



The Joint Economic Committee SUBPRIME MORTGAGE MARKET CRISIS TIMELINE

Senator Charles E. Schumer, Chairman

March, 2008

Legend:
In the Markets
In Congress
In the Administration

MARCH 2008

March 26: Senate Banking Chairman Chris Dodd and Representative Barney Frank, Chairman of the House Financial Services Committee have begun working in their respective chambers to expand the Federal Housing Administration in hopes of freeing up both Fannie Mae and Freddie Mac to continue offering loans to American Homeowners.

March 25: The S&P/Case-Shiller index reported that home prices dropped once again in the month of January. January's drop represents the 19th straight month that home prices dropped and the largest single-month drop in the 20 year history of the report.

March 24: JPMorgan Chase announced it would raise its offer for embattled Bear Stearns Co to \$10 a share from the previous bid of \$2/share. Even by quintupling the price JPMorgan is willing to pay, Bear Stearns is valued 90% lower than it was when its stock reached its \$170 high last year.

March 20: Citigroup announced that it will be cutting another 2,000 jobs. This is on top of the 4,200 layoffs already announced by Citigroup in January. Over the past year, more than 60,000 jobs have been cut throughout the financial sector, in large part due to contracting subprime mortgage lending divisions.

March 19: Federal regulators finally acted to allow Fannie Mae and Freddie Mac to buy more mortgages, easing pressures on the cash strapped mortgage market. After months of pressing for this move, Senator Schumer, Chairman of the Joint Economic Committee said, "Until the markets believe that foreclosures will not continue to skyrocket, confidence in all kinds of credit will remain shaky. One of the most important components to reducing the number of foreclosures is giving more flexibility to Fannie and Freddie. So this is a major step forward that should help mitigate the spread of foreclosures and provide some relief to the credit markets in general."

March 18: On the heels of the collapse of Bear Stearns, Wachovia has released a report showing that Merrill Lynch is the most at risk major broker behind Bear Stearns due to their vulnerability from subprime securities.

March 16: Investment bank Bear Stearns announced that it will sell itself to JPMorgan Chase for \$2 a share - a 93% discount on the current stock price. This fire sale comes as worldwide markets showed concern that Bear Stearns was close to folding under the pressure of their subprime liabilities.

March 7: Employers cut 63,000 jobs in February, the largest single month decline in the workforce in almost five years. Also, December and January numbers were revised to reflect dimmer employment markets than previously reported.

March 7: Senator Charles Schumer, Chairman of the Joint Economic Committee released analysis showing that subprime foreclosure rates have increased in every one of the 50 states. "Foreclosures are spreading from one end of the nation to the other and from subprime to the prime mortgage markets," said Senator Schumer, "The record number of foreclosures from coast to coast demands quick action from Washington. Unless the administration and its Republican allies in Congress drop their opposition to a meaningful housing stimulus bill, this foreclosure and housing crisis will only get worse and property values will continue to deteriorate."



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March 6: Numbers released by the Mortgage Bankers Association showed that by the end of 2007, **2.04% of all mortgages were in the foreclosure process**. This marks the highest level of foreclosure ever recorded in the Mortgage Bankers Association's report.

March 5: Chairman of the Federal Reserve Ben Bernanke urged mortgage lenders to forgive some of the debt held by homeowners on the brink of foreclosure. This position is in stark contrast to the Bush administration who has consistently opposed debt forgiveness

March 4: The Treasury Department announced that the administration's "Hope Now" program designed to assist homeowners struggling to repay subprime mortgages **has helped 45,000 people in its first month**. Meanwhile, industry experts question whether the program centered on extending repayment periods is doing enough to alleviate the core issues of the foreclosure crisis.

March 3: The Commerce Departments revealed that **construction spending plummeted by 1.7% in the month of January**. This is the single biggest single month drop in the sector in 14 years.

February 29: A report from market analysts at UBS shows that **losses within the financial sector from subprime mortgage back securities could reach \$600 billion**. This new report on expected losses marks a 50% rise from previous estimations made just months ago.

FEBRUARY 2008

February 27: Acting on recommendation made by **Senator Charles Schumer**, Chairman of the Joint Economic Committee, federal regulators announced that they would begin to **ease the restrictions it has placed on Fannie Mae and Freddie Mac**. Under new guidelines, the GSE's will be able to increase the amount of loans and securities they own as well as initiate loans in more expensive markets.

February 25: In January, the median home price fell and, **for the sixth straight month, existing home sales dropped**. The 0.4% drop in sales along with the 4.6% drop in price have been spurred by lenders making it more difficult for families to take out mortgages, making it more costly to receive a loan.

February 19: **Credit Suisse**, the second largest Swiss bank **announced it would write down \$1 billion in subprime losses**. Up to this point, Credit Suisse had been one of the few major international financial institutions who hadn't been effected by the subprime collapse.

February 15: The nation's fourth largest bond insurer, **FGIC announced it would seek to split its company into two**. After receiving a tarnished credit rating from all of the major ratings agencies, FGIC hopes to protect its municipal bond sector from the subprime backed securities which has caused the ratings drop.

February 14: **Senator Charles Schumer, Chairman of the Joint Economic Committee called on congress to pass the democratic backed housing recovery package** in a bipartisan fashion similar to that of the economic stimulus package. "This package is aimed at the bulls-eye of our economic crisis – the housing market. If we really want to tackle the economic problems the country is facing, we must address the housing crisis that got us here." This package will help fund foreclosure prevention counseling, allow for more flexibility in mortgage mediation, and increase community development grants.



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February 13: The bipartisan economic stimulus package is signed into law. With this measure, taxpayers can expect \$300-\$1200 tax rebate checks to arrive in the second half of 2008. This \$162 billion package was passed due to the looming threat of recession spurred by the subprime mortgage crisis.

February 12: Bank of America, Citigroup, Countrywide, JPMorgan Chase, Washington Mutual, and Wells Fargo announced a joint venture to assist mortgage borrowers struggling underneath the burdens of rising monthly payments. “Project Lifeline”, as it will be called, will be in addition to the Bush administration backed “Hope Now” which has come under fire from critics who say it wasn’t a large enough step towards helping American homeowners.

February 11: President Bush and the president’s Council of Economic Advisers see a slowing of the economy, but not a recession in the annual Economic Report of the President. This is in contradiction to the leading economic forecasters at Goldman Sachs, Merrill Lynch, and Morgan Stanley. **Chairman of the Joint Economic Committee, Charles Schumer said, “The Administration needs to recalibrate its overly-optimistic economic assumptions in order to seriously address the declining fortunes of the middle class families.”**

February 1: At a hearing of the **Joint Economic Committee**, the commissioner of the Bureau of Labor Statistics announced that **17,000 jobs were lost in January** – a stark contrast to the employment gains that were forecast. Some of the greatest numbers of lost jobs were found in the construction and manufacturing sector. At the hearing, **Senator Charles Schumer, Chairman of the Joint Economic Committee said, “This should be a wake up call for the administration. Given today’s jobs numbers, they should abandon their ideological opposition to spending stimuli, such as unemployment insurance, because every economist will tell you that stimulus spending will get into the economy much quicker than a tax rebate, which we’re all for.”**

JANUARY 2008

January 30: **Standard and Poor’s announced it would be cutting the credit ratings of \$534 billion in subprime mortgage backed securities.** Downgrades of these securities could lead to another \$265 billion in losses for the financial industry.

January 30: Reacting to news that the economy suffered its worst year since 2002, growing by just 2.2 percent, **Senator Charles Schumer, Chairman of the Joint Economic Committee said, “Alarm bells should be going off urging Washington to give the economy a good shot in the arm.”**

January 30: UBS, the world’s largest wealth manager, announced the need to write down another \$4 in subprime-related losses. This new write-down brings the **total for UBS subprime losses over \$18.4 billion.** Subprime related losses pushed the company its worst year of performance in its institutional history.

January 29: The Wall Street Journal reported **that federal investigators have begun inquiries into possible criminal actions taken by 14 companies due to their role in the securitization of subprime mortgages.**

January 29: The House of Representatives passed an **economic stimulus package with \$146 billion in targeted tax relief.**

January 29: The number of houses in **foreclosure rose 79 percent in 2007**, according to Realty Trac. December also marked the fifth straight month where 200,000 or more foreclosure filings were made.



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January 28: New home sales dropped 26.4% in 2007, according to a Commerce Department report. In addition, the median price of new homes fell by 10.4% from December 2006 - the biggest 12 month decline in 37 years.

