Timeline of Events that Precipitated the Current Mortgage and Credit Crisis

1970s:

- 1976- Median home price is $38,100
- GSE's began to securitize loans and sell them as investments in the secondary market.
- 1977 - Congress passed the Community Reinvestment Act, which requires banks to make loans to underserved low to moderate income communities.

1980s:

- 1986 - Median home price is $75,500
- 1980 - Home ownership rate was 64%, ARMs accounted for 5% of Market
- 1986 - Savings and Loans crisis began
- 1986 -1991, New homes constructed dropped from 1.8 to 1 million, the lowest rate since World War II

1990s

- 1994 - Subprime loans accounted for less than 5% of mortgage originations
- 1997 - Mortgage denial rate of 29 percent for conventional home purchase loans
- 1996 - Median Home price is 122,600

2000 - 2005

- 2000 - Median home price is $147,300
    - The Federal Reserve Bank of New York praised the securitization of low to moderate income ('LMI') mortgages saying, "*These transactions provide liquidity and increase the market's appetite for mortgages originated in LMI areas and to LMI consumers.*"

- 2001 - Median Home Price is $156, 600
    - US Federal Reserve lowers Federal funds rate 11 times, from 6.5% to 1.75%
    - Rapid increase of home prices begins

- 2002 - Median Home Price is $167,600
    - Mortgage denial rate of 14 percent for conventional home purchase loans, half of 1997
- 2003 - Median Home Price is $180, 200
- 2004 - Median Home Price is $195,200
    - Greenspan delivers speech before credit union executives praising the utility of Adjustable Rate Mortgages, saying, they could have saved many homeowners 'tens of thousands of dollars over the past decade' and that *"The traditional fixed-rate mortgage may be an expensive method of financing a home."*
    - U.S. homeownership rate peaked with an all time high of 69.2 percent
    - The Federal Reserve began the first of 17 straight interest rate increases.
- 2005 - Median Home Price is $219,000
    - Arizona, California, Florida, Hawaii, and Nevada record price increases in excess of 25% per year.
    - Alan Greenspan denies the existence of a national housing bubble, and says instead that he sees "a lot of local bubbles" in the booming housing sector.

2006-2008

- 2006 - Median Home Price is $221,000
    - U.S. Home Construction Index is down over 40% as of mid-August 2006 compared to a year earlier.
    - Housing prices begin to deflate

- 2007 - Median Home Price is $217,000
    - Year-to-year decreases in both U.S. home sales and home prices accelerates rather than bottoming out, with U.S. Treasury secretary Paulson calling the "the housing decline ... the most significant risk to our economy
    - **February-** Subprime industry collapse; more than 25 subprime lenders declaring bankruptcy, announcing significant losses, or putting themselves up for sale.
    - **April 2** - New Century Financial, largest U.S. subprime lender, files for chapter 11 bankruptcy.
    - **June -** Moody's credit rating agency cut the ratings of 131 securities backed by subprime mortgages and announced it was reviewing the grades of 136 others**.**
    - **August** - worldwide "credit crunch" as subprime mortgage backed securities are discovered in portfolios of banks and hedge funds around the world, from BNP Paribas to Bank of China. Many lenders stop offering home equity loans and "stated income" loans.
    - **November** - Federal Reserve Bank of Dallas reports that risk models used by credit rating agencies were overly focused on unemployment as the key driver of problem loans.

- 2008
    - Henry Waxman, Chair of the House Oversight and Government Reform Chairman calls a Hearing to Examine the Executive Compensation through the Prism of the Subprime Crisis.
    - In his testimony before the Committee, economist Anthony Yezer puts part of the blame at the feet of Congress, who'had a major role in promoting the rise in subprime lending.'
        - *" As someone who teaches money and banking, I found it difficult to explain to my students why the textbook said that bank examiners checked institutions for safety and soundness and at the same time examiners were giving low CRA ratings to depositories who failed to make enough loans to the underserved – evidently a group who, as it has turned out, are neither safe nor sound. In the future, I suggest that depository institutions not be encouraged to take additional risk by their regulators. The standard textbook view that regulation and examination should promote safety and soundness appears, in retrospect, to be the best policy***."**