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Introduction and summary

The congressionally appointed and bipartisan Financial Crisis Inquiry Commission last month released its final report on the causes of the U.S. financial crises in the first decade of the 21st century.[1] This carefully researched report provides a balanced and thoughtful explanation of the causes of the recent financial crisis, blaming a range of policies implemented by both the Clinton administration and the Bush administration. Like the previous staff reports issued by the FCIC, this final report is excellent and well worth reading.[2]

Alas, this final report was issued only by a majority of the FCIC members, as the minority members released a dissent that concluded a narrower set of issues were the driving cause behind the financial crisis.[3] Notably, FCIC minority member Peter Wallison, a senior fellow at the American Enterprise Institute, a conservative think tank based in Washington, D.C., issued his own separate dissent.[4] Based on work done by his AEI colleague Edward Pinto, Wallison concludes federal affordable housing policies were the driving cause behind the financial crisis, causing a decline in underwriting standards that triggered the U.S. housing bubble.[5]

Wallison's conclusion that affordable housing policies were the proximate cause of the financial crisis is integrally based on the claim that "[a]s a result of [U.S. government housing] policies, by the middle of 2007, there were approximately 27 million subprime and Alt-A mortgages in the U.S. financial system—half of all mortgages outstanding—with an aggregate value of over $4.5 trillion."[6] How does Pinto come to these conclusions? Wallison succinctly summarizes Pinto's findings in a January 3, 2011, Wall Street Journal op-ed:

> *By 2008 half of all mortgages in the U.S.—27 million—were subprime and other high-risk loans. … Because of their affordable-housing requirements, [Fannie Mae and Freddie Mac] bore the risk of default on 12 million of these mortgages. The Federal Housing Administration (FHA) and other government agencies insured or held an additional five million. And banks under the Community Reinvestment Act, and other mortgage providers under a Department of Housing and Urban*

Development program, made another 2.2 million. Thus, more than 19 million subprime loans [out of 55 million total outstanding loans] were the responsibility of taxpayers, courtesy of the federal government's housing policies.[7]

As Wallison clearly indicates in his FCIC dissent, all of the data on the number of outstanding subprime and Alt-A mortgages outstanding, and their distribution, that he relies on to form his conclusions come from Pinto's research.[8] Pinto's findings also were widely circulated among the public and key policymakers.[9] Pinto's work also is cited by prominent conservatives, including U.C. Berkeley Haas Business School Professor Dwight Jaffee, New York University Professor Lawrence J. White, Columbia Business School Professor Charles Calomiris, Cato Institute Senior Fellow Richard Rahn, and Reuters columnist James Pethokoukis.[10]

Unfortunately, Pinto's research findings relied upon so heavily by Wallison and others are false. Pinto's work is based on a series of faulty assumptions and serious methodological flaws. Pinto's controversial conclusion that federal housing policies were responsible for 19 million high-risk mortgages is based on radically revised definitions for the two main categories of high-risk mortgages, subprime loans and so-called Alt-A mortgages, which refer to loans with low documentation of income and wealth. Importantly, these revised definitions are not consistent with how the terms subprime and Alt-A are used for data collection, as this paper will demonstrate.

As a result of his dramatically expanded new definitions that are not used by other leading scholars, Pinto's findings on the extent of subprime and Alt-A exposure are extreme outliers among mortgage market analysts. Pinto's claim that there were 26.7 million subprime and Alt-A loans outstanding (out of roughly 55 million total) as of June 30, 2008, is exponentially higher than other estimates. In a 2010 report, the nonpartisan Government Accountability Office, the research arm of Congress, found there were only 4.58 million subprime and Alt-A mortgages outstanding at the end of 2009, less than one-fifth of Pinto's estimate.[11]

Similarly, Pinto's claim that 19 million, or 72 percent of all "subprime" and "Alt-A" mortgages were attributable to federal affordable housing policies is far afield of the conclusions of other analysts. The claim is also difficult to reconcile with the actual data, which indicate the entire federal government (including Fannie and Freddie) owned or guaranteed only 32 percent of seriously delinquent loans despite holding 67 percent of all mortgages.[12] Pinto's claim that Fannie and Freddie were the primary driver of high-risk mortgages does not stand when the evidence is weighed accurately.

Because of Pinto's anomalous findings, Wallison largely elides over the role of so-called "private-label" mortgage-backed securities in causing the crisis despite the large amount of attention these financial instruments received elsewhere, including in the FCIC majority's report.[13] This private mortgage financing channel, which does not involve the federal government at all and was policed only minimally, generated only 13 percent of outstanding loans but was responsible for 42 percent of serious delinquencies.[14]

Pinto makes numerous other serious errors in his analysis. Case in point: In analyzing the influence of the Community Reinvestment Act, a 1977 antidiscrimination law that simply requires regulated banks and thrifts to lend nondiscriminatorily to low- and moderate-income borrowers and communities within the immediate geographic areas surrounding branch offices of a deposit-taking institution,[15] Pinto includes a large quantity of loans that were not required by CRA or any other equivalent law or regulation.[16] This mistake, coupled with some unsupported assumptions about the riskiness of CRA loans, produces a shockingly high estimate of 2.24 million "subprime" and "high-risk" loans attributable to CRA. This compares to a finding of 378,000 CRA-eligible loans originated during the housing bubble by other leading researchers.[17]

Pinto also wrongly blames the affordable housing goals of Fannie and Freddie for the origination of Alt-A loans, which under his analysis account for 65% of the "high risk" mortgages attributable to Fannie and Freddie. In fact, these Alt-A loans (either according to the normal usage of "Alt-A" or Pinto's newly invented definition of "Alt-A") would not have qualified for the affordable housing goals.

As this paper will demonstrate, these and many other similar methodological flaws are fundamentally embedded in Pinto's research, making his conclusions fundamentally unreliable and essentially useless for the purpose of understanding either the causes of the housing bubble or the high rates of delinquencies that have occurred during the housing downturn. Yet based in large part on the inaccurate and misleading data peddled by Pinto, many policymakers are advocating inapt and often counterproductive solutions to the financial crisis.

This paper is designed to set the record straight on the following specific claims by Pinto that are either wrong or grossly distorted, and to highlight the extremely shaky foundation for the argument found in Wallison's FCIC dissent that federal affordable housing policies caused the financial crisis.

Pinto's claims about high-risk mortgages

Pinto claims that 26.7 million outstanding loans are subprime or Alt-A, and that 72 percent of these are attributable to the federal government

The argument put forth in Peter Wallison's dissent is critically based on the following findings of Edward Pinto. First, that as of June 30, 2008, there were 26.7 million subprime and Alt-A mortgages outstanding (out of 55 million total mortgages). And second, that 19.252 million of these were the responsibility of Fannie Mae, Freddie Mac, the Community Reinvestment Act, and other federal programs designed to boost affordable housing.[18]

These two findings are the main foundation for Wallison's overall argument that it was the government's affordable housing policies—rather than flawed risk management and regulatory lapses across the financial system—that caused the global financial crisis.[19]

Pinto's estimate that there are 26.7 million outstanding subprime and Alt-A loans is atypical

Pinto's estimate that there are 26.7 million subprime and Alt-A loans outstanding (roughly half of all outstanding loans) is an enormous outlier among analysts.[20] The nonpartisan Government Accountability Office found that as of December 31, 2009, there were only 4.58 million outstanding subprime and Alt-A loans out of roughly 55 million total loans.[21] In other words, Pinto's estimate of subprime and Alt-A exposure throughout the mortgage system is more than five times greater than the GAO's estimate.