January 17: Lehman Brothers said it would no longer continue the practice of wholesale mortgage lending. As a pioneer in issuing mortgage backed securities, Lehman Brothers also announced it would cut 1,300 jobs. These job cuts come on top of 2,500 other jobs eliminated since June 2007.

January 15: Citigroup the largest bank in the U.S. announced that its mortgage portfolio dropped in value by \$18.1 Billion. This news led Citigroup to its first quarterly loss in 16 years.

January 11: Merrill Lynch, the nation's third largest securities firm, announced it would need to write down more than double its initial projection related to subprime mortgage losses. Initial projections showed Merrill Lynch would lose around \$7 Billion; however, it now appears that number could reach \$15 Billion.

January 11: Bank of America, the nation's second largest banking institution, announced that it would buy Countrywide Financial, the nation's largest mortgage lender. This acquisition ended days of speculation that Countrywide, due to its role in the proliferation of subprime mortgages, would be forced to declare bankruptcy.

January 11: Representative Barney Frank, Chairman of the House Financial Services Committee, said that Bank of America's purchase of Countrywide, "could be a positive development in the subprime crisis." Also, he echoed the sentiment of Senator Chuck Schumer who called for Countrywide to work with its borrowers to keep American families in their homes.

January 10: Countrywide Financial reported that late mortgage payments and foreclosures reached the highest level ever recorded this past December. The foreclosure rate on Countrywide's mortgages grew from just 0.7% a year ago to 1.44% last month. On the announcement of this news, shares in Countrywide dropped to their lowest price in over a decade.

January 4: The Labor department announced that the unemployment rate skyrocketed from 4.7% to 5% in December. These numbers were fueled by the loss of 28,500 jobs in residential construction and 7,000 jobs lost in the mortgage lending industry throughout 2007. The fall to 5% made December's unemployment jump the largest unemployment increase since the days after Sept. 11, 2001.

DECEMBER 2007

December 20: Senator Chuck Schumer, Chairman of the Joint Economic Committee and Congresswoman Carolyn Maloney, Vice Chair of the JEC, released the Committee's Annual Economic Report. The report concluded that the subprime mortgage crisis, which has caused havoc in credit markets and significant disruption to the banking system, was the result of a failure to oversee financial markets effectively. Schumer said, "Whether it be the subprime crisis, the credit crisis, the energy crisis, or the declining dollar, one thing is clear: this Administration is unable to get the government moving quickly, decisively, and competently to address a serious economic crisis."

December 20: At a news conference designed to alleviate fears of a more significant economic fallout from the subprime mortgage crisis, President Bush insisted that the nation's economic "fundamentals are strong."



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- December 20:* Reeling from the subprime mortgage crisis, investment bank **Bear Stearns announced the first quarterly loss in the institution's eight-decade history.** With this announcement from Bear Stearns, **Wall Street's losses had reached a combined \$40 Billion** from the subprime mortgage crisis.
- December 19:* **Senator Chuck Schumer, Chairman of the Joint Economic Committee** addressed the current subprime lending crisis as well as the potential for a recession in a **speech at the Brookings Institution.** In his speech, Schumer highlighted the shortcomings of the Bush administration's recent proposals to address the subprime mortgage crisis saying, **"When we're facing as many as 2.2 million foreclosures over the next two years, dealing with only 10% of the borrowers at risk is simply not good enough."**
- December 19:* **Morgan Stanley announced it would be writing down an additional \$9.4 billion in losses on subprime-linked investments.** The company also announced it would be selling a \$5 billion dollar stake to a foreign investment fund.
- December 18:* The **Federal Reserve proposed new rules governing mortgage lenders.** In response, **Senator Chuck Schumer, Chairman of the Joint Economic Committee** said **"While the announcement borrows some good provisions from a Senate bill I've introduced to hold mortgage brokers and lenders accountable, the Federal Reserve almost instinctively has avoided grabbing the bull by the horns and dealing in a forceful way with this serious problem."**
- December 18:* **The Commerce Department reported that housing construction was down 3.7 percent for the month of November to a seasonally adjusted rate of 1.187 million units.** This marked a 24.2 percent drop in new home construction in the 12 month period and **the lowest level of home construction in more than 16 years.**
- December 17:* **Following repeated calls for such action by Senator Chuck Schumer, Treasury Secretary Henry Paulson** announced he favors temporarily allowing **Fannie Mae and Freddie Mac to purchase home loans in excess of \$417,000.** This allows Fannie Mae and Freddie Mac to provide home loans in more areas throughout the country.
- December 14:* The **US Senate passed legislation giving needed tax relief** to those at risk of foreclosure on their subprime mortgages. **The Mortgage Forgiveness Debt Relief Act** both **extends the tax deductions** on mortgage insurance premiums and **eliminates taxes** accrued by receiving debt forgiveness. Previous to this legislation, debt forgiveness was treated as income and taxed accordingly, further crippling struggling American families.
- December 14:* **Senator Chuck Schumer** helped broker a deal to break Republican stonewalling and the **Senate overwhelmingly passed the Federal Housing Administration (FHA) Modernization Act.** The FHA Modernization Act allows American families greater access to safer mortgages and better refinancing options. This legislation helps **expand refinancing opportunities for an estimated 200,000 American families on the brink of foreclosure.**
- December 11:* **Contrary to the recommendations of several regional Fed Banks, the Federal Reserve Board announced only a 25 basis-point cut in the discount rate** to 4.75%. From the minutes of the meeting, it became apparent that directors from the Boston, Minneapolis, and San Francisco Fed Banks lobbied for a 50 point cut in the discount rate.
- December 11:* **Senators Chuck Schumer, Harry Reid, Richard Durbin, and Patty Murray sent a letter to President Bush** calling on him to persuade Senate Republicans to abandon their strategy of blocking Democratic efforts to address the nation's subprime crisis.
- December 11:* **Washington Mutual announced that it expected its fourth quarter loan losses would reach \$1.6 Billion.** In addition, it expected that 3,000 Washington Mutual employees would be laid off as a result of investments in subprime mortgage-backed securities.



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December 10: **Swiss bank UBS announced it would write down an additional \$10 Billion in subprime losses** –possibly resulting in a net loss for all of 2007. **UBS also announced it has solicited a cash infusion of \$11.5 Billion** from GIC, Singapore’s sovereign wealth fund, and an unknown Middle Eastern investor.

December 10: **Fannie Mae and Freddie Mac announce that they are changing their criteria for purchasing delinquent home loans.** The two government-sponsored entities, which together own or guarantee approximately two-fifths of U.S. home mortgage debt, have recently set aside billions of dollars to compensate for bad home loans. Their profits have declined at a time when home prices are falling and defaults are soaring on high-risk mortgages.

December 6: **Responding to the Bush administration’s plan** to freeze interest rates on certain adjustable-rate mortgages, **U.S. Senator Charles E. Schumer (D-NY)** says that the **plan’s narrow eligibility requirements would exclude most distressed homeowners**, and wondered whether legal challenges by investors in mortgage-backed securities may stall the effort.

December 6: Standing between Treasury Secretary Henry Paulson and Housing and Urban Development Secretary Alphonso Jackson, **President Bush announces measures to help many struggling homeowners.** President Bush touts the **HOPE NOW Alliance** as an example of government uniting members of the private sector to address voluntarily the housing crisis without taxpayer subsidies or government mandates. The President calls upon Congress to, among other actions, reform both the **Federal Housing Administration and the Government Sponsored Enterprises Freddie Mac and Fannie Mae.**

December 6: **Representative Barney Frank (D-MA)**, chairman of the House Financial Services Committee, **holds a hearing entitled “Loan Modification and Foreclosure Prevention.”** The hearing addresses HR 3915 (“Mortgage Reform and Anti-Predatory Lending Act of 2007”) and HR 4178 (“Emergency Mortgage Loan Modification Act of 2007”).

December 6: Speaking on the Senate Floor, **Senator Charles E. Schumer, chairman of the Joint Economic Committee,** calls upon the Administration to **remove its “ideological handcuffs”** in order to deal with the housing crisis in a strong and effective manner.

December 5: Speaking at the NASDAQ Stock Exchange, **Senator Hillary Clinton**, the junior senator from New York and Democratic presidential candidate, delivers a speech focusing on struggling homeowners. Senator Clinton calls for a **90-day moratorium on home foreclosures and a five-year freeze on fluctuating subprime rates.**

December 5: The *Wall Street Journal* reports that **New York Attorney General Andrew M. Cuomo** sent out **subpoenas to major Wall Street firms including Merrill Lynch, Morgan Stanley, Deutsche Bank, Bear Sterns, and Lehman Brothers** over the late summer to explore further their role in the packaging and selling of subprime mortgages.

