

Financial Crisis of 2007 – 2009
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TIMELINE OF KEY EVENTS*

2007

- February Freddie Mac announces that it will stop buying subprime mortgages and related mortgage-backed securities
- April New Century Financial Corp. (subprime mortgage lender) files for bankruptcy
- June Bear Stearns announces that two of its hedge funds that invested (speculated) in mortgage-backed securities had large losses; it suspends redemptions
- July S&P puts 612 securities backed by subprime mortgages on credit watch
- August 1) American Home Mortgage Investment Corp. (subprime mortgage lender) files for bankruptcy
2) Bank of America buys \$2 billion of preferred stock in Countrywide Financial
3) BNP Paribas (largest bank in France) halts redemptions in three of its sponsored investment funds
- September Bank of England bails out Northern Rock (liquidity support); eventually Northern Rock is nationalized (February 2008)
- December Federal Reserve establishes the Term Auction Facility (TAF) and auctions \$20 billion in 35-day funds

2008

- January 1) Federal Reserve authorizes reciprocal currency agreements with foreign central banks to support the U.S. dollar
2) Bank of America announces that it will acquire Countrywide Financial in an all-stock deal
- February Municipal auction-rate securities market starts to shut down
- March 1) Federal Reserve announces programs to lend to primary securities dealers in the form of term RPs under the Term Securities Lending Facility (TSLF)
2) Bear Stearns ‘fails;’ JPMorgan Chase acquires Bear Stearns for \$10 per share and is indemnified for losses on a \$30 billion pool of Bear Stearns’ problem assets
3) Federal Reserve establishes the Primary Dealer Credit Facility (PDCF) which makes funds available to securities dealers
- June 1) Bank of America acquires Countrywide Financial
2) S&P downgrades AMBAC and MBIA, monoline bond insurers

- July
- 1) IndyMac fails; FDIC handles the announcement poorly creating a bank run
 - 2) SEC issues an emergency order to prohibit naked short selling in the stock of Fannie Mae, Freddie Mac and numerous large financial institutions
- September
- 1) Fannie Mae and Freddie Mac are placed into conservatorship by the Federal Housing Finance Agency
 - 2) Treasury determines that no dividends will be paid on Fannie Mae and Freddie Mac preferred stock; 4 banks fail as a result, 3000 banks take large write-downs
 - 3) Lehman Brothers fails
 - 4) Reserve Fund 'breaks the buck;' Treasury guarantees 100% of current balances in money market mutual funds
 - 3) Hedge funds that used Lehman as their prime broker, couldn't access their funds; other hedge funds withdrew funds from Morgan Stanley and Goldman Sachs who did not have access to Federal Reserve emergency borrowing facilities
 - 4) Bank of America announces the purchase of Merrill Lynch in an all-stock deal
 - 5) Federal Reserve establishes the Asset-backed Commercial Paper Money Market Fund Liquidity Facility (AMLF) under which the Fed lends to banks to acquire asset-backed commercial paper from MMMFs; assets so purchased are not subject to capital requirements (temporarily)
 - 6) SEC bans short selling in the stocks of 799 firms
 - 7) Federal Reserve authorizes credit extensions to London-based broker-dealer subsidiaries of Goldman Sachs, Morgan Stanley and Merrill Lynch; the same day Goldman Sachs and Morgan Stanley convert to bank holding companies
 - 8) Washington Mutual (WAMU) fails; JPMorgan Chase acquires WAMU's assets
 - 9) Federal Reserve lends \$85 billion to AIG, which is effectively placed in conservatorship
- October
- 1) Wells Fargo acquires Wachovia
 - 2) Congress passes the Emergency Economic Stabilization Act of 2008; the Act establishes the Troubled Asset Relief Program (TARP) and Treasury then establishes the Capital Purchase Program (CPP); the Act temporarily increases deposit insurance coverage to \$250,000
 - 3) Federal Reserve announces that it will pay interest on depository institutions' reserves
 - 4) Treasury establishes the Temporary Liquidity Guarantee Program (TLGP) which allows qualifying institutions to issue FDIC-guaranteed debt and allows all institutions to pay a fee to get full deposit insurance on certain non-interest bearing deposits
 - 5) Federal Reserve creates the Money Market Investor Funding Facility (MMIFF) which finances the purchase of assets from MMMFs
 - 6) PNC acquires National City Corp. funded largely by TARP proceeds
 - 7) Treasury mandates that 9 large institutions sell preferred stock to the Treasury