Pinto's claim that half of all mortgages are "high risk" does not correspond with mortgage delinquency data

As then-Federal Housing Finance Agency Director James Lockhart noted, as of March 31, 2009, there were roughly 55 million total mortgages outstanding, of which only 3.9 million (7 percent) were in serious delinquency.[22] Given that we experienced a 30 percent peak-to-trough national home price drop amid persistently high unemployment, a 7 percent delinquency rate appears to be completely inconsistent with Pinto's claim that half of all mortgages are "high risk."[23]

Pinto's finding that 72 percent of all "high-risk" mortgages are attributable to the federal government is inconsistent with the actual distribution of delinquent loans

Pinto claims that of the 26.7 million "subprime" and "Alt-A" loans outstanding, 19.252 million of them—72 percent—were held, guaranteed, or (in the case of the Community Reinvestment Act) required by government entities or policies, including Fannie Mae, Freddie Mac, Ginnie Mae, and the Federal Housing Administration.[24]

But as FHFA Director Lockhart points out, of the 3.9 million loans in serious delinquency as of March 31, 2009, only 32 percent of seriously delinquent loans were attributable to the federal government, despite the fact that the federal government owned or guaranteed 67 percent of all outstanding mortgages.[25] If the government truly held three-quarters of all high-risk mortgages, one would expect to see its share of mortgage delinquencies at a roughly equivalent level. Conversely, private-label securitization, which Wallison and Pinto essentially ignore, was responsible for 42 percent of all serious delinquencies, despite only generating 13 percent of all outstanding loans. These data appear to clearly contradict the findings of Pinto and Wallison.

TABLE 1

Pinto's misplaced calculations

Pinto's presentation of federal government or federal agency contributions to subprime and Alt-A mortgage exposure as of June 30, 2008

Table or section with detail	Subprime and Alt-A loans	$ in billions	Number of loans in millions
Table 2	Fannie	$1,077	7.026
Table 3	Freddie	$758	4.913
Section E	FHA/VA/Rural housing	$537	4.76
Section F	FHLB	$50	0.313
Section G	CRA and HUD program loans	$312	2.24
	Total federal contribution to subprime and Alt-A	$2,734	19.252
	Total subprime and Alt-A	$4,622	26.7

Source: Edward J. Pinto, "Sizing Total Federal Government and Federal Agency Contributions to Subprime and Alt-A Loans in U.S. First Mortgage Market as of 6.30.08," Exhibit 2, p. 4.

Taking a closer look at Pinto's numbers

How do Wallison and Pinto arrive at the conclusion that there are 26.7 million outstanding subprime and Alt-A loans, of which 19.252 million are attributable to the federal government? Table 1 illustrates Pinto's distribution of subprime and Alt-A loans.

According to Pinto's calculations, 11.939 million subprime and Alt-A loans (44.7 percent) are attributable to Fannie Mae and Freddie Mac; 4.760 million (17.8 percent) are attributable to the Federal Housing Administration, the Department of Veterans Affairs, and Rural Housing programs; 0.313 million are attributable to the Federal Home Loan Banks (1.2 percent); 2.24 million are attributable to the Community Reinvestment Act and an analogous program at the Department of Housing and Urban Development (8.4 percent); and the remainder, 7.448 million (27.9 percent), are attributable to nongovernmental sources.[26]

Let's delve into each of these claims in turn.

Pinto claims that 11.939 million subprime and Alt-A mortgages are attributable to the affordable housing goals of Fannie Mae and Freddie Mac

One of the most controversial (and most cited) aspects of Pinto's research, which is a major pillar of Wallison's FCIC dissent, is the conclusion that because of their affordable housing requirements, Fannie Mae and Freddie Mac, as of June 30, 2008, held or guaranteed a total of $1.835 trillion (approximately 12 million loans) in subprime and Alt-A loans.[27]

In fact, these eye-popping claims about the extent to which Fannie and Freddie held subprime and Alt-A exposure are based on the inclusion of a high number of loans that are not categorized as either subprime or Alt-A, but which fall instead into categories invented by Pinto—"subprime by characteristic" and "Alt-A by characteristic."[28]

Pinto's invented definitions for "subprime" and "Alt-A" are starkly inconsistent with how those terms are actually used in data research

Pinto creates new definitions for the terms "subprime" and "Alt-A," based on the claim that existing classifications inadequately capture the "objective risk characteristics" of "subprime" and "Alt-A" mortgages. Whether or not Pinto's criticism is accurate, his newly invented definitions are totally inconsistent with how the terms "subprime" and "Alt-A" are actually used in any research efforts, particularly when it comes to loan performance.[29]

According to Pinto's analysis, $1.146 trillion—62.5 percent—of the "subprime" and "Alt-A" loans he claims are attributable to Fannie and Freddie are not actually subprime or Alt-A as those terms are used in any research, but fall into Pinto's newly invented definitions of "subprime by characteristic" and "Alt-A by characteristic."[30]

To be clear, "subprime by characteristic" and "Alt-A by characteristic" are terms that are not used by any other analysts, let alone incorporated into any actual research into the loan performance or distribution of subprime and Alt-A loans.

Pinto's newly invented definitions for "subprime" loans default at a much lower rate than actual subprime loans

Pinto justifies the creation of his new categories of "subprime by characteristic" and "Alt-A by characteristic" by claiming these categories better capture the "objective risk characteristics" of certain "high-risk" loans that should be considered subprime but are not currently categorized as such.[31] But looking at the delinquency rates of these "subprime by characteristic" and "Alt-A by characteristic" loans, it is clear they shouldn't be considered equivalent to subprime.

In fact, these newly minted "high-risk" loans perform much more similarly to so-called conforming loans (the prime mortgages that everyone, including Wallison and Pinto, agree are safe) than they do to actual subprime loans.

