

THE US FINANCIAL CRISIS AND ITS CAUSES

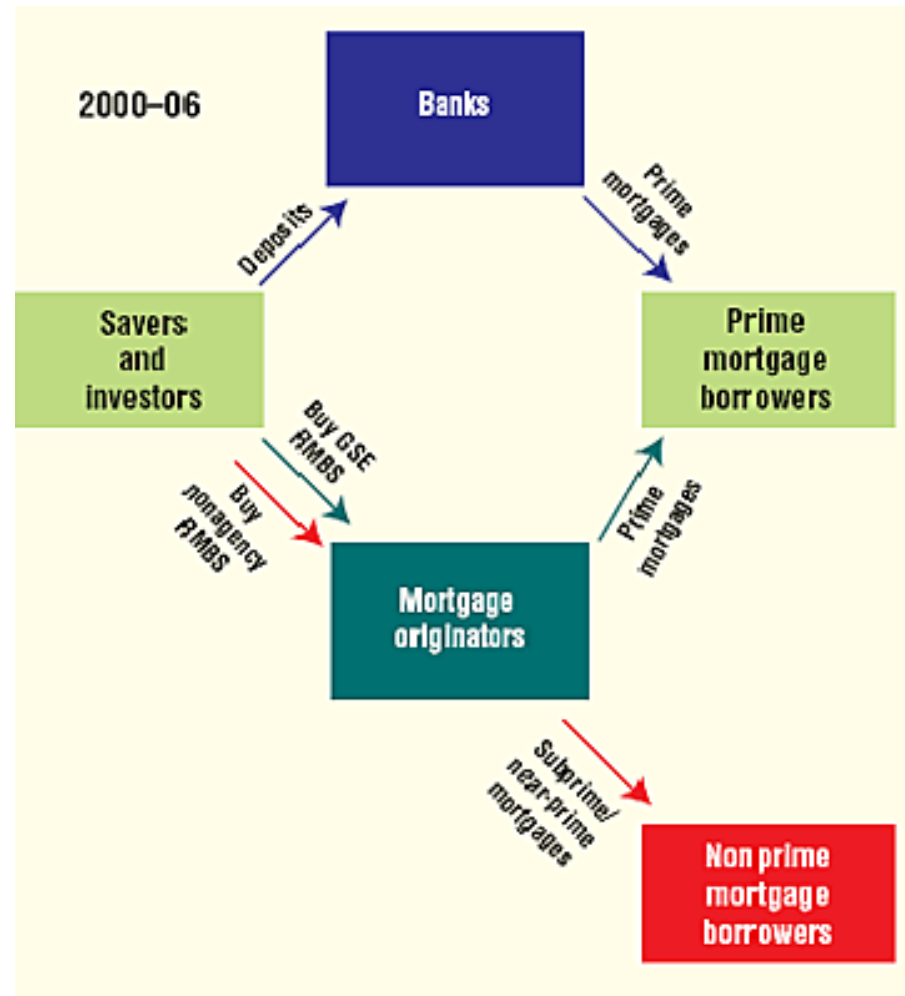
PRESENTED

BY