December 5: **Democratic Senators Charles Schumer (NY), Robert Menendez (NJ), and Debbie Stabenow (MI)** hold a press conference to address Senate Republican obstructionist tactics, including the **Senate Republicans’ willingness to allow two million families to lose their homes.** Later in the day, following the release of some of the details of Treasury Secretary Henry Paulson’s mortgage aid plan, Senator Schumer releases a statement announcing that **“there is much more that still needs to be done, most essentially the funding for nonprofit counselors that the President is threatening to veto.”**

December 5: **New York City Mayor Michael Bloomberg** joins **New York City Council Speaker Christine Quinn** to announce the establishment of **NYC Neighborhoods**, a non-profit organization started to assist homeowners at risk of foreclosure.



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December 4: U.S. Senators Bob Casey (D-PA), Chris Dodd (D-CT), Charles Schumer (D-NY), and Sherrod Brown (D-OH) write to Treasury Secretary Henry Paulson to urge him to include as many borrowers as possible in his yet-to-be-announced subprime plan: **“We believe that this broad modification effort, if done correctly, is an important piece of addressing the subprime crisis.”**

December 4: **President Bush says his administration’s subprime plan has “taken a while” to form because of the mortgage industry’s complexity.** With people throughout the world now investing in U.S. mortgages, the President called it “a complex assignment.”

December 3: **Treasury Secretary Henry Paulson addresses a full-day housing conference at the National Press Club.** Secretary Paulson discusses his latest views on the economy and housing crisis. Additional speakers include Angelo Mozilo, chief executive of Countrywide Financial Corp. and Daniel Mudd, CEO of Fannie Mae.

NOVEMBER 2007

November 30: **Representative Barney Frank (D-MA)**, chairman of the House Financial Services Committee, holds a hearing entitled **“Foreclosure Prevention and Intervention: The Importance of Loss Mitigation Strategies in Keeping Families in Their Homes.”** Indicative of the record level of foreclosures in California, the list of witnesses includes the mayor of Los Angeles and other city and state officials from California.

November 30: In response to Treasury Secretary Henry Paulson’s rumored plan to alleviate the subprime crunch, **Representative Barney Frank (D-MA)**, chairman of the House Committee on Financial Services, states: **“We in the House have already taken several steps to facilitate this process. If additional legislative action is necessary, we stand ready to work with the Secretary as this process moves forward.”**

November 30: The White House says it is “premature” to discuss the details of any proposed mortgage aid plan. Presidential Press Secretary Dana Perino says: **“The President has been clear that no taxpayer money should be used for any sort of bailout.”**

November 29: According to **RealtyTrac**, there were **222,451 foreclosure filings** last month. It is a 94 percent increase from October 2006 and represents one foreclosure filing for every 555 households in the nation. The 2 percent increase from September 2007 indicates that the subprime crisis is only getting worse.

November 29: According to a government report released today, there were **516,000 new homes for sale at the end of October.** It would take 8.5 months to clear that inventory at the current sales pace.

November 29: **Treasury Secretary Henry Paulson meets with leading banking regulators and industry representatives,** including loan servicing companies responsible for collecting and distributing loan payments, to discuss a subprime plan aimed at controlling resetting interest rates for subprime borrowers. No official details are announced.

November 29: **Federal Reserve Chairman Ben Bernanke**, speaking to a group of business executives in Charlotte, N.C., indicates that the economy may need another general rate cut. **He expects consumers to suffer from the deepening housing slump.**

November 29: California Governor Arnold Schwarzenegger rolls out a \$1.2-million education campaign to help borrowers and lenders restructure loans before a home is lost to foreclosure. Speaking at a press conference in Riverside, CA, Governor Schwarzenegger says that hundreds of thousands of monthly mortgage payments in the state are expected to soar by hundreds of dollars over the next few years.



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November 28: **The National Association of Realtors reports that sales of existing single-family homes and condominiums dropped by 1.2 percent in October to a seasonally adjusted annual rate of 4.97 million units.** The median price of a home sold in October declined to \$207,800, a drop of 5.1 percent from October 2006. It is the single largest one year decline on record.

November 28: With the subprime housing credit crisis spreading, the **Commerce Department reports that orders to factories for big-ticket manufactured goods declined by 0.4 percent in October.** It was the third consecutive decline, the longest slump in nearly four years.

November 26: **Senator Charles E. Schumer**, chairman of the Joint Economic Committee, **urges the Federal Home Loan Bank System to stop extending advances backed by predatory mortgages peddled by lenders, such as Countrywide.** Senator Schumer calls for stricter collateral guidelines to reduce exposure to risky mortgages and encourages banks to modify more of their unaffordable loans.

November 26: In a letter to the regulator of the Federal Home Loan Bank System, Senator Charles Schumer (D-NY) writes: **“Countrywide is treating the Federal Home Loan Bank system like its personal ATM.”** Shares of Countywide close down 10.5 percent at \$8.64.

November 21: **Shares of Countrywide, the largest U.S. Mortgage Lender, close below \$10 for the first time in more than five years.**

November 19: **Fannie Mae shares are down 7.3 percent to \$37.70** on reports from Credit Suisse that the government sponsored entity may report a loss of between \$1 billion to \$5 billion on its subprime AAA portfolio.

November 15: **Senators Charles Schumer (D-NY), Sherrod Brown (D-OH), and Robert Casey (D-PA) announce that the House of Representatives has passed the Transportation, Housing, and Urban Development Appropriations conference report,** which includes a total of **\$200 million for foreclosure prevention counseling.** The funding was first requested by the three senators this past spring. The conference report will now go to the Senate for full approval.

November 15: **Senator Charles E. Schumer**, the senior senator from New York, **releases a new report revealing how 50,000 Upstate New Yorkers may have been duped into taking on costly subprime loans** even though they could have qualified for more affordable, prime mortgages.

November 15: **The U.S. House of Representatives approves H.R. 3915, “The Mortgage Reform and Anti-Predatory Lending Act of 2007,” by a vote of 291 to 127.** The historic bipartisan legislation reins in the abusive lending practices that contributed to the current mortgage crisis.

November 15: Speaking on the Senate floor, **Democratic Majority Leader Harry Reid (D-NV)** highlights the obstructionist Republican tactics that are blocking the Democrats’ efforts to address the subprime mortgage crisis. Citing the enormity of the problem, Reid says: **“Hundreds of thousands of mortgages are now delinquent nationwide.** That’s fully twice as many as last year – and it means that roughly one in every 500 homes in the United States could face foreclosure.”

November 15: Speaking on the Senate floor, **Senator Charles E. Schumer (D-NY)**, chairman of the Joint Economic Committee (JEC) and chairman of the Senate’s Housing Subcommittee, **calls for the expedited passage of the FHA Modernization Act and the PROMISE Act,** two pieces of landmark legislation that will assist borrowers trapped in risky, unaffordable subprime loans. “These bills are a measured, targeted effort to prevent the spread of the subprime mortgage meltdown to more families and into the larger economy – and they should be supported by my colleagues and by the White House,” says Schumer.