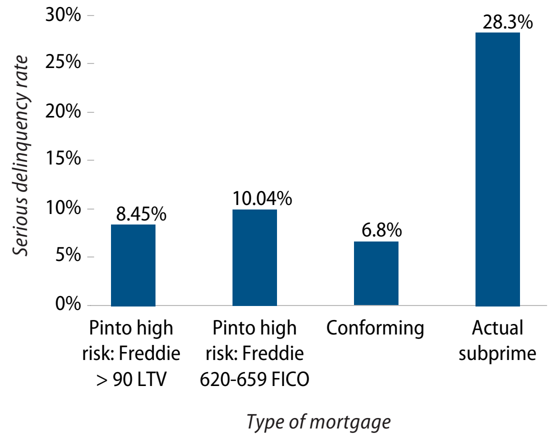
Pinto defines "subprime by characteristic" to include all conventional loans made to borrowers with FICO credit scores between 620 and 660, and "Alt-A by characteristic" to include all loans with a cash down payment of less than 10 percent.[32] As of the second quarter of 2010, these types of mortgages held by Freddie Mac defaulted at a rate of 10.04 percent and 8.45 percent, respectively.[33] This appears high until one compares this to the 6.8 percent serious delinquency rate of conforming mortgages—loans Pinto does not categorize as "high risk."[34] In contrast, actual subprime mortgages, which are universally designated as high risk, had a serious delinquency rate of 28.3 percent.[35] (see Figure 1)

It is worth noting here that many types of mortgages are suffering historically high delinquency rates, as would be expected during a time of 30 percent peak-to-trough housing price declines amid persistently high unemployment. Indeed, prime conforming mortgages, which are experiencing a 6.8 percent serious delinquency rate today, saw less than a 1 percent serious delinquency rate in 2000. That said, it's clear that actual subprime loans are suffering exponentially greater delinquencies than prime conforming loans, or Pinto's new categories of "high-risk" loans.

FIGURE 1

The real data on delinquent mortgages

Delinquency rates on Pinto high-risk loans vs. conforming and actual subprime loans, Q2 2010



Source: Mortgage Bankers Association, "National Delinquency Survey Q2 2010" (2010).

Because Pinto essentially created his own proprietary definition of "subprime" and "Alt-A" loans there is understandably confusion among those who have cited Pinto's research in using these terms. For instance, at a recent AEI event, Wallison, who has consistently used Pinto's definitions of subprime and Alt-A, stated that "subprime" mortgages have a 25 percent delinquency rate.[36] In fact, Wallison appears to have been citing the delinquency rates of actual subprime mortgages.[37] As Pinto himself finds, the delinquency rates associated with Pinto's expanded definition of "subprime" are much lower.[38]

Thus, not only do Pinto's expanded definitions not actually describe "high-risk" loans but they confuse the public by creating misleading conclusions based on invented definitions.

The vast majority of the "high-risk" mortgages Wallison and Pinto attribute to Fannie and Freddie would not qualify for the affordable housing goals

In addition to the problems with their expanded definitions of "subprime" and "Alt-A," Wallison and Pinto incorrectly interpret the affordable housing goals for Fannie Mae and Freddie Mac, and as a result, roughly 65 percent of the "high-risk" loans they attribute to the affordable housing goals were actually ineligible for the goals.

Fannie and Freddie have long had affordable housing goals in place as part of their chartered status. These goals require that a certain percentage of Fannie and Freddie's total mortgage activity be targeted to very low-, low-, and moderate-income households.[39]

Alt-A loans do not typically qualify for the affordable housing goals because they are generally high-balance, higher-income, high-credit-score mortgages that are classified as "Alt-A" because they do not document income or assets.[40] Given the income characteristics of these types of borrowers, these loans actually dilute the affordable housing ratios of Fannie and Freddie, making it harder for them to meet these goals.

Similarly, Pinto's "Alt-A by characteristic" category, which by definition only includes loans made to borrowers with FICO scores higher than 660, encompasses loans that are generally made to higher-income borrowers.[41] As with Alt-A loans, these loans would typically not qualify for the affordable housing goals of Fannie and Freddie and would actually make it harder for them to meet their goals by diluting their affordable housing ratios.

These two categories of Alt-A and "Alt-A by characteristic" account for $1.2 trillion, or 65 percent of the total amount of "high-risk" loans that Pinto attributes to Fannie and Freddie.[42] Obviously, this has the effect of greatly inflating the number of "risky" loans attributed to the affordable housing goals.

Mortgages originated for Fannie and Freddie securitization defaulted at a fraction of the rate of those originated for "private-label" securitization

Of the $1.2 trillion in "high-risk" mortgages Pinto attributes to Fannie and Freddie, 90 percent of these were loans originated for Fannie and Freddie securitization (with the other 10 percent being mortgage-backed securities they purchased for their own investment portfolio).[43]

In fact, mortgages originated for Fannie and Freddie securitization have performed far better than those originated for "private-label" securitization—even when controlling for all other factors such as the fact that Fannie and Freddie did not securitize subprime loans. Overall, private-label mortgages that were packaged and securitized defaulted at more than six times the rate of those originated for Fannie and Freddie securitization.[44]

Moreover, Pinto's analysis ignores the high degree of riskiness of mortgages originated for private-label securitization, which was responsible for 84 percent of all actual subprime mortgages.[45] Despite the fact that private-label securitization is responsible for only 13 percent of outstanding mortgages, it accounts for a whopping 42 percent of all serious delinquencies.[46]

The Pinto/Wallison claim that the affordable housing goals for Fannie and Freddie were responsible for 12 million subprime and Alt-A loans doesn't add up

Pinto invents his own hugely expansive definitions for "subprime" and "Alt-A" loans, which has the effect of jacking up the number of subprime and Alt-A loans he attributes to Fannie and Freddie. These sweeping new definitions do not appear justified based on the delinquency rate data.

Moreover, Pinto's analysis completely ignores the fact that loans made to higher-income borrowers do not qualify for the affordable housing goals. As a result, Pinto improperly counts an enormous number of loans made to higher-income borrowers, which would not have qualified for the affordable housing goals for Fannie and Freddie.

If we subtract the improper inclusion of Pinto's newly invented categories of loans, as well as the erroneous attribution of Alt-A loans to the affordable housing goals, we are left with a total of $118 billion in actual high-risk loans that might theoretically have been prompted by the affordable housing goals.[47]

To be clear, Fannie and Freddie have suffered large losses, and much of this, as Pinto points out, is due to their taking on higher-risk mortgages. But Pinto's broad expansion of the terms "subprime" and "Alt-A" is confusing and does not appear justified by the delinquency data. Moreover, Pinto's core claim—that Fannie and Freddie were taking on additional risk because of their affordable housing goals—is untenable. Pinto's findings are far more consistent with the idea that Fannie and Freddie were seeking to enhance their profits than they are with the claim that the two institutions were driven by affordable housing policies.

Pinto claims that 4.760 million subprime and Alt-A mortgages are attributable to federal agencies or programs

Pinto claims the Federal Housing Administration, the Department of Veterans Affairs, and Rural Housing programs are responsible for 4.760 million subprime or Alt-A loans (with an outstanding loan balance of $537 billion).[48] To get to these results, Pinto uses the following logic:

For the period in question, approximately 83 percent of FHA loans consisted of high Original LTV [loan-to-value] lending (Original LTV>90 percent) and approximately 70 percent had a FICO <660. Given these high percentages it is highly probable that at least 90 percent of FHA loans have one of these two characteristics. While similar data is not available for … VA and rural housing loan programs, I believe that at least 60 percent of these loans also have one of these two characteristics.[49]

As with their calculations in other areas, Pinto's analysis of FHA loans is fatally flawed by his anomalous expansion of the terms "subprime" and "Alt-A." These problems are further exacerbated by the use of odd and unsupported assumptions.