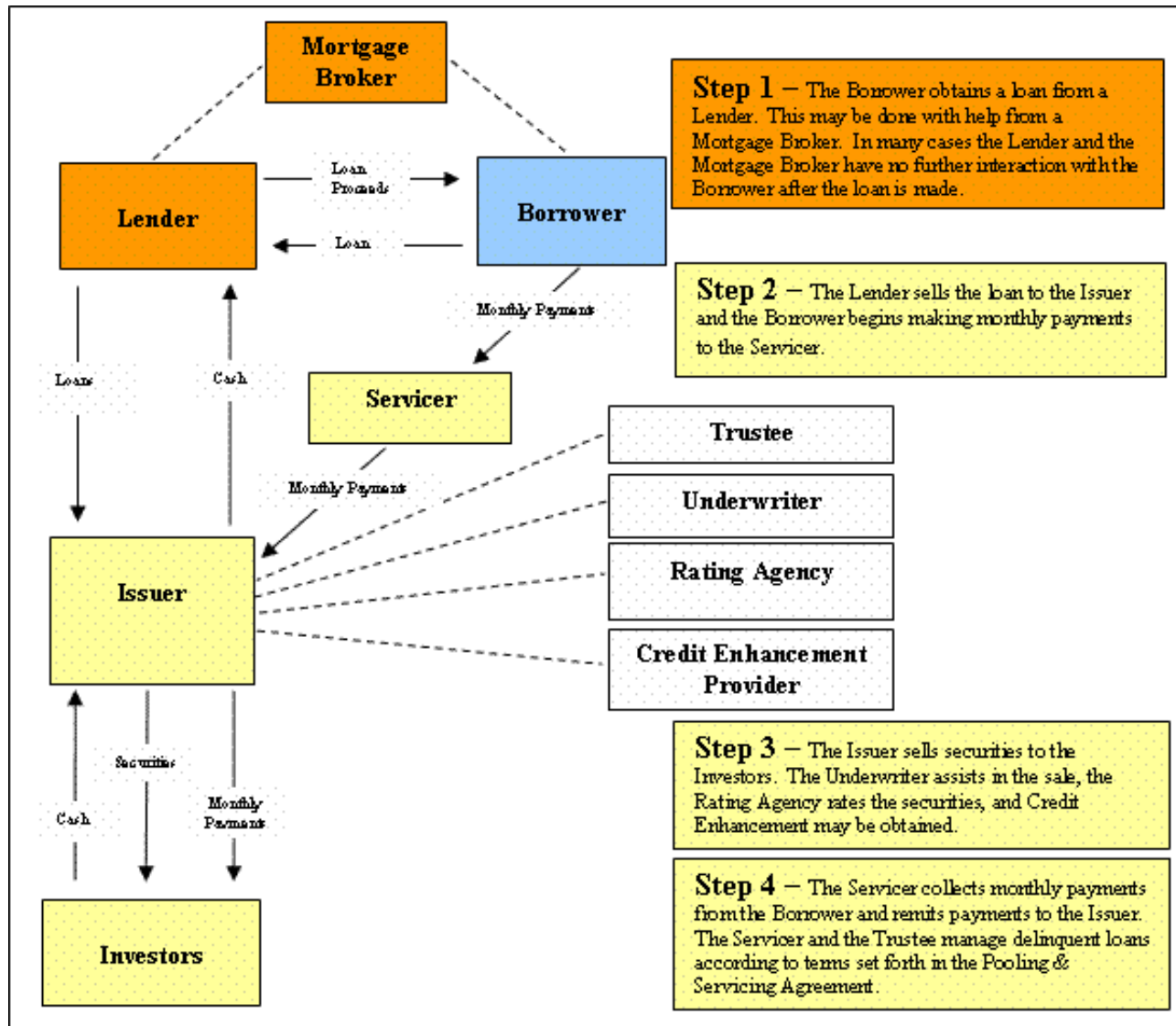
ABDERRAHMAN ROBANA (PhD)
CHAIR IN FINANCE & INVESTMENTS
ALFRED UNIVERSITY
NEW-YORK