- in the total amount of \$125 billion under TARP
- November
- 1) AMEX converts to a bank holding company
 - 2) Federal Reserve, Treasury and FDIC provide assistance to Citigroup in the form of purchasing \$25 billion in preferred stock under TARP and guaranteeing losses on the bulk of \$306 billion in problem assets
 - 3) Federal Reserve and Treasury restructure the government's investment in AIG to include \$40 billion of TARP preferred stock as a substitute for a loan with lower rates
 - 4) Federal Reserve announces that it will purchase up to \$100 billion in the direct obligations of Fannie Mae, Freddie Mac and the Federal Home Loan Banks (FHLBs); it will purchase up to \$500 billion in mortgage-backed securities from Fannie Mae, Freddie Mac and Ginnie Mae
 - 5) Federal Reserve creates the Term Asset-Backed Securities Loan Facility (TALF) under which it lends to investors in recently originated asset-backed Securities
 - 6) Federal agencies announce streamlined mortgage modification programs; Fannie Mae and Freddie Mac suspend mortgage foreclosures
- December
- 1) Treasury authorizes loans for General Motors (\$13.4 billion) and Chrysler (\$4 billion)
 - 2) GMAC and CIT convert to bank holding companies
 - 3) SEC charges Bernie Madoff and his firm with securities fraud
 - 4) Treasury buys \$5 billion of common stock in GMAC; lends \$1 billion to GM to participate in GMAC's rights offering

2009

- January
- 1) Federal Reserve starts buying mortgage-backed securities guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae under the earlier program
 - 2) Moody's announces that FHLBS face large write-downs in the private-label mortgage-backed securities market; 8 of the 12 regional FHLBs would have capital ratios below the regulatory minimums in a worse-case stress test scenario
 - 3) FHLBs of San Francisco and Seattle suspend dividends on capital stock
 - 4) Federal agencies provide a package of guarantees and liquidity/capital support for Bank of America; enter into a loss sharing arrangement for \$118 billion of problem assets; Treasury invests another \$20 billion in preferred stock under TARP
 - 5) Treasury lends \$1.5 billion to Chrysler under TARP to finance auto loans
 - 6) NCUA guarantees uninsured shares of corporate credit unions; invests \$1 billion in the U.S. Central Corporate Federal Credit Union

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| February | <ul style="list-style-type: none"> 1) Treasury creates the Public-Private Investment Fund (PPIP) to purchase problem assets from financial institutions 2) Congress passes and the Obama Administration signs the American Recovery and Reinvestment Act of 2009, which includes a wide range of spending plans 3) Federal agencies announce that they will conduct stress tests on 19 large bank holding companies (assets > \$100 billion) 4) FDIC announces a 20 basis point assessment on insured deposits |
| March | <ul style="list-style-type: none"> 1) Government restructures AIG assistance so that total commitment is \$180 billion 2) Treasury announces its Auto Supplier Support Program to grant \$5 billion in financing to the auto industry 3) IndyMac Federal Bank sells to OneWest Bank (Private equity) 4) Four regional banks redeem the preferred stock sold to Treasury under CPP |
| April | FASB eases mark-to-market accounting rules for problem assets |
| May | <ul style="list-style-type: none"> 1) Government releases results of stress tests 2) Silverton Bank (former bankers bank) fails 3) Carlyle (private equity) invests \$900 million in BankUnited (Florida) 4) Helping Families Save Their Homes Act becomes law; increases FDIC deposit insurance to \$250,000 through January 1, 2014 5) GMAC is authorized to issue \$7.4 billion in FDIC-insured debt under TLGP 6) S&P lowers the outlook for the U.K. government's debt from stable to negative |
| June | <ul style="list-style-type: none"> 1) GM files for bankruptcy 2) California's budget problems threaten to slam economy 3) Ten large financial institutions are authorized to repay preferred stock under TARP 4) Obama Administration announces its Financial Regulatory Reform Plan; plan creates a Financial Services Oversight Council |
| July | <ul style="list-style-type: none"> 1) California issues IOUs to its creditors 2) FDIC proposes rules for private equity firms to acquire failed banks; creates a new capital category 'very-well capitalized.' 3) Failed banks total 52 in 2009 by July 3rd. |

*Some information obtained from Federal Reserve Bank of St. Louis, and The Financial Crisis: A Timeline of Events and Policy Actions at <http://timeline.stlouisfed.org/ubdex.cfn?p=timeline> and FDIC, Supervisory Insights, Vol. 6, Issue 1, Summer 2009