As with Fannie and Freddie, none of the loans Pinto attributes to FHA and VA is actually subprime or Alt-A

Notably, none of the FHA and VA loans that Pinto describes as "subprime" or "Alt-A" are actually subprime or Alt-A, as those terms are used in data analysis. Pinto uses his invented "subprime by characteristic" (loans made to borrowers with FICO scores less than 660) and "Alt-A by characteristic" (loans with a loan-to-value ratio of more than 90 percent) definitions to reach his conclusions about FHA and VA (Pinto does not actually include rural housing loans in his analysis).[50]

The delinquency rates do not justify Pinto's description of FHA loans as "high risk" or subprime equivalent

As with Fannie and Freddie, Pinto's creation of broadly expanded new definitions for "subprime" and "Alt-A" loans might be justified if, as he claims, they better captured the objective risk characteristics of these "high-risk" loans.[51] But as with Fannie and Freddie, the delinquency data do not justify Pinto's invention of new definitions of "subprime" and "Alt-A" loans.

FHA loans as a whole have defaulted at an exponentially lower rate than actual subprime mortgages. As of the second quarter of 2010, FHA loans had a serious delinquency rate of 8.4 percent, as compared to 28.3 percent for actual subprime loans and 6.8 percent for prime conforming loans.[52] (see Figure 2)

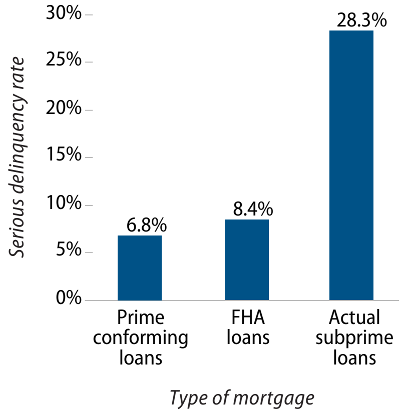
Pinto also makes an unsupported assumption that 90 percent of FHA and VA loans are "high risk".[53] Given the comparatively low delinquency rates for FHA and VA loans, Pinto's assumption is difficult to understand. Once again, Pinto's invented "subprime" and "Alt-A" categories look closer to prime loans than actual subprime loans.

It is worth noting once more that all of these delinquency rates, including for "conforming loans" that are generally considered safe, are at historical highs, yet it does not appear that Pinto's claim that 90 percent of FHA loans are equivalent to subprime is consistent with the delinquency data.

FIGURE 2

The real story about delinquency rates

FHA loans vs. conforming and subprime loans, Q2 2010



Source: Mortgage Bankers Association, "National Delinquency Survey Q2 2010" (2010).

Pinto claims that 2.24 million subprime and Alt-A mortgages are attributable to the Community Reinvestment Act

Perhaps the most popular of Wallison and Pinto's claims about the mortgage crisis among conservatives is their contention that lending required by the Community Reinvestment Act was responsible for the origination of 2.24 million subprime and Alt-A mortgages (representing $312 billion in outstanding loan balance).[54]

As he does for "subprime" and "Alt-A" loans, Pinto invents a new definition of Community Reinvestment Act lending, pulling into his calculations a massive number of loans and investments that could not reasonably be attributed to CRA. In stark contrast to Pinto's claim that there were 2.24 million outstanding subprime and Alt-A loans originated because of CRA, the University of North Carolina's Center for Community Capital has found that only 378,000 of the subprime and other high-risk loans originated between 2004 and 2006 were eligible for CRA credit.[55]

Pinto also assumes that all CRA-eligible lending is done because of CRA, a dubious assumption he fails to support. Perhaps most problematic, Pinto includes a large amount of loans that were originated by institutions not even subject to CRA regulation, which he calls "CRA-like" loans, under the tenuous theory that voluntary, nonbinding "commitments" to do community-based lending were equivalent to CRA.

It is important to note that under Pinto's expanded definition, literally all low- and moderate-income lending, as well as a good deal of other lending and investment activities, qualify as "CRA loans." This definition does not, however, tell us anything about whether or to what extent CRA caused these loans to be made, making the value of Pinto's research in this area essentially meaningless.

So let's delve into these numbers here.

Pinto's "CRA commitments" include a huge amount of loans and investments outside the scope of CRA

Pinto calculates how much lending was motivated by CRA by adding up the "CRA commitments" announced by various banks and thrifts.[56] To be fair to Pinto, it is difficult to calculate how much CRA-eligible lending was done. However, this method is flawed. In fact, these "CRA commitments" were typically "community-lending" announcements that touted the company's total community lending, including small-business loans and investments in minority communities, and other categories of lending and investment.[57]

CRA simply requires regulated banks and thrifts to lend nondiscriminatorily to low- and moderate-income borrowers and communities within limited assessment areas—the immediate geographic areas surrounding branch offices of a deposit-taking institution.[58] The community-lending announcements relied upon by Pinto to calculate "CRA lending" include a large amount of voluntary lending and investment activity that fall outside the scope of CRA or any equivalent requirement. They also include a large amount of low- and moderate-income lending done by the nonbank affiliates and subsidiaries of banks and thrifts, to which CRA does not apply.

Pinto also counts loans originated by lenders not subject to CRA

Just as he does with "subprime" and "Alt-A" mortgages, Pinto expands the scope of the term "CRA loan" to include mortgages that fall far outside its accepted meaning. Specifically, he creates a new category of "CRA-like" loans, which includes loans and investments by lenders that are totally exempt from CRA.[59] In fact, 37 percent of Pinto's calculation of CRA's impact comes from "CRA-like loans" originated by Countrywide, a major subprime mortgage lender during the housing bubble that was not subject to CRA.[60]

Pinto justifies this redefinition of the scope of CRA by arguing these Countrywide loans were announced as part of a voluntary, nonbinding "commitment" made with the Department of Housing and Urban Development.[61] Pinto overlooks the public relations value of Countrywide making this voluntary, nonbinding announcement as well as the possibility that it was already planning to make these loans to low- and moderate-income borrowers, and simply assumes the existence of CRA somehow managed to convince Countrywide to opt into a similar, albeit nonbinding, regime.

Implicit in this methodological flaw is a larger problem with Pinto's argument: He repeatedly assumes that lending to low- and moderate-income borrowers could only have been prompted by government regulations, laws, and policies. As a result, Pinto continues to reject the idea that unregulated private lenders made these loans (often crowding out actual CRA lenders) because it was profitable, particularly if they could sell the loan to a securitization conduit that did not do sufficient due diligence on the credit risk of the loan.