**The Eighth Wuhan International Conference on E-
Business
Wuhan, China
May 30-31, 2009**

Mortgage Financial Flows



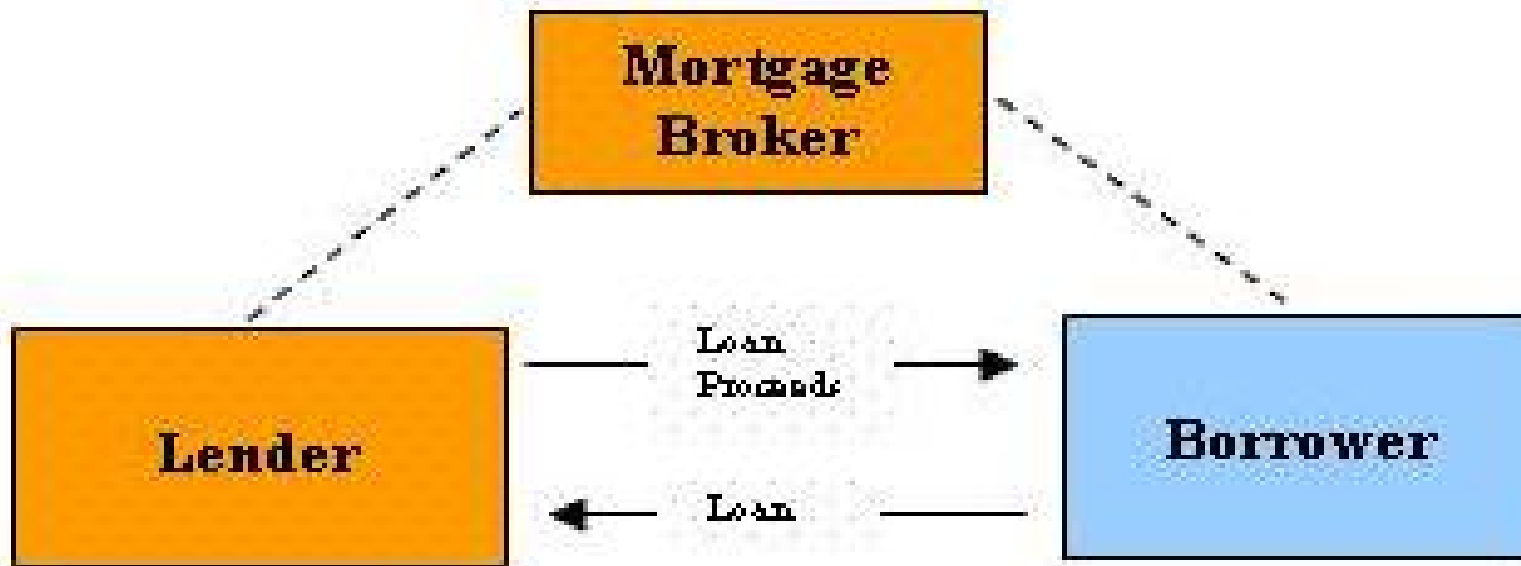
Borrowing Under a Securitization Structure



