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THE GREAT AMERICAN BANK ROBBERY

THE UNAUTHORIZED REPORT
ABOUT WHAT *REALLY*
CAUSED THE GREAT
RECESSION



A PDF COMPANION TO THE AUDIOBOOK

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MYTH OF THE RACIST WHITE LENDER

MINORITY BUSINESS LENDING

Black-owned firms are twice as likely to get rejected for a loan as white-owned firms . . . *

% of small-business loan applications denied, by race of owner	Black – 62.3%	White – 28.8%
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. . . but are nearly twice as likely to default than firms owned by other racial groups . . . **

% of firms posing significant-to-high risk of loan default, by race	Black – 45.1%	White – 27.6%	Hispanic – 37.3%
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. . . and black owners are generally less creditworthy in every category.**

% of firms delinquent in business obligations, by race	Black – 21.2%	White – 13.3%	Hispanic – 16.1%
% of owners delinquent on personal obligations, by race	Black – 30.4%	White – 11.6%	Hispanic – 13.1%
% of owners with judgments against them, by race	Black – 9.7%	White – 3.3%	Hispanic – 6.6%
% of owners declaring bankruptcy in past 7 years, by race	Black – 6.0%	White – 2.2%	Hispanic – 4.6%

* Source: Federal Reserve

** Source: Dun & Bradstreet

*** Sources: Federal Reserve, National Survey of Small Business Finances,
The Review of Economics and Statistics (November 2003)

CREDIT MATTERS

While blacks are more likely to be rejected for a home loan . . .

Share of home-loan denials by race	Blacks 54%	Hispanics 39%	Whites 26%	Asians 12%
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. . . and more likely to get a bad deal on a home loan . . .

Share of high-cost home loans by race	Blacks 32%	Hispanics 20%	Whites 9%	Asians 6%
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. . . they are more likely to have bad credit . . .

Share of consumers with bad credit, incomes under \$25,000	Blacks 48%	Hispanics 39%	Whites 31%	Asians 22%
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. . . even at higher income levels.

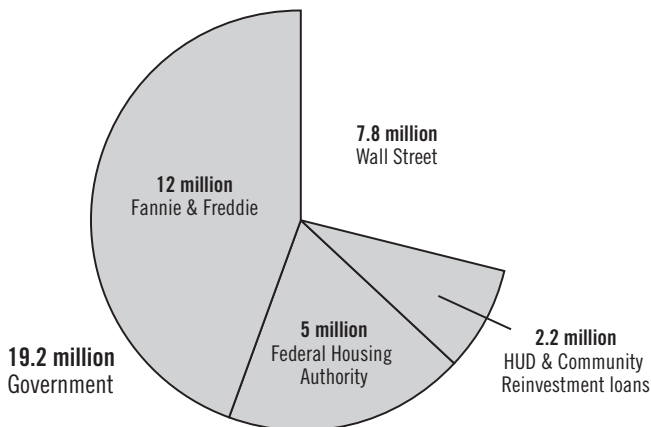
Share of consumers with bad credit, incomes \$65,000–\$75,000	Blacks 34%	Hispanics 27%	Whites 20%	Asians 12%
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Sources: Federal Reserve, Freddie Mac.

APPENDIX

WALL STREET DID IT?

Government accounts for more than two thirds of the 27 million risky subprime and other nonprime mortgages outstanding.



Sources: Edward Pinto, former chief Fannie credit officer; Peter Wallison, Financial Crisis Inquiry Commission member

BAD INFLUENCE

As HUD pressured Fannie and Freddie to underwrite more home loans for low-income and minority borrowers . . .

HUD affordable-housing goals, as a share of GSE mortgage purchases	
1995	30%
1996	40%
1997	42%
1998	42%
1999	42%
2000	42%
2001*	50%
2002	50%
2003	50%
2004	50%
2005	52%
2006	53%
2007	55%

* New Clinton HUD goals went into effect January 1, 2001, and extended through 2004.

Source: Federal Housing Finance Agency

. . . the mortgage giants relaxed their underwriting standards . . .