By conflating community lending with CRA lending and improperly including "CRA-like" loans into his count, Pinto drastically inflates the number of CRA-eligible loans. Pinto claims that there were 2.24 million outstanding subprime and Alt-A loans originated because of CRA. This is in sharp contrast to other findings. As noted earlier, the highly respected University of North Carolina's Center for Community Capital has found that only 378,000 of the subprime and other high-risk loans originated between 2004 and 2006 were eligible for CRA credit.[62]

Pinto assumes that all lending to low- and moderate-income borrowers was the result of CRA

Pinto makes the further error of assuming that all CRA-eligible lending is the result of CRA.[63] Even if one ignores the serious problems with Pinto's CRA research and accepts at face value his contention that there were 2.24 million "high-risk" loans eligible for CRA, it is impossible to get to Pinto's conclusion that CRA was responsible for all 2.24 million of these loans, unless one assumes there would be no community lending whatsoever in the absence of CRA or some other equivalent law or regulatory requirement. Pinto does not provide any support for this tenuous assumption. In fact, the Federal Reserve found that most CRA-eligible lending would have been done regardless, and that only 17 percent of such lending was actually prompted by the law.[64]

Pinto's assumption that 60 percent of CRA loans were "high risk" is unsupported and contrary to other findings

Pinto's analysis assumes, without justification, that 60 percent of CRA loans fall into his "subprime by characteristic" or "Alt-A by characteristic" categories.[65] Ignoring the above outlined problems with Pinto's invented definitions of "subprime" and "Alt-A," this assumption seems highly unfounded for another reason as well. Other estimates of the number of high-risk loans generated by CRA have generally been a fraction of Pinto's estimates. The University of North Carolina's Center for Community Capital, for example, finds that less than 12 percent of CRA-covered loans, roughly 367,000, were higher risk.[66]

Pinto's assertion is also undermined by the actual delinquency rates of loans originated for CRA purposes. Research by other analysts demonstrates that CRA loans, made to equivalent borrowers, have outperformed non-CRA loans by about 60 percent to 70 percent.[67]

Clearly, Pinto makes a high degree of unsupported methodological assumptions to support his essentially ideological conclusion that it was affordable housing goals that caused the financial crisis. Beyond that, however, his conclusions are inconsistent with the actual events that occurred in the past decade. Let's now explore these problems with this research.

Pinto's conclusions fail to correspond with external events

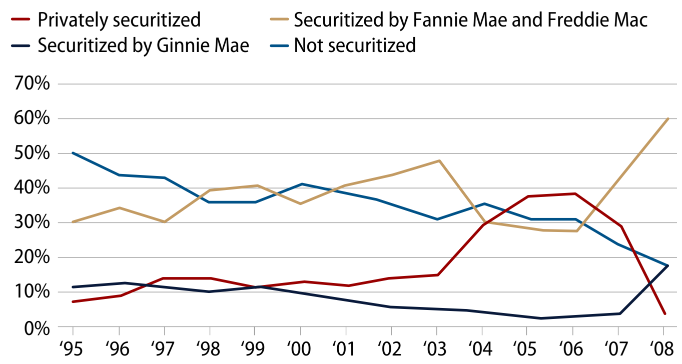
The first fact Pinto cannot explain away is that the share of mortgages securitized by Fannie Mae and Freddie Mac as well as mortgages originated by CRA-regulated institutions dropped precipitously while private-label securitization spiked. From 2003 to 2006, a key period when many of the riskiest mortgages were originated and house-price appreciation was soaring, Fannie Mae and Freddie Mac experienced a precipitous dip in their market share, going from 57.6 percent of the mortgage market in 2003 to 37.4 percent in 2006.[68]

Similarly, the share of CRA-regulated institutions experienced a significant decline as well.[69] Over this same time period, the market share of private-label mortgage-backed securities issuers grew from roughly 8 percent to 12 percent in 2003 to 38 percent in 2006.[70]

FIGURE 3

Wall Street led the charge

Share of total residential mortgage originations



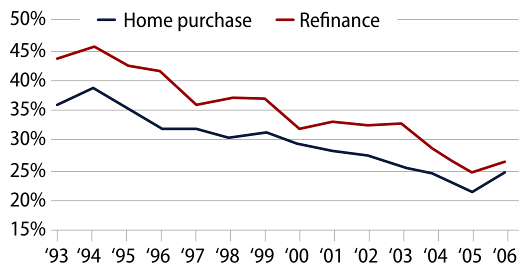
Source: Financial Crisis Inquiry Commission (2010).

It is hard to understand his claim that Fannie Mae, Freddie Mac, and CRA were the prime culprits in the financial crisis when their activity was heavily muted during the run-up to the financial crisis. (see Figures 3 and 4)

FIGURE 4

The Community Reinvestment Act did not cause the housing crisis

Share of all loans made within CRA assessment areas



Source: Kevin Park (2008).

Pinto's conclusions fail to explain contemporaneous credit bubbles around the world

Pinto's conclusions also fail to explain contemporaneous credit crises in Great Britain, Iceland, Ireland, Spain, and Denmark, none of which has government institutions analogous to Fannie Mae, Freddie Mac, or Ginnie Mae, or policies analogous to CRA. These countries experienced major bubble-bust cycles, with their sovereign governments providing major bailouts to their banking systems as a result.

Similarly, Pinto's conclusions are inconsistent with the relative success of Canada, which does have an institution similar to Fannie/Freddie/Ginnie (the Canada Mortgage and Housing Corporation), antidiscrimination lending policies analogous to CRA, and high levels of government support in the mortgage markets.[71] Bolstering the mainstream narrative that it was unregulated private lending that drove the housing bubble, Canada, unlike the United States and many other countries that experienced a recent housing bubble, did not have a major surge in unregulated lending and new product types, as private-label securitization remained negligible throughout the 21st century.[72] As Wallison and Pinto's colleague, AEI Visiting Scholar Mark Perry, has stated, Canada may be a "model for banking reform in the United States."[73]

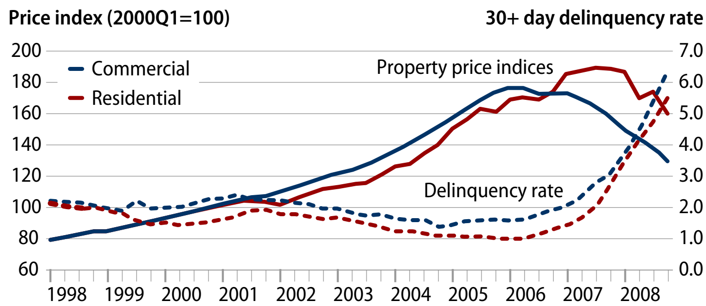
Pinto's conclusions fail to explain contemporaneous credit bubbles in commercial real estate or other asset classes

Pinto's conclusions also fail to explain why commercial real estate, which was not subject to any government affordable housing policies, has experienced a nearly identical, and potentially much worse, bubble-bust cycle as residential real estate.[74] Commercial real estate prices have dropped by roughly 40 percent from peak to trough and analysts warn that delinquencies in the commercial real estate market could ultimately result in losses greater than in residential real estate, despite the fact that total commercial mortgage debt is only one-third the size of residential mortgage debt.[75] (see Figure 5)

FIGURE 5

Commercial vs. residential real estate bubbles

Property bubble-bust in commercial real estate happened when affordable housing goals were inapplicable but securitization was rampant



Conclusion

It is unfortunate that the analysis of Edward Pinto appears to have been such a strong factor in FCIC Commissioner Peter Wallison's decision to veer away from the evidence. While the numbers offered by Pinto's analysis of subprime and Alt-A mortgage origination appear to tell a convincing story, they are based on a foundation of serious errors and leaps in logic that do not hold up to any semblance of rigorous analysis.