Source FDIC

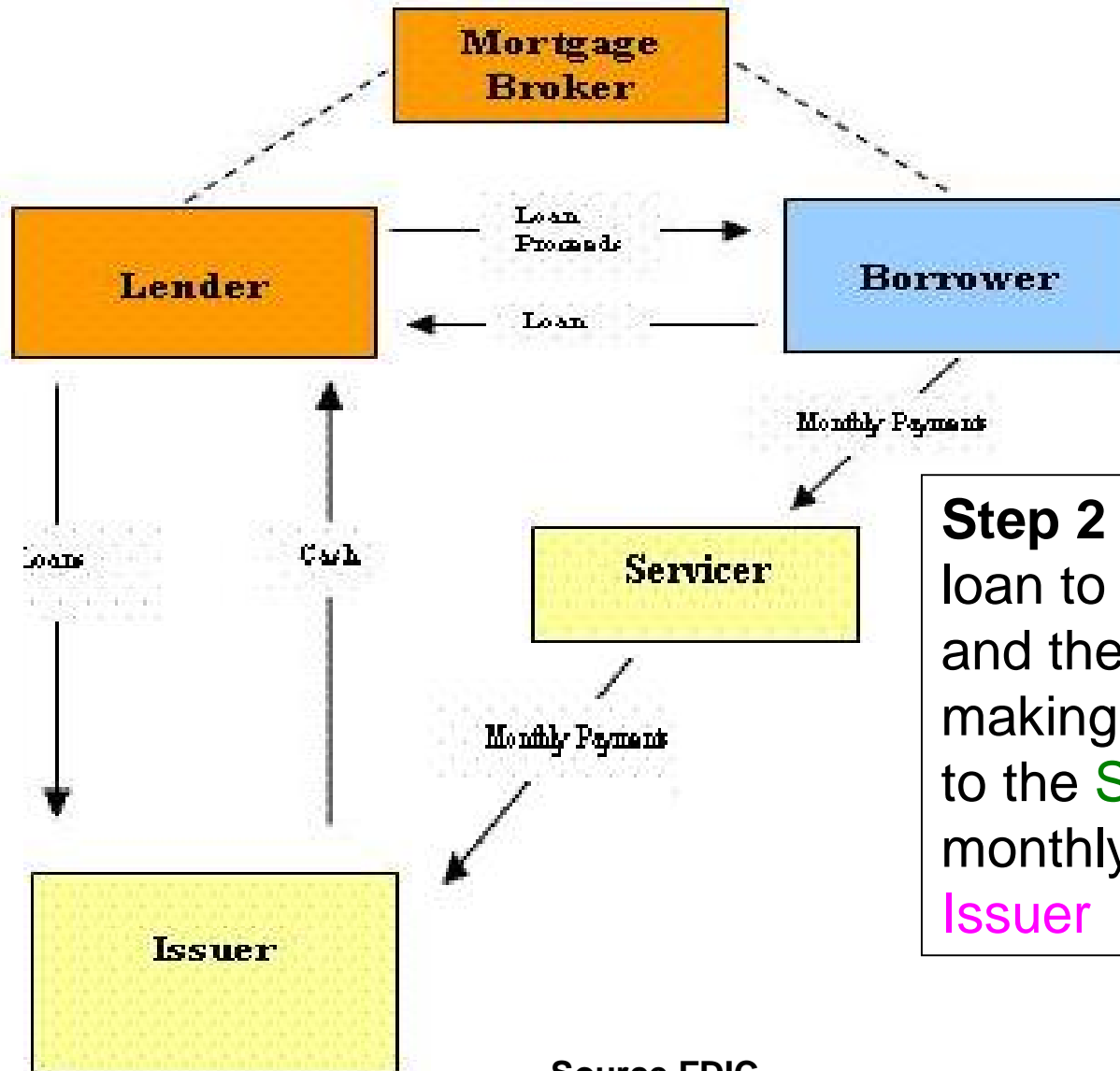
Borrowing Under a Securitization Structure

Step 1 – The **Borrower** obtains a loan from a **Lender**. This may be done with the help from a **Mortgage Broker**. In many cases the **Lender** and the **Mortgage Broker** have no further interaction with the **Borrower** after the loan is made