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- November 15:* The four members of the Senate Democratic Leadership, joined by Senator Jack Reed (D-RI) hold a press conference to discuss their efforts to address the nation's subprime housing crisis. Responding to the threat of a presidential veto of Democrat-sponsored legislation, **Senator Charles E. Schumer says: "This administration needs to take off its ideological handcuffs when it comes to helping homeowners and protecting the economy."**
- November 15:* **Barclays Group PLC takes a \$2.7 billion write-down** for losses on securities linked to the U.S. subprime mortgage market collapse.
- November 14:* According to RealtyTrac, **foreclosure filings rose in 77 of the largest 100 metropolitan areas from the prior quarter.** Overall, residential foreclosure filings nearly doubled in the third quarter from a year earlier.
- November 14:* Responding to the surge in foreclosures, **Senator Charles E. Schumer (D-NY) says: "The bottom line is that the subprime bust is leading us right into a foreclosure boom, and thousands of people are being left in the lurch. We are staring straight into the barrel of the biggest foreclosure crisis ever, and action must be taken now to avoid disaster."**
- November 14:* **HSBC Holdings PLC**, Europe's biggest bank, reports that it took a **\$3.4 billion impairment charge at its U.S. consumer finance division**, HSBC Finance Corp.
- November 8:* Testifying before the Joint Economic Committee, **Federal Reserve Chairman Ben Bernanke expresses his concern over the subprime housing crisis** and floats the idea of providing governmental guarantees against defaults on so-called "jumbo" loans, those above the \$417,000 limit on mortgages that can be backed by Fannie Mae or Freddie Mac.
- November 8:* **Senator Charles E. Schumer introduces legislation requiring better, simpler disclosure by mortgage lenders so that loan terms are conveyed to consumers in a clear and straightforward manner.** Schumer's bill requires that a one-page, easy-to-read table accompany all mortgage documents. The new template would display critical loan information—such as the monthly loan payment and interest rate, before and after resets—in a separate box, apart from other terms or details.
- November 7:* Representatives from the mortgage and housing industries along with consumer advocates join Senate Democrats at a press conference to address the foreclosure crisis in America. **Senator Jack Reed (D-RI) says: "What began as a tremor in the sub-prime mortgage market that affected a relative few, has sadly gained momentum, creating a broader credit crisis that continues to threaten the middle class and overall economic growth."**
- November 6:* David Trone, a securities analyst at Fox-Pitt Kelton, **downgrades Morgan Stanley amid speculation that the brokerage firm will suffer losses of \$6 billion** due to the reduced value of credit investments. In his report, Trone writes: "We suggest an outright avoidance until either management discloses more specific exposure data and it proves smaller than we thought, or they actually take write-downs big enough to get beyond this."
- November 4:* **On top of the \$5.9 billion write-down reported in early October, Citigroup says it will take an additional \$8 billion to \$11 billion write-down related to subprime mortgages.** In a memo to employees announcing his resignation, C.E.O. Charles O. Prince III writes: "It is my judgment that the size of these charges makes stepping down the only honorable course for me." Mr. Prince leaves with \$105.2 million in cash and stock – in addition to the \$53.1 million in compensation he took home over the past four years.
- November 2:* **Representative Barney Frank (D-MA), Chairman of the House Financial Services Committee, holds a hearing entitled "Progress in Administration and Other Efforts to Coordinate and Enhance Mortgage Foreclosure Prevention."** One focus of the hearing is the "HOPE NOW" initiative formed by the Departments of Treasury and Housing and Urban Development.



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November 2: Testifying before the House Financial Services Committee, **Undersecretary for Domestic Finance Robert K. Steel says that “the Administration is working diligently to help mitigate the impact of rising foreclosures on homeowners and the economy.”**

OCTOBER 2007

October 31: In a nearly unanimous decision, the **Federal Reserve Board lowers the federal funds rate** by one-quarter percentage point to 4.50 percent.

October 30: **Shareholders sue Merrill Lynch & Co for issuing false and misleading statements regarding its exposure to risk mortgage investments.** The lawsuit seeks class-action status on behalf of purchasers of Merrill stock between February 26 and October 23, 2007.

October 30: **Reports from the S&P/Case-Shiller index indicate that housing prices have again fallen at record rates.** In the largest drop since June 1991, the 10 city index declined 5 percent in August 2007 as compared to the same month during the previous year.

October 30: Responding to the precipitous decline in housing prices, **Senator Charles E. Schumer**, chairman of the Joint Economic Committee, says: **“Falling home prices evidenced by the Case-Shiller index and increasing foreclosures predicted by the JEC last week are serious signs that our economy is in trouble.”**

October 30: Addressing *Women in Housing and Finance*, **Treasury Assistant Secretary David Nason outlines the Bush Administration’s foreclosure avoidance plan.** The plan includes FHA modernization, changes in the Federal Tax Code related to mortgage debt cancellation, and the HOPE NOW Alliance charged with coordinating efforts to reach more homeowners and find long-term solutions.

October 29: **John Robbins, former chairman of the Mortgage Bankers Association, says approximately a half of million U.S. mortgage borrowers each year for the next few years risk foreclosure.** He expects that 1 million borrowers will lose favor with their lenders each year and that 500,000 of them will not be able to save their home loans.

October 25: **The Joint Economic Committee (JEC), chaired by Senator Charles E. Schumer (D-NY), releases a report analyzing the greater financial impact of the subprime foreclosure boom.** The JEC report entitled, **“The Subprime Lending Crisis: The Economic Impact on Wealth, Property Values and Tax Revenues, and How We Got Here”** reveals that families, neighborhood property values, and state and local governments will lose billions of dollars as two million subprime mortgage homes are foreclosed.”

October 24: **The House Financial Services Committee, chaired by Congressman Barney Frank (D-MA), holds a hearing entitled “Legislative Proposals on Reforming Mortgage Practices.”** Witnesses include representatives from the banking industry, non-profit sector, and Federal Reserve.

October 24: **Merrill Lynch writes down \$7.9 billion** due to exposure to collateralized debt obligations, complex debt instruments, and subprime mortgages. **As a result, the firm takes a \$2.3 billion loss, the largest in the firm’s history.**

October 22: **Representatives Brad Miller (D-NC), Mel Watt (D-NC), and Barney Frank (D-MA)** introduce comprehensive legislation to combat abuses in the mortgage lending market, and to protect mortgage consumers and investors. The bill, **H.R. 3915, “The Mortgage Reform and Anti-Predatory Lending Act of 2007,”** not only reforms mortgage practices for owners but also includes foreclosure protection for renters.



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October 18: **Standard & Poor's cuts the credit ratings on \$23.35 billion of securities backed by pools of home loans** that were offered to borrowers during the first half of the year. The downgrades even hit securities rated AAA, which is the highest of the 10 investment-grade ratings and the rating of government debt.

October 18: **The Labor Department reports a surge in lay-offs with unemployment benefit claims far surpassing expectations.** Applications increased 28,000 from the previous week, the largest one-week jump since February 10th. The distress in the labor market is attributed to the housing downturn and credit crisis

October 18: **Senator Charles E. Schumer calls upon the Securities and Exchange Commission (SEC) to investigate Countrywide Financial Corporation along with its chief executive Angelo Mozilo.** The SEC should "expand its informal probe of suspicious stock sales by Countrywide CEO Angelo Mozilo to include the company itself, which may have taken steps to enable Mozilo's stock dumping as the subprime crisis heated up and Countrywide's stock prices plunged."

October 17: **The National League of Cities releases a report in which 7 out of 10 finance officers from major cities throughout the country offer pessimistic predictions for the economic future of their cities.** They report that the housing downturn is causing a major decrease in city tax revenue and is only likely to worsen in the coming months.

October 17: **The Commerce Department reports that U.S. home construction starts fell 10.2 percent last month to their lowest level in more than 14 years.** Building permit activity, an indicator of future construction plans, declined 7.3 percent, the largest drop since January 1995.

October 17: **The Federal Reserve's "Beige Book," a survey of businesses, indicates that the housing crisis is intensifying and that businesses are concerned that other areas of the economy are likely to suffer as a result.**

October 16: **The National Association of Home Builders reports that its housing market index, which tracks builders' perceptions of conditions and expectations for home sales over the next six months, dropped to 18, its lowest level since the inception of the index in 1985.** The housing market index has declined for eight straight months. Builder confidence increased in the Midwest by two points, but the region still has the lowest overall rate in the nation.

October 15: **Representative Barney Frank, Chairman of the House Committee on Financial Services, holds a committee field hearing entitled "Mortgage Lending Disparities."** The hearing focuses on mortgage lending disparities in the Boston area, especially the subprime targeting of Black and Latino borrowers who were much more likely than whites or Asians living the same area to receive higher-priced loans.

October 15: Strongly urged to act by the Treasury Department, **Citigroup, JPMorgan Chase, and Bank of America announce the creation of a new entity, called a Master Liquidity Enhancement Conduit, to raise \$200 billion in order to purchase securities that are otherwise likely to be dumped on the market and further depress the housing debt crisis.**

October 15: Citigroup acknowledges that its risk management models failed its customers and shareholders during this summer's credit crisis, leading to the company's 57 percent drop in third-quarter profit. **Citigroup was forced to write off \$3.55 billion and set aside \$2.24 billion to cover anticipated losses stemming from failing mortgages and consumer loans.**

October 15: **Federal Reserve Chairman Ben Bernanke says that the housing crisis is far from over and will create a "significant drag" on domestic economic growth into next year.**

October 12: **Paulson & Co., which has made money by betting on increasing foreclosures this year, announces its intention to donate \$15 million to the Center for Responsible Lending and the National Association of Consumer**

Advocates. The two groups plan to use the funding to establish an institute that offers legal aid to homeowners fighting foreclosure.