In the coming months, Congress and the Obama administration will be grappling with how to reform the two mortgage finance giants, Fannie Mae and Freddie Mac, relying in part on the conclusions of the majority of the Financial Crisis Inquiry Commission members. While there are many lessons we should be taking away from the failures of these two government-sponsored enterprises—including the problems with implicit government guarantees at private for-profit firms—it would be unfortunate if policymakers relied on Peter Wallison's claim that federal affordable housing policies caused the financial crisis, since this is based so extensively on the fundamentally flawed research of Edward Pinto.

Endnotes

1 Keith Hennessey, Douglas Holtz-Eakin, and Bill Thomas, "Dissenting Statement: Causes of the Financial and Economic Crisis," January 27, 2011, available at http://c0182732.cdn1.cloudfiles.rackspacecloud.com/fcic_final_report_hennessey_holtz-eakin_thomas_dissent.pdf.

2 Financial Crisis Inquiry Commission, "Reports and Fact Sheets," available at http://www.fcic.gov/resource/reports.

3 Republican Commissioners on the Financial Crisis Inquiry Commission, "Financial Crisis Primer," December 15, 2010, available at http://www.aei.org/docLib/FinancialCrisisPrimer.pdf.

4 Peter J. Wallison, "Dissent from the Majority Report of the Financial Crisis Inquiry Commission" (Washington: American Enterprise Institute, 2011), available at http://www.aei.org/docLib/Wallisondissent.pdf.

5 Ibid.

6 Wallison, "Dissent."

7 Peter J. Wallison, "Moving Beyond Fannie and Freddie," *The Wall Street Journal*, January 3, 2011, *available at* http://online.wsj.com/article/SB10001424052748704353504575596872063967914.html.

8 Wallison, "Dissent."

9 See, for example: Wallison, "Dissent;" Edward J. Pinto, Testimony before the House Committee on Oversight and Government Reform, December 9, 2008, available at http://www.aei.org/docLib/20090116_kd4.pdf.

10 Dwight Jaffee, "Reforming the U.S. Mortgage Market Through Private Market Incentives," prepared for presentation at Past, Present, and Future of the Government Sponsored Enterprises, Federal Reserve Bank of St. Louis, Nov. 17, 2010, p. 6, available at http://www.fcic.gov/documents/view/1701; Viral Acharya and others, *Guaranteed to Fail: Fannie Mae, Freddie Mac, and the Debacle of Mortgage Finance* (Princeton, NJ: Princeton University Press, forthcoming); Peter J. Wallison and Charles W. Calomiris, "The Last Trillion-Dollar Commitment" (Washington: American Enterprise Institute, 2008), available at http://www.aei.org/outlook/28704; Richard W. Rahn, "What Caused the Financial Crisis," *The Washington Times*, November 15, 2010, available at http://www.washingtontimes.com/news/2010/nov/15/what-caused-the-financial-crisis/; James Pethokoukis, "Six ways government helped caused the financial crisis," Reuters, December 22, 2010, available at http://blogs.reuters.com/james-pethokoukis/2010/12/22/six-ways-government-helped-cause-the-financial-crisis/ (citing Pinto's unique claim that "government entities had purchased, guaranteed, or compelled the origination of 19 million of the 27 million total U.S. subprime and Alt-A mortgages outstanding").

11 Government Accountability Office, "Nonprime Mortgages: Analysis of Loan Performance, Factors Associated with Defaults, and Data Sources," GAO-10-805, Report to the Joint Economic Committee, United States Congress, August 2010, available at http://www.gao.gov/new.items/d10805.pdf.

12 James B. Lockhart, "The Roles of Fannie Mae, Freddie Mac, and the Federal Home Loan Banks in Stabilizing the Mortgage Market," Speech to the National Association of Real Estate Editors, Washington, D.C., June 18, 2009, available at http://www.fhfa.gov/webfiles/2919/Lockhart_Speech_to_National_Association_of_Real_Estate_Editors-06-18-09.pdf.

13 Financial Crisis Inquiry Commission, "Conclusions of the Financial Crisis Inquiry Commission" (2011), available at http://c0182732.cdn1.cloudfiles.rackspacecloud.com/fcic_final_report_conclusions.pdf.

14 Lockhart, "The Roles of Fannie Mae."

15 "CRA Did Not Cause the Foreclosure Crisis," available at http://www.ccc.unc.edu/cra.php (last accessed January 2011).

16 Edward J. Pinto, "Sizing Total Federal Government and Federal Agency Contributions to Subprime and Alt-A Loans in U.S. First Mortgage Market as of 6.30.08," Exhibit 2, available at http://www.aei.org/docLib/Pinto-Sizing-Total-Federal-Contributions.pdf.

17 "CRA Did Not Cause the Foreclosure Crisis."

18 Edward J. Pinto, "Government Housing Policies in the Lead-up to the Financial Crisis: A Forensic Study," November 4, 2010, available at http://www.aei.org/docLib/Government-Housing-Policies-Financial-Crisis-Pinto-102110.pdf; Pinto, Exhibit 2, p. 4. To make his case that it was affordable housing policies, rather than other factors such as a profit motive or poor regulatory oversight, that drove the allegedly high concentration of "high-risk" mortgages among federal agencies, Pinto relies primarily on rhetorical examples. He does not use data to illustrate a cause-and-effect basis between affordable housing policies and the origination of "high-risk" mortgages. See: Pinto, "Government Housing Policies."

19 Pinto also fails to articulate the linkage between the U.S. housing crisis and the broader global financial crisis. For example, Pinto's argument does not address how government housing policies were implicated in the AAA ratings of private-label mortgage-backed securities, the problems in the U.S. commercial real estate market, the failures of Lehman Brothers or AIG international, the illiquidity in the overnight repo markets, or any number of other issues that most observers would mark as critical to understanding the nature of the financial crisis we recently experienced. For a better understanding of some of the issues raised by this crisis, see, for example: Gary Gorton, "Slapped in the Face by the Invisible Hand: Banking and the Panic of 2007," May 9, 2009, available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1401882.