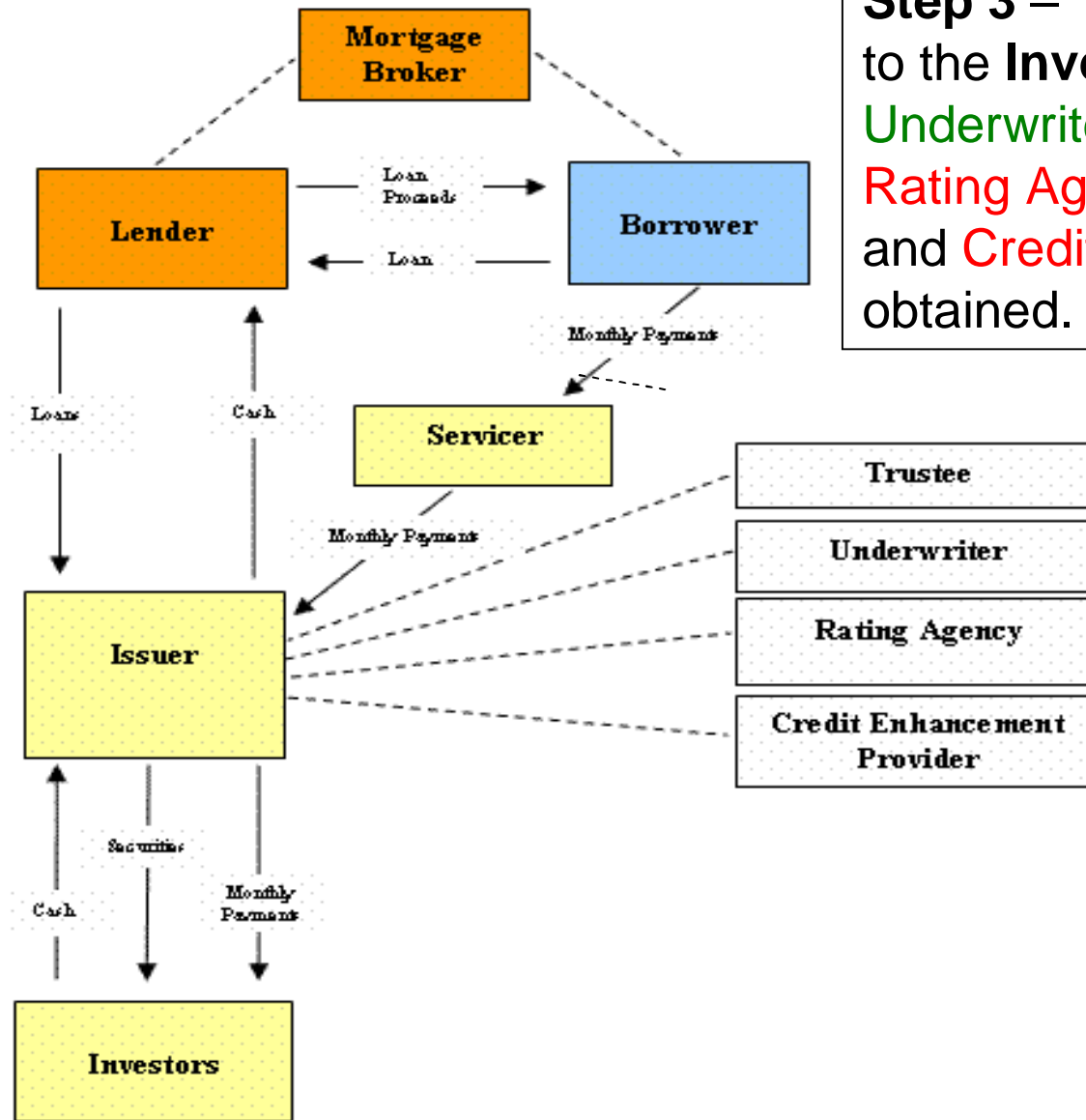
Source FDIC

Borrowing Under a Securitization Structure



Step 2 – The **Lender** sells the loan to the **Issuer** and the **Borrower** begins making monthly payments to the **Servicer** and he remits monthly payments to the **Issuer**