October 11: Senator Charles E. Schumer, Chairman of the Joint Economic Committee, announces that Representative Barney Frank, chairman of the House Financial Services Committee, supports his plan to allow Fannie Mae and Freddie Mac to raise their portfolio caps by 10 percent in a six-month window. Of the total \$147 billion increase, 85 percent (\$125 billion) is designated to aid subprime borrowers. Senator Schumer says: "This bill provides a lifeboat for the millions of homeowners left stranded by the Bush administration amid a sea of subprime turmoil."

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October 10: The National Association for Realtors revises down its outlook for home sales. It lowers its prediction for existing home sales for the year from 5.92 million to 5.78 million. Although demand for applications to purchase homes and refinance existing mortgages rose during the preceding week, consumers continue to have trouble getting loans approved. New home sales are projected to fall to 805,000 this year and to 752,000 next year.

October 10: The Bush administration announces a new mortgage industry coalition to help homeowners stay in their homes. Treasury Secretary Henry M. Paulson Jr. estimates that the new initiative, dubbed Hope Now, will assist 2 million homeowners whose initial mortgage rates are resetting to higher and often unaffordable rates. The coalition includes 11 of the largest mortgage service companies, which represent 60 percent of all mortgages in the nation. They will be joined by mortgage counseling agencies, investors, and large trade organizations.

October 9: The U.S. Securities and Exchange Commission (SEC) announces its intention to review potential conflicts of interest in the credit rating agencies due to questionable practices associated with the ratings given to mortgage-backed securities that have contributed to the spreading housing crisis. SEC Chairman Christopher Cox says: "We have underway right now the beginnings of examinations that are focused on conflicts of interest, and books and records examinations, and whether the agencies are following their own procedures."

October 4: The credit ratings agency, Moody's Investors Service, reports that subprime mortgage bonds originated in the first half of 2007 include loans that are going delinquent at the fastest recorded rate. The Moody's report predicts that accelerating delinquencies from 2007 bonds are likely to surpass the number of delinquencies in 2006, which hit a peak not seen since 2000.

October 3: Congressional Democratic leaders, House Speaker Nancy Pelosi, Senate Majority Leader Harry Reid, and Vice Chairman of the Democratic Caucus Senator Charles E. Schumer hold a press conference to urge the Bush administration to step up its efforts to stem the tide of foreclosures. The Democratic leaders call for the appointment of a "Mortgage Czar" to coordinate federal efforts to stop foreclosures and for Fannie Mae and Freddie Mac to expand their loan portfolios with more than \$100 billion in troubled, high-cost loans to help struggling borrowers hold onto their homes. The Democrats also call on the White House to supplement Senator Schumer's \$100 million in aid to non-profits specializing in housing counseling.

October 3: Residential foreclosures in New York City hit 698 during the third quarter. It represents a 64% increase from the same period last year. Yet the spike in New York pales in comparison to the third quarter increases in Los Angeles (247%) and Miami (168%). Miami's foreclosure rate per household is 116% higher than Los Angeles and 852% higher than New York City.

October 1: Former Federal Reserve Chairman Alan Greenspan says the housing crisis is far from over. "As in similar situations of inventory excess, I would expect home prices declines to continue until the rate of inventory liquidation reaches its peak." Greenspan adds that the consumer and broader economy will suffer as a result.

October 1: UBS reports its first quarterly loss in nine years. The largest wealth manager in the world plans to write down

\$3.4 billion in its fixed-income portfolio and other departments and to cut 1,500 jobs in its investment bank. The loss is attributed to the spreading credit crisis stemming from the emerging housing depression.

SEPTEMBER 2007

September 27: **Luminent Mortgage Capital, a home-loan investment company, downgrades its second-quarter profit** as the company struggles to gain access to credit and bankers seize assets.

September 27: **The Commerce Department reports that sales of single-family homes decreased by 8.3% last month, the lowest level in seven years.** The median price of a new home declined by 7.5% to \$225,000 in August 2007 as compared to the same month a year ago.

September 25: The **National Association of Realtors** releases new housing statistics that reveal sales of existing single-family homes dropped by 4.3 percent in August, compared to July. It is the **sixth straight decrease, pushing sales to the lowest point in five years.** The fall in sales pushes the inventory of unsold homes to a record 4.58 million in August.

September 25: According to the **S&P/Case-Shiller's Home Prices Indices**, which track housing prices in metropolitan areas, **home prices** continue to fall at an increasing rate. The 10-City Composite index shows an **annual decline of 4.5 percent – the largest in 16 years.**

September 25: In response to declining home sales and housing prices, **U.S. Senator Charles E. Schumer**, Chairman of the Joint Economic Committee and the Senate Housing Subcommittee **calls upon the White House to take action to combat the housing crisis.** “The spillover of the subprime mortgages mess into the larger housing market deserves a strong, decisive response from the administration to protect homeowners, consumer spending, and the overall economy before things get worse.”

September 21: **HSBC Holdings announces its plans to close its U.S. subprime unit, Decision One Mortgage,** and record an impairment charge of about \$880 million. HSBC states that it no longer believes the mortgage business is sustainable. Approximately 750 U.S. employees are expected to be affected by the decision.

September 20: **House Financial Services Committee holds a hearing entitled “Legislative and Regulatory Options for Minimizing and Mitigating Mortgage Foreclosures.”** The hearing examines President Bush’s recently announced plan to expand FHA programs and considers other possibilities for aiding troubled homeowners facing foreclosure. The Committee hears testimony from Treasury Secretary Henry Paulson, Housing and Urban Development Secretary Alphonso Jackson, Federal Reserve Chairman Ben S. Bernanke, as well as from consumer advocates and industry insiders.

September 20: Testifying before the House Financial Services Committee, **Federal Reserve Chairman Ben Bernanke says that the credit crisis has created “significant market stress” and that the Fed is “committed to preventing problems from recurring, while still preserving responsible subprime lending.”** Treasury Secretary Henry Paulson adds that the administration is considering raising the Fannie Mae and Freddie Mac loan limits so that they can temporarily buy, bundle, and sell as securities any loans exceeding \$417,000. **But Secretary Paulson emphasizes that any changes to include so-called jumbo loans must include stricter regulations for oversight.**

September 19: **The Joint Economic Committee, chaired by Senator Schumer, holds its second hearing on the subprime mortgage crisis to examine the continuing threat the crisis poses to the broader economy. Opening the hearing, entitled “Evolution of an Economic Crisis?: The Subprime Lending Disaster and the Threat to the Broader Economy,” Senator Schumer says: “Our policy responses are not matching the magnitude of the risk that still lies ahead.”** Testifying before the committee, Yale University economist Robert Shiller warns that the residential real estate downturn could spiral into “the most severe since the Great Depression” and could lead to a broader economic recession.

September 19: **Senator Schumer’s proposal** to raise the limit on the size of home loans insurable by the Federal Housing Administration (FHA) up to \$417,000 for a single-family home, **is passed out of the Senate Banking Committee** as part of a major FHA reform bill put forward by Senate Banking Committee Chairman Christopher Dodd.

September 19: **The Office of Federal Housing Enterprise Oversight (OFHEO),** the regulator of Fannie Mae and Freddie