SHARE OF HOME LOANS PURCHASED WITH DOWN PAYMENT OF 5% OR LESS*

	FANNIE	FREDDIE
1997	3.3%	1.1%
2000	4.4%	6.1%
2004	14.1%	6.4%
2007	26.0%	19.3%

* Traditionally lenders require a minimum 20% down.

Sources: HUD Office of Policy Development and Research: "Profiles of GSE Mortgage Purchases in 1999 and 2000," April 2002; "The GSEs' Funding of Affordable Loans: A 2000 Update," April 2002; "Profiles of GSE Mortgage Purchases in 2001–2004," April 2008; "Profiles of GSE Mortgage Purchases in 2005–2007," September 2008

. . . and gobbled up almost half the market in subprime securities sold on Wall Street to satisfy HUD goals . . .

SUBPRIME MORTGAGE-BACKED SECURITIES PURCHASED BY FANNIE AND FREDDIE, IN BILLIONS

2002	\$38
2003	\$81
2004	\$176
2005	\$169
2006	\$110

Note: Pre-2002 totals unavailable.

Sources: Federal Housing Finance Agency, HUD, Office of the Federal Housing Enterprise Oversight

. . . triggering an explosion in overall subprime lending. . . .

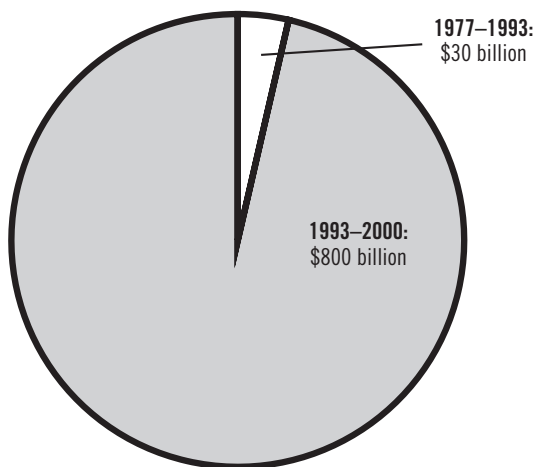
SUBPRIME LOAN ORIGINATIONS, IN BILLIONS

2000	\$126
2001	\$165
2002	\$204
2003	\$325
2004	\$513
2005	\$630
2006	\$591

Sources: HUD, Fannie Mae, Freddie Mac

CRA SHAKEDOWN

Through 2000, over 90 percent of all bank loans mandated under the Community Reinvestment Act of 1977 were made during the 8 years of the Clinton administration.



Source: Clinton Foundation, Center for Community Change

MORE RACE REGULATORS

Number of federal bank examiners continued to grow under Clinton after resolution of S&L crisis.

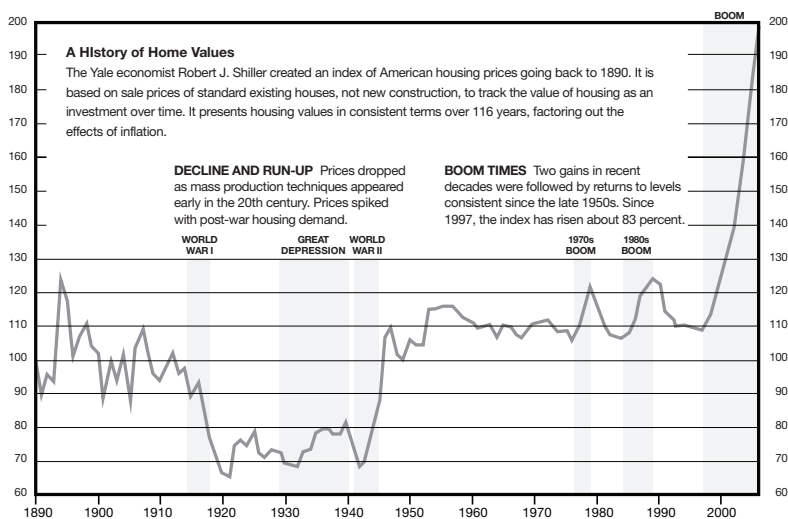
1979	4,669
1984	3,931
1990	5,577
1994	6,452

Note: Totals include FDIC, Federal Reserve, and Comptroller of the Currency.