20 While Pinto's original claim that there are 26.7 million subprime and Alt-A mortgages outstanding, of which 19.252 million are attributable to the federal government, was made as of June 30, 2008, he has repeatedly used this claim in the present tense, most recently on January 11, 2011. See: Peter J. Wallison, Alex J. Pollock, and Edward Pinto, "Taking the Government Out of Housing Finance: Principles for Reforming the Housing Finance Market" (Washington: American Enterprise Institute, 2011), available at http://www.aei.org/paper/100189. Following Pinto's usage of these particular claims, I will also refer to them in the present tense.

21 GAO, "Nonprime Mortgages."

22 Lockhart, "The Roles of Fannie Mae."

23 Pinto has stated that there are currently 26.7 million or so "high-risk" mortgages outstanding on numerous occasions, most recently on January 20, 2011. See: Wallison, Pollock, and Pinto, "Taking the Government Out of Housing Finance." This claim appears to refer to Pinto's conclusion that there were 26.7 million "subprime" and "Alt-A" loans outstanding as of June 30, 2008. See: Pinto, Exhibit 2, p. 4.

24 Pinto, Exhibit 2, p. 4.

25 Lockhart, "The Roles of Fannie Mae."

26 The Department of Veterans Affairs was formerly known as the Veterans Administration, and is frequently referred to as VA.

27 Wallison, "Dissent"; Pinto, Exhibit 2, p. 5–9. Pinto estimates that Fannie Mae had a total of $1.077 trillion in total exposure (p. 5) and that Freddie Mac had a total of $758 billion in total exposure (p. 8) to subprime and Alt-A mortgages.

28 Since the mid-1990s, the financial services industry has generally used the term "subprime" to describe nongovernmental loans that offer higher risk and thus higher rates of return. See: Pinto, Exhibit 2, p. 2–3.

29 For example, the nonpartisan GAO and the Federal Housing Finance Agency, the primary regulator of the GSEs, along with virtually all other objective analysts use standard industry definitions of "subprime" and "Alt-A," with only minor variations. See: GAO, "Nonprime Mortgages"; Federal Housing Finance Agency, "Conservator's Report on the Enterprises' Financial Performance, Third Quarter 2010,", available at http://www.fhfa.gov/webfiles/19585/Conservator%27s_Report112910.pdf. Data on the performance of subprime or Alt-A loans are typically based on surveys of mortgage servicers or MBS issuers, done by research firms like CoreLogic and LPS. See, for example: Lei Ding and others, "Risky Borrowers or Risky Mortgages: Disaggregating Effects Using Propensity Score Models." Working Paper (Chapel Hill, NC: UNC Center for Community Capital, 2008), available at http://www.ccc.unc.edu/documents/Risky.Disaggreg.5.17.10.pdf; Christopher L. Foote and others, "Just the facts: An initial analysis of subprime's role in the housing crisis," *Journal of Housing Economics* 17 (4) (2008): 291–305.

30 Pinto, Exhibit 2, p. 5–9. Pinto uses three categories of loans: Subprime MBS, Alt-A MBS, and a hybrid category of "Subprime by Characteristic loans, Self-denominated Alt-A and Alt-A by Characteristic held in mortgage credit book." This hybrid category contains a total of $1.646 trillion: $1.011 trillion for Fannie Mae and $635 billion for Freddie Mac. Looking at Pinto's reference sources (the second-quarter earnings reports of Fannie and Freddie), we can isolate out the actual Alt-A loans reported by Fannie and Freddie, which Pinto calls "self-denominated Alt-A." Fannie Mae reports a total of $309.9 billion in actual Alt-A loans in its guarantee book. See: "Fannie Mae 2008 Q2 10-Q Investor Summary," p. 27, available at http://www.fanniemae.com/media/pdf/newsreleases/2008_Q2_10Q_Investor_Summary.pdf;jsessionid=RYQYSH5PHL4H5J2FECISFGA. Freddie Mac reports a total of $190 billion in actual Alt-A loans in its guarantee book. See: "Freddie Mac's Second Quarter 2008 Financial Results," p. 27, available at http://www.freddiemac.com/investors/er/pdf/slides_080608.pdf. Subtracting this $499.9 billion in actual Alt-A loans from the $1.646 trillion in Pinto's hybrid category of actual Alt-A loans, "Subprime by Characteristic" and "Alt-A by Characteristic" leaves us with $1.146 trillion, which is the total amount of mortgages that fit into Pinto's invented categories of "subprime by characteristic" and "Alt-A by characteristic."

31 Pinto, Exhibit 2, p. 1–4.

32 Pinto, Exhibit 2, p. 1–4. It is also worth noting that Pinto's "subprime by characteristic" definition is even more flawed when one actually looks at the attributes of subprime loans. As Foote finds, the riskiness of subprime loans was actually negatively correlated with credit scores over the course of the housing bubble, indicating that FICO scores are a particularly inappropriate measure for calling a loan "subprime." See: Foote and others, "Just the facts."

33 "Second Quarter 2010 Financial Results Supplement," p. 19, available at http://www.freddiemac.com/investors/er/pdf/supplement_2q10.pdf.

34 Mortgage Bankers Association, "National Delinquency Survey Q2 2010" (2010); Pinto, "Government Housing Policies."

35 Ibid.

36 "What Should Replace Fannie and Freddie?", available at http://www.aei.org/event/100356.

37 See, for example: MBA, "National Delinquency Survey."

38 Edward Pinto, "Triggers of the Financial Crisis," Memorandum to Staff of FCIC, March 15, 2010, p. 4, available at http://www.aei.org/docLib/PintoFCICTriggers.pdf.

39 See, for example: Office of Policy Development and Research, *HUD's Affordable Lending Goals for Fannie Mae and Freddie Mac* (Department of Housing and Urban Development, 2001), p. 2–3.

40 See, for example: Eric Stein, "Turmoil in the U.S. Credit Markets: The Genesis of the Current Economic Crisis," Testimony before the U.S. Senate Committee on Banking, Housing and Urban Affairs, October 16, 2008, available at http://www.responsiblelending.org/mortgage-lending/policy-legislation/congress/senate-testimony-10-16-08-hearing-stein-final.pdf; Tom Deutsch, "Financial Innovations Lab on Housing: Beyond the Crisis," October 7, 2008.