- Mac, agrees to relax restrictions on the mortgage finance companies' investment holdings**, enabling Fannie Mae and Freddie Mac to buy \$20 billion more in subprime mortgages. But OFHEO Director James Lockhart reaffirms the administration's stance that **he will not allow "any major increases in the (investment) portfolio levels."**
- September 19: The Commerce Department reports that construction of new homes fell by 2.6 percent in August to the slowest pace in 12 years.**
- September 18: RealtyTrac Inc. announces that home foreclosure filings surged to 243,000 in August, up 115 percent from August 2006 and 36 percent from July**, marking the highest number of foreclosure filings since RealtyTrac began tracking monthly filings. The foreclosure filing rate nationally is now one in every 510 homes.
- September 18: The mortgage lending crisis intensifies** as Impac Mortgage Holdings Inc. says it will quit most lending activities, while Accredited Home Lenders Holding Co. posts a major quarterly loss and says its survival remains in doubt.
- September 18: Federal Reserve cuts target federal funds rate by a half point to 4.75 percent.** It is the first rate reduction in four years and the steepest in nearly five years. The Fed openly admits that the housing downturn is much more severe than initially anticipated. In response to the rate cut, the **Dow Jones industrial average jumps 200 points** and closes up 335 points at 13,739.39.
- September 18: The U.S. House of Representatives overwhelmingly passes H.R. 1852, the "Expanding American Homeownership Act of 2007,"** which expands funding for housing counseling, authorizes lower down payments for borrowers who can afford mortgage payments, and directs the Federal Housing Administration to offer mortgage loans to higher risk – but qualified – borrowers.
- September 17: Merrill Lynch & Co. Inc.'s \$1.3 billion bet on subprime lending takes a turn for the worse** when the world's largest brokerage confirms job cuts at its First Franklin Financial Corp. unit. Merrill Lynch declines to say how many jobs are being cut. Recently filed reports with U.S. banking regulators show that Merrill Lynch Bank & Trust Co., where a lot of the First Franklin franchise is housed, lost \$111 million through the first half of 2007.
- September 17: NovaStar Financial Inc gives up its real estate investment trust**, effectively abandoning the lending business, because it cannot pay a \$157 million dividend.
- September 14: Merrill Lynch & Co.**, the biggest underwriter of collateralized debt obligations, signals that the **subprime-mortgage crisis may hurt third-quarter earnings**. The New York-based firm reports that it made "fair value adjustments" for potential losses to date on unspecified holdings and financing commitments.
- September 12: According to the quarterly Anderson Forecast** by the University of California at Los Angeles, the **spreading housing crisis will push the national economy to the brink of recession** but growth in other sectors of the economy could lead to a moderate recovery by 2009. David Shulman, senior economist for the forecast, **lowers his forecast for housing** starts to an annual rate of 1 million to 1.1 million, down from a range of 1.2 million to 1.3 million.
- September 12: Speaking to representatives of leading financial firms, Treasury Secretary Henry Paulson says that the turbulence that has hit financial markets will take some time to be resolved, especially in the area of subprime mortgages.** He urges the large firms to work with the administration to help ensure that subprime homeowners get assistance in dealing with sharply rising mortgage payments as their initial low adjustable rate mortgages now reset to higher levels.
- September 12: The U.S. Senate gives final approval to a measure proposed by U.S. Senators Charles E. Schumer (D-NY), Sherrod Brown (D-OH), and Robert P. Casey (D-PA) to grant \$100 million in funding to housing non-profits on the front lines of the fight to prevent a national foreclosure crisis from the subprime lending fallout.** The measure—which provides resources to government-approved agencies that help negotiate between borrowers and lenders to keep families in their homes—was contained in the Transportation and Housing and Urban Development (HUD) spending bill that passed the full Senate this morning. "For the millions of Americans at risk of losing their homes, these nonprofits can provide shelter from the foreclosure storm," said Schumer, the Chairman of both the Joint Economic Committee and the Senate Banking Subcommittee on Housing.

September 11: Speaking to reporters at a breakfast held by *The Christian Science Monitor*, **Secretary Henry M. Paulson reiterates the Administration's opposition to lifting the caps of the government-sponsored entities Fannie Mae and Freddie Mac.** Secretary Paulson instead expresses support for more stringent regulation of the GSEs

September 10: Representative Barney Frank, chairman of the House Financial Services Committee, implores Federal Reserve Chairman Ben Bernanke to raise investment caps on Fannie Mae and Freddie Mac. **In a letter to Bernanke, Frank writes: "The unpersuasive nature of this argument against raising the portfolio caps leads me to believe that the objection to an increase in the cap is ideological."** Frank also proposes to raise the Federal Housing Administration loan limit for single-family homes from \$362,000 to \$417,000.

September 10: **Senator Schumer introduces legislation to increase investment caps at Fannie Mae and Freddie Mac in order to alleviate the credit crunch that continues to plague the housing market.** Schumer also proposes increasing the maximum for home mortgages – from \$417,000 to \$625,000 – that Fannie Mae and Freddie Mac are allowed to hold on their books.

September 10: **James B. Lockhart, director of the Office of Federal Housing Enterprise Oversight** (in charge of regulating Fannie Mae and Freddie Mac) writes to Senator Schumer that OFHEO would **"reevaluate circumstances, including the caps on mortgage portfolios, as necessary."**

September 10: In regards to lifting the caps on Fannie Mae and Freddie Mac, President Bush said he would like to see Congress get GSEs "reformed, get them streamlined, get them focused, and then I will consider other options".

September 7: **The U.S. Department of Labor's Bureau of Labor Statistics (BLS) releases figures showing that employers cut 4,000 jobs from payrolls last month, the first net decrease since 2003.** Twenty-two thousand construction jobs were lost in August, with most related to the housing downturn, in particular among residential specialty trade contractors. **Nearly 100,000 construction jobs have been lost since September 2006.** Following the release of the report, the Dow Jones Industrial Average dropped 200.87 points.

September 7: **In response to the BLS figures, Senator Schumer calls on the Administration to act: "The combination of an economy turning down on its own and fears, mostly based on reality, that the mortgage crisis will get worse, demands strong leadership by the President, Secretary Paulson, and Chairman Bernanke."**

September 7: **House Financial Services Committee Chairman Barney Frank** sends a letter to Federal Reserve Board Chairman Ben S. Bernanke challenging his opposition to increasing the portfolio caps of Fannie Mae and Freddie Mac. **"Raising the caps is important for the reason that you implicitly acknowledged – so that we can get the GSEs into the business of helping us with the refinancing of current subprime mortgages that must be part of a response to this situation."**

September 6: **Concerned by the exploding subprime mortgage crisis, Federal Reserve Governor Randall Kroszner says fallout may spread beyond housing market into general economy.** Weeks after Democrats, led by Senator Schumer, warned of broader economic ramifications, Kroszner says: "A healthy banking system generally contributes to strong economic growth, and banking crises can present a substantial drag on the real economy."

September 6: **The Mortgage Bankers Association** releases a quarterly report showing that the delinquency rate (the number of people who are behind in their payments but have not yet entered the foreclosure process) for mortgage loans on one-to-four-unit residential properties was 5.12 percent of all loans outstanding in the second quarter of 2007, up 28 basis points from the first quarter of 2007, and up 73 basis points from one year ago. The delinquency rate for subprime loans was up from 13.77 in the first quarter to 14.82 percent in the second quarter. The delinquency rate for prime loans rose from 2.58 percent to 2.73 percent. **Compared to this time last year, the seriously delinquent rate is 23 basis points higher for prime loans and 304 basis points higher for subprime loans.**

September 6: Renewing his call for increased funding to community groups that provide financial expertise to floundering homeowners seeking to refinance, **Senator Schumer says: "A third straight quarter of record mortgage payment delinquencies is likely to mean record levels of foreclosures unless the Bush administration and Congress act quickly to help families keep their homes.** Non-profits groups that are on the front lines of this fight to help homeowners are the best defense against the coming storm of foreclosures throughout the country."

September 5: The House Committee on Financial Services holds a hearing to examine the troubled credit and mortgage markets and potential “implications for U.S. Consumers and the Global Economy.” **Chairman Barney Frank (D-Mass) expresses hope that the administration and Congress will collaborate to counter the “severe lack of investor confidence.”**

September 5: **The National Association of Realtors releases statistics on pending sales for existing homes. The figures reveal a 16.1 percent decline in July from a year ago and a 12.2 percent decline from the prior month. The July 89.9 level is the second lowest in the history of the index and its lowest since the September 11th terrorist attacks that severely disrupted the national economy.**

September 5: **The Federal Reserve releases its Beige Book, a largely anecdotal report on the economy based on interviews with business leaders throughout the country. Counter to investor sentiment, the findings do not indicate that the housing crisis is expanding into the general economy. The Dow Jones industrial average drops nearly 200 points.**

September 5: **Senator Christopher Dodd, chairman of the Senate Banking Committee, announces his intention to introduce a bill that would make it illegal for mortgage brokers to steer borrowers eligible for standard mortgages into subprime loans.** The bill also aims to eliminate additional predatory lending practices, such as hidden fees and prepayment penalties.