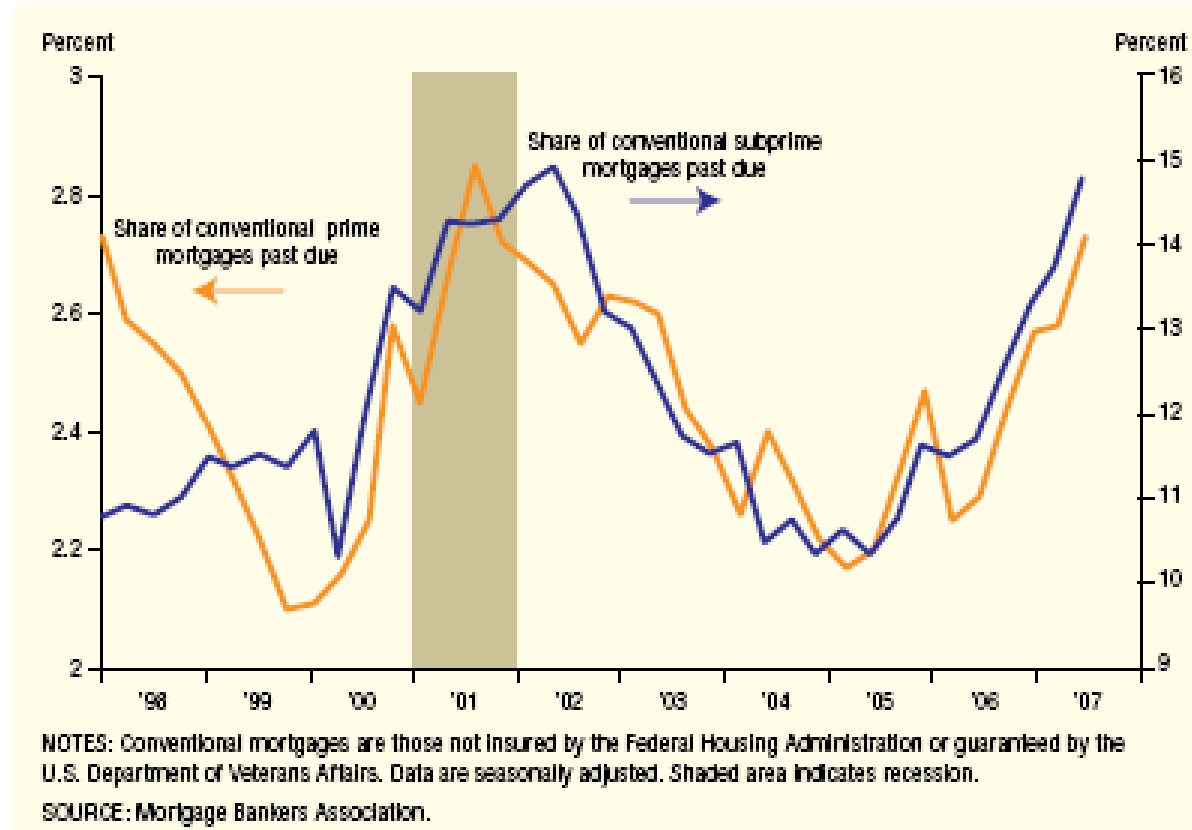
Borrowing Under a Securitization Structure



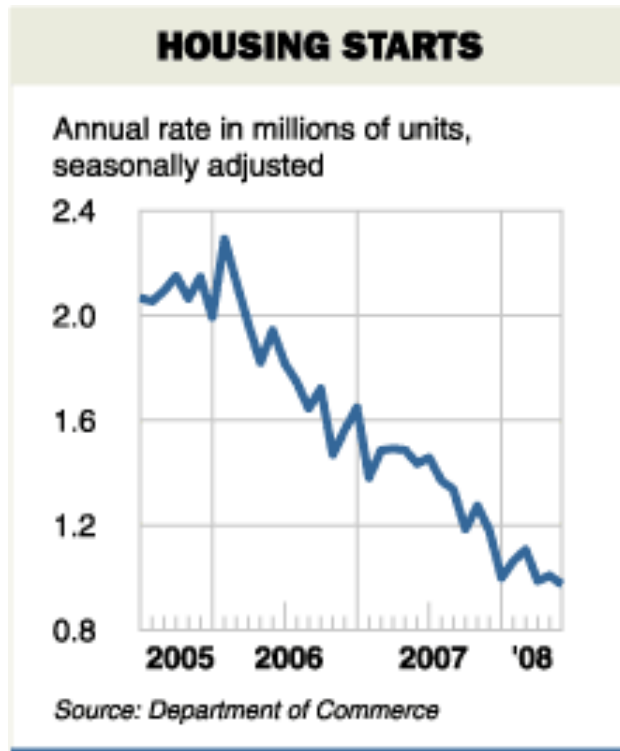
Step 3 – The **Issuer** sells securities to the **Investor**. The **Underwriter** assists in the sale, the **Rating Agency** rates the securities, and **Credit Enhancement** may be obtained.

Step 4 – The **Servicer** and the **Trustee** manage delinquent loans and foreclosures according to terms set forth in the Pooling & Service Agreement.

