innovators, but mortgage lenders were
not far behind -

They from careful screening
These profits to be made from the magically solvent -

Q: When did this happen?

Credit cards — mortgages

One off. C. Freddie Mac told her
As long as Fannie + Freddie were market
They defined what was a conforming loan
Calls - softer trust to keep conforming loans
The guy would say "No"
One day the phone stopped ringing -> the market
went to securitization instead of GSEs

Fannie & Freddie gave a choice: lose mortgage share

Standards vs. Profits
Fannie & Freddie decided to drop their standards

K&D
When? - late 1990's into early 2000's -
1 by 2003 GSE's have lost that market

Q: What's wrong w/losing market share?
What was the role of Fannie & Freddie?
Depends on your definition.

Q: Is Consumer Credit market - contributing to fin. crisis?
1) In part the credit card - contributed to two
   enormous ways
2) Consumer credit market changes made
   families so much more fragile
   even little changes send them into econ. failure

Q: DATA - Her writing debt
   Bankruptcy defaults
   Contact by debt collector
   Country closure collect guide the at data
   Correlation, NOT CAUSE
Risk between new credit card debt + bankruptcy

Prof. Ronald Mann, Columbia - "Charging Ahead"
5 cities
US
Canada
Japan
2 Euro cities

Credit card debt + other econ. failure

Show for whose people - consumer credit crisis - bankruptcy - short-term borrowing
purchases families too but assoc. costs
if that debt end up sinking families.

2 Mortgage Transaction itself - ?
Lending up until end of 1990s was
a "vicious circle" - up until Fannie + Freddie

Steps in
Banks decide - maker rewards the smaller
on risks vs. reward -

How to get diversification into losing the vicious circle
Fannie + Freddie did that -

When their standards went down - no penalty
for bad decisions - this where the
Crisis comes from. Right at their
pr.
Excessive call-the-horn ages if wrong - perfect market
gets the lenders @ the 1st plan
Fannie & Freddie offer liquidity - but less touch
will borrowers - if not standards

"That breaks down entirely w! the securitization market"

Lenders - if trader-banker relationship
would have been harder to emulate - credit card cos

by - Mortgage Transactions
"Tricks & Traps"

If did it so much faster

Tricks in mortgages - as academic - if clearer keep up

Mortgages for older generation = stability - solvency

Credit cards + car-loans anchored off the

Home + SS = retirement plan

Equity - Much more than mortgars
"The dog becomes a bear"

That shift occurred so fast - most people did not understand.

Fed Chair: Soph. analysts - the surge in the
franchises - "is that legal?"

Fed Chair: "I found myself having to explain this everywhere I went.

By early 2000s - talking to anyone who
will listen - how the mortgage market
changed + changed the econ. of the family

Big inflows = housing bubble
My even mildly suspicious that mortgage -
there was the sound of a big
bubble in your ears.

"Ordinary suspicion becomes overridden by hsg. bubble
that unflated!"

DATA: Late 1990s? 2
Susan Wachter/Wharton
Adam Maas
The customer had bulls-eye painted on their backs and didn’t know it.

Dr. Blinder-said-

"If they were blind-sided it was because they had their eyes closed."

We knew.

We were doing blog posts.

I did worry 2003-2004 income tracks.


Presented

Michael Bar and Tefano

Eric Belsky

Everyone in here - PhD -

If we don’t know what prayer -
6. IS - Consumer goes to broker - fraud.
   This is a terrible one - fill empty.
   for paying things that are true.

   Mortgage broker changed the #5.

   You're on for me.

   Exception into system.

   Too costly to have an advocate.

   8. IS - Consequences of crisis.
      Costs of crisis to consumer.
      Look @ foreclosures - these are the death cases.
      "Flatlining the ocean freight they".

      Trouble me. Remember Eric's example.
      Short sales - hand over keep.
      \[\text{Data are underrepresented}\]
      Foreclosures - cumulatively.
      \(\text{Tawana data}\)(?)

      \(\text{Phila Fed}\) - data on foreclosures.
      Incredible database on foreclosures.
      \(\rightarrow\) 30 - 40 - 60 day delinquency.
      \(\text{270 days} \uparrow \text{huge magn.}\)
Not Jingle mail

Kirsten

@ NY - DC - Bahamia - Las Vegas -
80% loans in Nevada - underwater
50 zip codes in FL - delinquent

Projectors - Not good.
> Businesses walk away when they're underwater

Everything priced into the loan - to expect homeowners to behave differently is naïve - Not every homeowner will walk away

Rising market not going to produce

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Anti-deficiency states

Even in non-deficiency state doesn't mean borrower has any assets

The legal right doesn't always produce it

3 good studies that state anti-predatory lending laws - higher foreclosure rates - then others

No
Texas study - VT -

- Can RAP responsibility lending (NC)?
  Their studies tend to be really good.

**IS - Impact of foreclosure**

"Just Walkaway" I just as well move out of this house. I'm ready to go next another one.

Terrible emotionally.

There are more and more families to take care of themselves first.

What are the causes? - ? Impact it depends on where you are in the curve.

Suicides in Nevada - Camarillo - suicide -

Almost foreclosures - the guy who foreclosed took to look at you - tell you himself.

**WARNING**

Op Ed - yield spread premiums coming '07
& email gemini < then -

"Innovation wasn't supposed to mean that the applications
and put the pockets of the unsophisticated"

unwelcome. It was regarded as not your stupid - but
subversive, inappropriate

Improving ex.
- Bankruptcy laws: prevent a company, goes bankrupt - automatic stay to protect assets - opp. to rescue or liquidate to max. return to investors creditors

Law If bully up - can't collect for some pl of time: "lock the doors x windows"

1990s (1994) Small tech. firm. added to bank. laws - some instrument trade even of bankrupt: "hmm?"

Late 1990s - flour of amendments - consumer bankruptcy
Except from auto. May in bankruptcy -

Risk vs. (Costs) (Injected more resid
adopted 2005 -

Lehman - Chaos - now we watch
-picking through the rubble -

Leading that will have been secured order -
will trade for a few more
Bank's pts -

Employees, trade creditors - who never

in the opportunity

A just not a level playing field" -

-Did that provision change the way
they behaved -

- "Bankruptcy vehicle" -

- "Bankruptcy vehicle" -

Clinton vetoed last act in office -

Eason explodes - He public steps in -
to capture attention - Called NYT

provision - Will say when Eason
did was OK & creditors will have
 gotten no offers if law passed -
But printed next to that one...

also removed it has been EAM of...

High finance - bankruptcy remote vehicles -
full use of favor -
their role - So the market works -

Securitization gains a comparative adv. -

What scares me -

deal Lehman - rise among visible cos. -
A market segment we identify -

COR panel -

How many other cos are being effectively,
from Sources co. - Guy from Corner -
1/2 yr. ago Spring 2009 -
Crisis in full gale face -

Access to capital questions - Executing co. -
"we don't use banks -
"we go to capital markets -
"And we lend $ to all of our suppliers -

Manufacturing glass - mg. the flow of $ -
forward -
"A bank that produces glass -
raises questions about risk
What happens when a manufacturer
had been fully protected
now looks like a bankruptcy

KD

Good big reason:
Innovation
Avoidance to regulation - Chicago school
of economics?
Belief that markets will always
regulate themselves
has been proven deeply
deeply wrong

"No one wants to talk about risk"
equity
debt
make sure this big won't make it
don't change by capital structure

Troubles - no one wants to talk
about risks -

Risk game has been very very good
for the financial intermediaries
bad for the families

Crisis - Blow up -
> How many of the derivatives
lost their homes -
loan modifications - adam levittor.