September 4: **The six banking regulators, including the Federal Reserve, call on mortgage companies to work with struggling homeowners likely to lose their homes as their adjustable rate mortgage interest rates escalate.** Citing the benefit to both lenders and borrowers, Fed Governor Randall Kroszner says: **“Keeping families in their homes is a matter of great importance to the Federal Reserve.”**

AUGUST 2007

August 31: **President Bush holds a press conference to highlight the growing problems in the subprime mortgage market. He says the “government has a role to play” in the growing crisis and calls upon the Federal Housing Administration to help subprime borrowers refinance into loans insured by the federal agency. The modest FHA program is expected to assist 60,000 delinquent borrowers. President Bush announces an additional program expected to help another 20,000 homeowners by reducing insurance premiums for those who pose less of a credit risk. Reaching out to Democrats, the President also expresses support for Michigan Senator Debbie Stabenow’s Mortgage Relief Act, which will exempt homeowners from paying taxes on home loans forgiven after foreclosure.**

August 31: At FED meeting in Jackson Hole, Wyoming, **Federal Reserve Chairman Ben Bernanke reassures investors on Wall Street by stating that the Fed will “act as needed” to contain the spreading mortgage crisis and discourage predatory lending practices.**

August 31: **Representative Barney Frank (D-MA) responds to President Bush’s press conference: “I welcome the Administration’s recognition that a greater public response is required and I look forward to working with them because I agree with a number of specific things that they propose . . . However, there are some points of difference that we will need to work out going forward . . . I continue to believe that the portfolios of Fannie Mae and Freddie Mac can play a bigger role than they currently are playing, particularly in helping the refinancing of subprime mortgages that are about to experience significant interest rate increases.”**

August 27: In a response letter to Senator Schumer, Federal Reserve Chairman Ben Bernanke writes: “The Federal Reserve, in cooperation with other federal agencies, is closely monitoring developments in financial markets,” and the twelve Federal Reserve Banks “are working closely with community and industry groups dedicated to reducing the risks of foreclosure and financial distress among homebuyers.” **But Chairman Bernanke opposes Senator Schumer’s proposal to raise GES portfolio caps and instead calls upon the private and public sectors to develop new “mortgage products” more suited for “low-and moderate-income borrowers, including those seeking to refinance.”**

August 27: **National Association of Realtors reports that existing home sales declined by 0.2 percent in July, leaving the level of sales 9.0 percent below the level 12 months prior. Senator Schumer calls for greater federal action “to address the subprime mortgage mess and to restore confidence in the housing market.”**

August 22: **RealtyTrac Inc announces foreclosures were up 93% in July 2007 from July 2006. The national foreclosure rate in**

July was one filing for every 693 households. There were 179,599 filings reported last month, up from 92,845 a year ago.

August 22: In letters to more than **40 major market players**, and **federal financial regulators** including Chairman **Bernanke** and Secretary **Paulson**, **Senator Schumer cautions that regulators' efforts to bring liquidity to tightened credit markets have so far overlooked** the harrowing situation in the **underlying mortgage** market that stoked the credit crunch in the first place. **Schumer urged banks, lenders, and loan servicers to direct resources to the non-profits on the frontlines** of the mortgage crisis in the same vain as the Senate Appropriations Committee, which has set aside \$100 million for nonprofits that work with homeowners to prevent foreclosure.

August 17: **The Federal Reserve cuts the discount rate by half a point.** Stocks rally.

August 16: **Countrywide Financial**, the nation's largest mortgage lender, draws down \$11.5 billion from its credit lines.

August 16: All three **major stock indexes were 10% lower than their July peaks** – a marker indicating a correction of the stock market, due to tightening in the credit markets.

August 15: Rep **Barney Frank** announces plans to hold **hearings** in the **House Financial Services Committee** investigating **credit rating agencies role in the subprime mortgage crisis.**

August 13: **Aegis Mortgage** files for **bankruptcy.**

August 10: **John Edwards** responds to President Bush's comments, calling on the Administration to act to moderate the housing crisis. Edward's a plan to protect homeowners and fight predatory lending includes strong national legislation to regulate mortgage abuses and prohibit predatory mortgage lending based on North Carolina's state law and a Home Rescue Fund to work with local non-profits, government agencies and community financial institutions to help struggling homeowners renegotiate or refinance their mortgages.

August 10: In regards to lifting the caps on **Fannie Mae and Freddie Mac**, **President Bush** said he would like to see Congress get GSEs "reformed, **get them streamlined**, get them focused, and then I will consider other options".

August 10: The **federal regulator for Fannie Mae denies** the mortgage finance company's **request to grow its investment portfolio**, but did not close the door on the possibility of lifting the cap in the future.

August 9 and 10: **European Central Bank and Federal Reserve intervene in markets by pumping billions of dollars of liquidity into the markets.**

August 9: **American International Group**, one of the biggest U.S. mortgage lenders, **warns that mortgage defaults are spreading beyond the subprime sector.** With delinquencies becoming more common among borrowers in the category just above subprime.

August 9: **BNP Paribas**, a French bank, **suspends three of its funds** because of exposure to U.S. mortgages.

August 9: **President Bush** addressing the housing market crisis, saying, "The fundamentals of our economy are strong...I'm told there is enough liquidity in the system to enable markets to correct." Bush also said, "The conditions for the marketplace working through these issues are good. My hope is that the market, if it functions normally, will be able to yield a **soft landing.**"

August 8: **Treasury Secretary Hank Paulson** says, "Borrowers weren't quite as disciplined as they should be... Lenders clearly weren't as disciplined as they should be. **We've seen some excesses.** We've seen it in the subprime area, and that will be with us for a while."

August 8: **Senator Schumer** writes to **Federal regulators, urging them to devise an action plan to deal with the current liquidity crunch in the mortgage markets that threatens to spread** across the economy as a whole. Schumer expresses his concerns that regulators are underestimating the spillover effects of the housing market crisis. "Nobody, including me, wants or expects the Federal regulators to step in and lend a hand to the private sector players who took risky gambles in the subprime market," says Schumer. "But when millions of Americans who have good credit now face the real possibility of not

being able to purchase a home because of spillovers from the subprime market, we need the regulators to play a leadership role to preserve market liquidity and minimize the damage.”

August 7: **Senator Clinton** introduces a plan to address mortgage lending abuses, including new regulations on brokers, strong state licensing standards, and federal registration for brokers. The plan also proposes a **\$1 billion fund to assist state programs that help at-risk borrowers avoid foreclosure.**

August 7: Senators **Schumer** and **Dodd** separately write to James B. Lockhart III, director of the **Office of Federal Housing Enterprise Oversight (OFHEO)**, **urging him to consider temporarily raising the limit on purchases of home loans by Fannie Mae and Freddie Mac** in response to increasing concerns of a credit crunch spilling into the broader mortgage market.

August 7: The **Federal Open Market Committee leaves the overnight federal funds rate at 5.25%**, referring to tightening in the credit markets and ongoing housing market crisis as a “correction”. Despite financial market turmoil, the FOMC forecasts that “the economy seems likely to continue to expand at a moderate pace over coming quarters, supported by solid growth in the employment and incomes and a robust global economy.”

August 6: **American Home Mortgage** files for **bankruptcy.**

August 1: **Two hedge funds managed by Bear Stearns** that invested heavily in subprime mortgages **declare bankruptcy.** Investors in the funds file suit against Bear Stearns, alleging that the investment bank misled them about the extent of the funds’ exposure.

JULY 2007

July 31: Home prices continue to fall, marking the **18th consecutive decline, beginning in December 2005, in the growth rate of housing prices**, according to the monthly **S&P/Case-Shiller's Home Prices Indices**, which tracks housing prices in metropolitan areas and is considered a leading measure of U.S. single-family home prices. The 10-City Composite index showed an annual decline of 3.4% (its biggest since 1991) and the 20-City Composite reported an annual decline of 2.8%.

July 30: **IKB Deutsche Industriebank**, a German bank, is **bailed out because of bad bets on U.S. mortgage-backed securities.**

July 25: The **JEC examines the impact of the subprime lending crisis on Cleveland, Ohio**, one of the hardest hit communities in the nation. The hearing reveals the individual faces of the subprime mortgage crisis. Local residents and city council members testify.

July 19: The **Dow Jones industrials close above 14,000 for the first time.**

July 18 and 19: In two days of testimony in Congress, Chairman **Bernanke said there will be “significant losses” due to subprime mortgages**, but that such losses are “bumps” in “market innovations” (referring to hedge fund investments in subprime mortgages). **Bernanke reiterated that problems in the subprime mortgage market have not spilled over** into the greater system. Bernanke also said the **problems “likely will get worse before they get better.”** He forecasts that the economy is poised for moderate growth, but continuing problems in the housing market prompt the Fed to slightly reduce its growth expectations.

July 18 and 19: Chairman **Bernanke** testifies in front of the House Financial Services Committee and the Senate Banking Committee in his Second Monetary Report to Congress in 2007.

July 18: **Commerce Department announces housing starts are down 19.4 percent** over the last 12 months. Also announced is a 7.5 percent plunge in permits to build new homes, the largest monthly decline since January 1995. Permits are 25.2 percent below their level a year ago, reflecting continued pessimism among builders over the near-term outlook for new homebuilding.