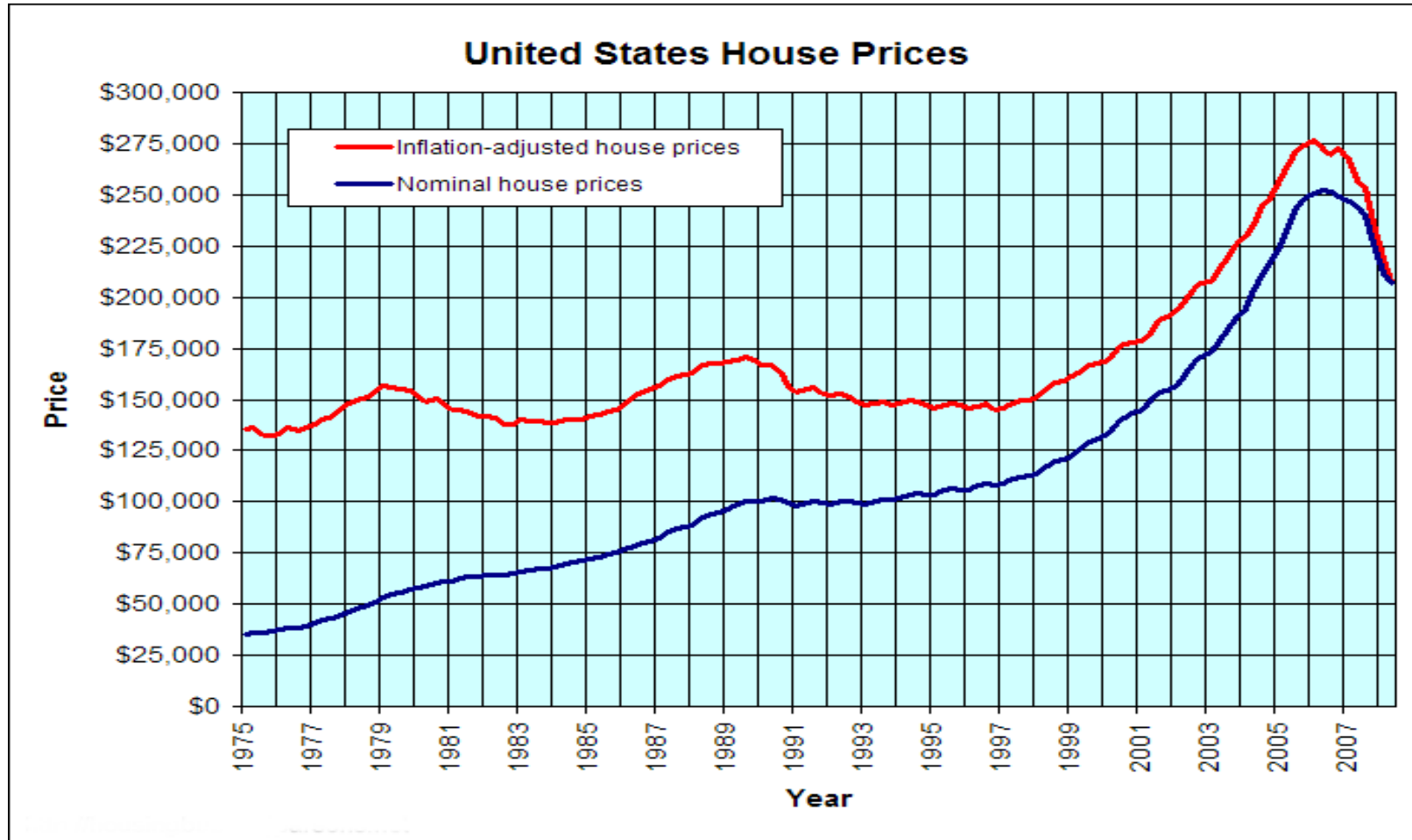
Quality of Prime and Sub-Prime Mortgages Deteriorates