Source: FDIC

BUBBA'S BUBBLE

Yale economist Robert J. Shiller created an index of American home prices going back to 1890. It presents housing values in consistent terms over 116 years, factoring out the effects of inflation. From 1997 to 2006, the index soared an unprecedented 83%.



“Irrational Exuberance,” Princeton University Press, 2006; *New York Times*

LATINO HOMEOWNERSHIP

Easy credit policies boosted Hispanic homeownership rate to record highs

1990	41.2%
1991	39.0
1992	39.9
1993	39.4
1994	41.2
1995 Clinton orders tough new bank anti-bias rules	42.1
1996 Clinton orders IRS to allow ITIN numbers in lieu of Social Security	42.8
1997	43.3
1998	44.7
1999	45.5
2000	46.3
2001	47.3
2002	47.0
2003 Bush signs law subsidizing immigrant down payments	46.7
2004	48.1
2005	49.5
2006	49.7
2007	49.7
2008	49.1
2009	48.4

Source: Census Bureau

REVERSAL OF FORTUNE

After Clinton pressured banks to ease lending rules for minorities in the mid-1990s, black homeownership rates shot up to record levels. The added demand fed the housing bubble, which eventually burst, sending rates tumbling back down.

Black homeownership rate	
1990	42.6%
1991	42.7
1992	42.6
1993	42.0
1994	42.3
1995 Clinton orders tough new bank anti-bias rules	42.7
1996	44.1
1997	44.8
1998	45.6
1999	46.3
2000 HUD pushes Fannie and Freddie into subprime market	47.2
2001	47.7
2002	47.4
2003	48.1
2004	49.1
2005	48.2
2006	47.9
2007	47.2
2008	47.4
2009	46.2

Source: Census Bureau

PROTECTION MONEY

Top recipients of Fannie and Freddie campaign donations, 1989–2008

1. Sen. Chris Dodd (D-CT)	\$133,900
2. Sen. John Kerry (D-MA)	\$111,000
3. Sen. Barack Obama (D-IL)	\$105,849
4. Sen. Hillary Clinton (D-NY)	\$75,550
5. Rep. Paul Kanjorski (D-PA)	\$65,500
6. Sen. Robert Bennett (R-UT)	\$61,499
7. Sen. Tim Johnson (D-SD)	\$61,000
8. Sen. Kent Conrad (D-ND)	\$58,991
9. Rep. Tom Davis (R-VA)	\$55,499
10. Sen. Kit Bond (R-MO)	\$55,400
11. Rep. Spencer Bachus (R-AL)	\$55,300
12. Sen. Richard Shelby (R-AL)	\$55,000
13. Rep. Rahm Emanuel (D-IL)	\$51,750
14. Sen. Jack Reed (D-RI)	\$50,750
15. Sen. Tom Carper (D-DE)	\$44,389
16. Rep. Barney Frank (D-MA)	\$40,100
17. Rep. Carolyn Maloney (D-NY)	\$38,750
18. Rep. Melissa Bean (D-IL)	\$37,249
19. Rep. Roy Blunt (R-MO)	\$36,500
20. Rep. Deborah Pryce (R-OH)	\$34,750
21. Rep. Gary Miller (R-CA)	\$33,000
22. Rep. Nancy Pelosi (D-CA)	\$32,750
23. Rep. Tom Reynolds (R-NY)	\$32,700
24. Rep. Steny Hoyer (D-MD)	\$30,500
25. Rep. Darlene Hooley (D-OR)	\$28,750

Note: Includes contributions from PACs and individuals. 2008 cycle totals based on data downloaded from the Federal Election Commission on June 30, 2008.

Source: FEC, Center for Responsive Politics

CRA REPORT CARD

After Clinton’s tougher CRA grading fully went into effect in 1997, the share of banks earning top scores on their CRA examinations plunged.

% receiving “Outstanding” CRA rating	
1995	24.3%
1996	26.5%
1997 CRA reforms take full effect	22.4%
1998	18.6%
1999	18.6%
2000	17.5%
2001	10.6%
2002	9.8%
2003	10.1%
2004	13.1%
2005	16.0%
2006	14.0%
2007	11.9%
2008	9.5%

Source: Federal Financial Institutions Examination Council