41 Pinto, Exhibit 2.

42 As abovementioned, Pinto combines Alt-A, "Alt-A by characteristic," and "subprime by characteristic" loans into one hybrid category, so one has to work backward to understand exactly how many Alt-A and "Alt-A by characteristic" loans he has calculated. To do this, I subtracted the totals for "subprime by characteristic" loans, which Pinto defines as loans made to borrowers with sub-660 FICO scores, from Pinto's hybrid category. In their second-quarter 2008 financials, both Fannie and Freddie only list their sub-620 FICO scores. Fannie lists $127.4 billion in this category. See: "Fannie Mae 2008 Q2 10-Q Investor Summary," p. 30. Freddie lists $76.0 billion in this category. See: "Second Quarter 2010 Financial Results Supplement," p. 27. Pinto calculates his own estimates of the amount of loans held by each enterprise that falls into the 620-659 FICO score category, describing $267 billion in such loans to Fannie and $164 billion in such loans to Freddie. See: Pinto, Exhibit 2, p. 18. In total then, Pinto finds that there are $634.4 billion in "subprime by characteristic" loans attributable to Fannie and Freddie. In total, Pinto calculates that there are $1.717 trillion in Alt-A, "Alt-A by characteristic" and "subprime by characteristic" loans guaranteed by Fannie and Freddie. See: Pinto, Exhibit 2, p. 5, 8. Subtracting the $634.4 billion in "subprime by characteristic" loans from this number leaves us with $1.201 trillion in Alt-A and "Alt-A by characteristic" loans. Note that because of double counting, this methodology actually underestimates the amount of Alt-A and "Alt-A by characteristic" loans in Pinto's findings.

43 Pinto finds that 6.616 million of the 7.026 million "high-risk" loans held by Fannie Mae were from its guarantee book of business. See: Pinto, Exhibit 2, p. 5. He finds that 4.155 million of the 4.913 million "high-risk" loans held by Freddie Mac were from its guarantee book of business. See: Pinto, Exhibit 2, p. 6. In total, this is 90 percent of the "high-risk" loans that Pinto attributes to the two housing enterprises.

44 Ronel Elul, "Securitization and Mortgage Default: Reputation vs. Adverse Selection." Working Paper 09-21 (Federal Reserve Bank of Philadelphia, 2009), available at http://www.fhfa.gov/webfiles/15052/website_elul.pdf.

45 Ibid.

46 Lockhart, "The Roles of Fannie Mae," slide 13.

47 Pinto, Exhibit 2, p. 5–9. Pinto refers to actual subprime loans as "self-denominated subprime." I say theoretically because this conclusion assumes that all subprime mortgage exposure was motivated by the affordable housing goals, when many contend that it was actually motivated by profit seeking. See, for example: Stein, "Turmoil in the U.S. Credit Markets."

48 Pinto, Exhibit 2, p. 4.

49 Pinto, Exhibit 2, p. 9–10.

50 Ibid.

51 Pinto, Exhibit 2, p. 1–4.

52 MBA, "National Delinquency Survey."

53 Pinto, Exhibit 2.

54 Pinto, Exhibit 2, p. 4.

55 "CRA Did Not Cause the Foreclosure Crisis."

56 Pinto, Exhibit 2, p. 12–15; Pinto, "Government Housing Policies," p. 170–172.

57 See, for example: "Bank of America $1.5 Trillion Community Development Lending & Investment Goal," available at http://www.bankofamerica.com.hk/community/pdf/$1.5T_Fact_Sheet_FINAL.pdf.

58 "CRA Did Not Cause the Foreclosure Crisis."

59 Pinto includes $789 billion from Countrywide Financial as "CRA-like" loans. See: Pinto, Exhibit 2, p. 12–15.

60 Pinto claims that his incorporation of Countrywide into his calculation of CRA's impacts is appropriate because it was done pursuant to a "HUD Commitment." See: Pinto, Exhibit 2, p. 13. In fact, this "Commitment" was completely voluntary and non-binding, as Pinto notes in his footnotes. See: Pinto, "Government Housing Policies," footnote 429. Neither Countrywide Financial nor any of its affiliates or subsidiaries were subject to CRA until 2007, when Countrywide Thrift's application to start a regulated deposit-taking subsidiary was approved by the Office of Thrift Supervision. See: Office of Thrift Supervision, *OTS Approves Countrywide Application*, OTS 07-014 (Department of the Treasury, 2007), available at http://www.ots.treas.gov/_files/777014.html.

61 Pinto, "Government Housing Policies," p. 168. Pinto repeatedly describes Countrywide's lending activities as being spurred by a "HUD Commitment." In fact, buried in his footnotes is the fact that this "Commitment" was actually a "voluntary Declaration of Fair Lending Principles and Practices" ("Declaration").

62 "CRA Did Not Cause the Foreclosure Crisis."

63 Pinto, Exhibit 2, p. 15. Pinto counts 11.2 million total "Community Lending" loans, of which he estimates 60 percent were high risk. He then estimates that 65 percent of CRA loans were absorbed by Fannie, Freddie, or FHA, and so to avoid double counting, he attributes 35 percent of the "high-risk" "Community Lending" loans to CRA (not already counted). At no point in this calculation does he support his underlying assumption that all of the "Community Lending" loans were made because of CRA.

64 "Survey of the Performance and Profitability of CRA-Related Lending," available at http://www.federalreserve.gov/communitydev/craloansurvey.htm.

65 Pinto, Exhibit 2, p. 15. Pinto states that "[g]iven the Community Development Programs' targeted income requirements and goals of flexible underwriting, it is reasonable to assume that most of these loans (say 60 percent or 6.7 million) had either subprime (FICO below 660) or Alt-A characteristics."

66 "CRA Did Not Cause the Foreclosure Crisis."

67 Lei Ding and others, "Risky Borrowers or Risky Mortgages"; Elizabeth Laderman and Carolina Reid, "CRA Lending During the Subprime Meltdown," February 2009, available at http://www.frbsf.org/publications/community/cra/cra_lending_during_subprime_meltdown.pdf.

68 See, for example: Charles W. Calomiris, "The subprime turmoil: What's old, what's new, and what's next," Vox, August 22, 2008, available at http://www.voxeu.org/index.php?q=node/1561; Financial Crisis Inquiry Commission, "Government Sponsored Enterprises and the Financial Crisis," April 7, 2010, p. 14–15.

69 Kevin Park, "Subprime Lending and the Community Reinvestment Act," Harvard University Joint Center for Housing Studies, November 2008, available at http://www.jchs.harvard.edu/publications/governmentprograms/n08-2_park.pdf.

70 Financial Crisis Inquiry Commission, "Securitization and the Financial Crisis," Apr. 7, 2010, p. 11.

71 David Min, "True North: The Facts About the Canadian Mortgage Banking System" (Washington: Center for American Progress, 2010), available at http://www.americanprogress.org/issues/2010/08/pdf/canadian_banking.pdf.

72 Ibid.

73 Mark J. Perry, "Due North: Canada's Marvelous Mortgage and Banking System," *The American*, February 26, 2010, available at http://www.american.com/archive/2010/february/due-north-canadas-marvelous-mortgage-and-banking-system.

74 David M. Abromowitz and David Min, "Politics Most Blatant," Center for American Progress, December 21, 2010, available at http://www.americanprogress.org/issues/2010/12/financial_crisis.html.

75 Gene Fisch Jr. and Archana Sivadasan, "Fischisms: Putting our Crystal Ball Aside and Connecting the Dots… Factors Which Determine the Impact of CRE Loan Defaults on the Economy" (New York: FS Capital LLC, 2010), available at http://media.rgemonitor.com/papers/0/Fisch_Crystal_Ball_Take_2_July_1_2010.pdf.

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