Housing Construction and Sales

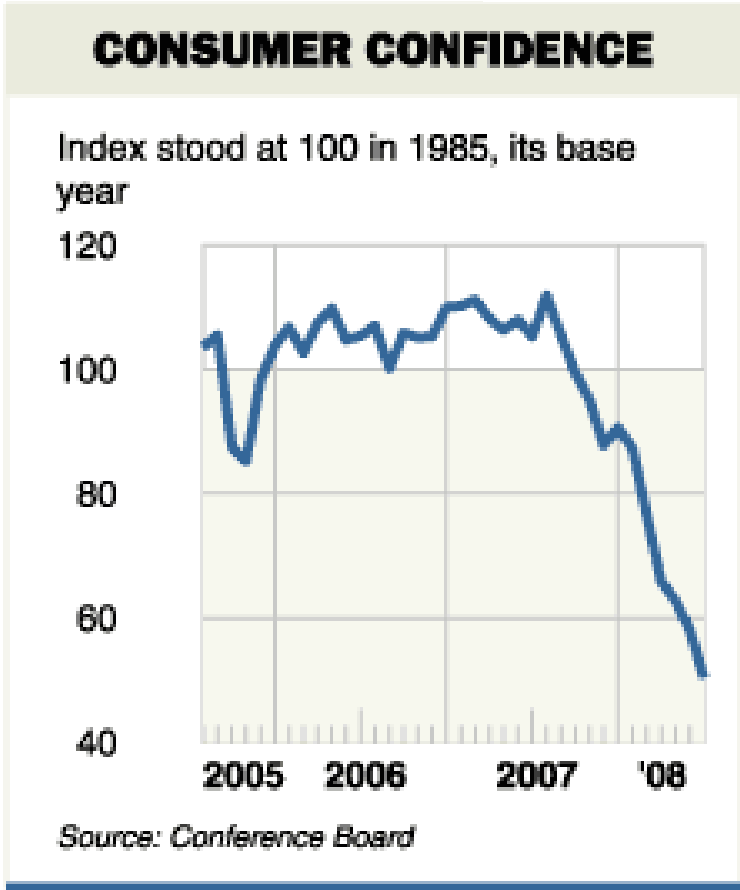


U.S. Housing Prices



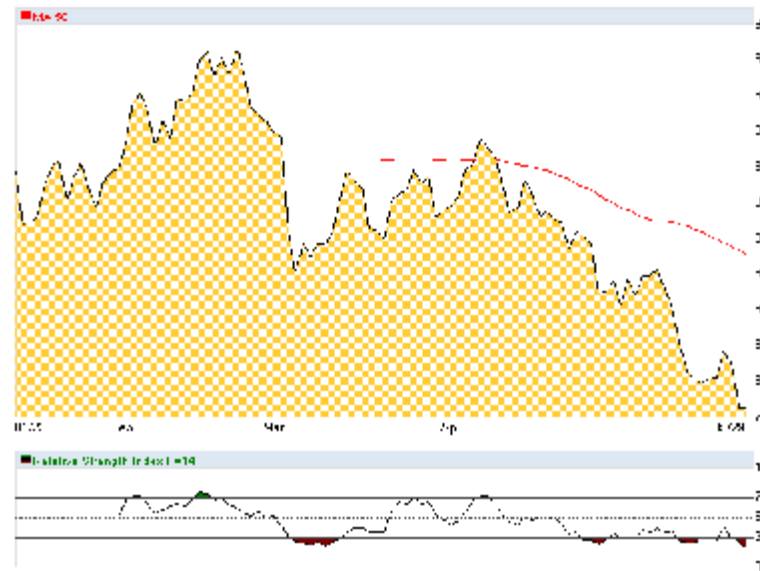
<http://mysite.verizon.net/vodkajim/housingbubble/>

US Consumer Confidence



USD index & USD versus CNY

US DOLLAR INDEX 79.23 -1.57% High: 80.47 Low: 78.18
VOLUME: 106.41M RT OPEN: 79.24



US DOLLAR INDEX - 100% of the value of the US dollar relative to a basket of major currencies. Data provided by the US Department of Commerce, Bureau of Economic Analysis.



U.S. Federal Funds Rate