July 18: **Bear Stearns** announces its **two hedge funds** that invested heavily in the subprime market are essentially **worthless, having lost over 90% of their value**, equal to over \$1.4 billion.

July 17: The **Federal Reserve** announces a **pilot program to monitor brokers**, joining the Board of Governors of the Federal

Reserve with the Office of Thrift Supervision, the Federal Trade Commission, and state agencies represented by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators, to conduct targeted consumer-protection compliance reviews of underwriting standards, oversight, and risk-management practices within non-depository lenders with significant subprime mortgage operations.

*July 10: **Standard and Poor's and Moody's downgrade bonds** backed by subprime mortgages. **Fitch** follows suit.*

*July 10: The Senate **Appropriations Committee approves \$100 million** of the requested \$300 million for **HUD Housing Counseling programs** in the Transportation, Housing, and Urban Development, and Related Agencies FY08 Appropriations Bill. With these funds, non-profit agencies are able to provide individual counseling by working one-on-one with borrowers stuck in unaffordable subprime loans.*

JUNE 2007

*June 26: Senator **Schumer** convenes housing experts to examine how to protect homebuyers from subprime lending and other mortgage industry abuses in a **Banking Subcommittee hearing**. The hearing focuses on the mortgage origination process, abuses in mortgage lending industry, responsible solutions to protect consumers in home-buying process and the impact of these proposed solutions on the market as a whole. The hearing also examines the Borrower's **Protection Act of 2007 (S. 1299)**, which seeks to address many of the abuses that have taken place in the mortgage process by creating new regulations and requirements for various mortgage originators.*

*June 22: **Bear Stearns** pledges up to **\$3.2 billion to bail out one of its hedge funds** because of bad bets on subprime mortgages.*

*June 14: **Goldman Sachs reports flat profit** from a year ago due to mortgage market problems.*

*June 12: **RealtyTrac** announces U.S. **foreclosure filings surged 90 percent in May from May 2006**. Foreclosure filings were up 19 percent from April. There were 176,137 notices of default, scheduled auctions and bank repossessions in May. The median price for a U.S. home dropped 1.8 percent the first three months of 2007. According to Freddie Mac, typically, more than half of all home sales occur in the April to June period.*

*June 6: **ZipRealty Inc.**, a national real-estate brokerage firm, announces that the number of homes listed for sale in 18 major U.S. metropolitan areas at the end of May was up 5.1% from April. This is a striking deviation from the general trend as tracked by the Credit Suisse Group, which says on a national basis, inventories of listed homes have typically been little changed in May during the past two decades.*

*June 5: At an International Monetary Conference in Cape Town South Africa, **Chairman Bernanke endorses the basis of a proposal made by Schumer to increase federal funds for community non-profits engaged in helping families in unsuitable subprime loans avoid losing their homes to foreclosure.***

*June 4: **Housing and Urban Development (HUD) Secretary Alfonso Jackson endorses counseling and financial education as the best way to tackle the subprime foreclosure boom** in a speech at the National Press Club.*

MAY 2007

*May 25: The **National Association of Realtors** reports that sales of existing homes fell by 2.6 percent in April to a seasonally adjusted annual rate of 5.99 million units, the **slowest sales pace since June 2003**. The number of unsold homes left on the market reached a record total of 4.2 million.*

*May 17: At the Federal Reserve Bank of Chicago's Forty-Third Annual Conference on Bank Structure and Competition, **Chairman Bernanke reiterates** his March statement by saying the **Fed does not foresee a broader economic impact from the growing number of mortgage defaults**.*

*May 9: The **Federal Open Market Committee** meets and **leaves rates unchanged**. The FOMC states in their minutes, "The correction of the housing sector was likely to continue to weigh heavily on economic activity through most of this year, somewhat longer than previously expected." However, the FOMC continued to refer to the housing crisis as a "correction".*

*May 4: The **House Financial Services Committee** passes the "**Expanding American Home Ownership Act**". The bill would*

allow Fannie Mae and Freddie Mac to purchase and securitize larger mortgages (up to \$625,500 or the region's median home price) in high-cost areas of the U.S. where the median price exceeds \$417,000 (the current loan limit). The bill would also authorize zero down payment loans and direct the Department of Housing and Urban Development (HUD) to serve higher risk borrowers who would otherwise turn to predatory and high priced mortgage loan alternatives.

May 3: **Senator Schumer introduces the first comprehensive plan to help homeowners avoid foreclosures.** The plan includes a request for \$300 million in federal funds for community non-profits to help homeowners refinance current mortgages through personalized financial counseling. Schumer calls on banks and lenders to also provide funding for non-profit counselors. Senator Schumer, along with Senators Brown and Casey also introduce the “**Borrower’s Protection Act of 2007,**” which proposes federal regulation for mortgage brokers in order to avoid future defaults on subprime loans. The bill seeks to regulate mortgage brokers and originators under the Truth in Lending Act (TILA) by establishing on behalf of consumers a fiduciary duty and other standards of care. In addition, the bill outlines standards for brokers and originators to assess a borrower’s ability to repay a mortgage and holds lenders accountable for brokers and appraisers.

APRIL 2007

April 24: The **National Association of Realtors** announces that **sales of existing homes** fell 8.4% in March from February, the **sharpest month-to-month drop in 18 years.**

April 18: **Freddie Mac** announces plans to **refinance up to \$20 billion of loans held by subprime borrowers** who would be unable to afford their adjustable-rate mortgages at the reset rate.

April 18: **Senator Dodd** hosts the **Homeownership Preservation Summit**, bringing together some of the largest subprime lenders, securitizers, and servicers, as well as consumer and civil rights groups, to discuss ideas and develop solutions to the subprime mortgage market crisis. Following the summit, **Senator Dodd states, “I am not overly anxious to legislate... We think there may be enough laws on the books.”**

April 12: According to the Los Angeles Times, Tony Fratto, Spokesman for the **White House**, said “**individuals need to make smart decisions in taking on debt, and there has to be some responsibility for making those decisions.**” He also said that any federal action would be unwelcome and would encourage “risky behavior.”

April 12: Senator **Schumer** calls on **Federal Government to intervene on behalf of homeowners** in response to a **National Association of Realtors** report showing falling home prices due to rising foreclosures and a Los Angeles Times story in which the White House blamed homeowners for signing up for deceptive subprime mortgages.

April 11: The **JEC**, chaired by Senator Charles **Schumer**, releases a report analyzing the subprime mortgage foreclosure problem and its economic impact on the most vulnerable communities. The report, entitled “**Sheltering Neighborhoods from the Subprime Foreclosure Storm,**” argues that foreclosure prevention is cost-effective and presents policy suggestions for curbing future subprime foreclosures.

April 6: **American Home Mortgage** writes down the value of risky mortgages rated one step above subprime.

April 2: **New Century** Financial files for bankruptcy.

MARCH 2007

March 27: At a **Joint Economic Committee** hearing, Ben **Bernanke**, Chairman of the Board of Governors of the Federal Reserve System, says **housing market weakness "does not appear to have spilled over to a significant extent."**

More **Bernanke:** “At this juncture, however, **the impact on the broader economy** and financial markets of the problems in the subprime market seems **likely to be contained.** In particular, mortgages to prime borrowers and fixed-rate mortgages to all classes of borrowers continue to perform well, with low rates of delinquency.”

March 22: The Senate Banking Committee holds a hearing to investigate the sharp increase in defaults and foreclosures, questioning banking regulators, a Federal Reserve representative, industry executives and two homeowners. Both **Democrats and Republicans criticize banking regulators for failing to respond more quickly** to curb the growth in risky home loans to people with weak credit.

*March 20: **People's Choice** files for bankruptcy.*

*March 8: **New Century** Financial, the second largest subprime lender in 2006, stops making loans.*

*March 2: **Fremont General** stops making subprime loans and puts its subprime business up for sale.*

*March 2: The **Federal Reserve** announces **draft regulations** to tighten lending standards. Lenders would be required to grant loans on a borrower's ability to pay the fully indexed interest rate that would apply after the low, initial fixed-rate period of two or three years. New regulations are met with skepticism in Congress.*

FEBRUARY 2007

*February 20: **Nova Star** Financial reports a surprise loss.*

*February 12: **ResMae** Mortgage files for bankruptcy.*

February 7: The Senate Banking Committee holds the first hearing of the 110th Congress addressing legislative solutions to predatory lending in the subprime sector.

DECEMBER 2006

*December 28: **Ownit** Mortgage Solutions files for bankruptcy.*