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We All Fall Down: The American Mortgage Crisis

2009

Distributed by Icarus Films, 32 Court St., 21st Floor, Brooklyn, NY 11201; 800-876-1710

Produced by Kevin Stocklin

Directed by Gary Gasgarth

DVD, color, 66 min.

Sr. High - Adult

Economics

Reviewed by Janis Tyhurst, Reference Librarian, George Fox University

Highly Recommended

Date Entered: 7/31/2009

This film is for everyone who saw their retirement funds and their home values drop but don't understand how such a massive meltdown could have happened. This film takes you on the trip down the rabbit hole to see all the pieces of the puzzle, broken down into 10 chapters, allowing for discussion in between. There are clear explanations of terms and financial instruments for the financially illiterate. It is a very comprehensive look at all the players, allowing them to explain in their own words what happened in their particular sphere, and brings home the very personal cost it has had on the average citizen.

The early chapters lay out the context of American homeownership—how it used to be that local banks made loans within the community. The bank knew the borrowers and if the borrower ran into difficulties, there was an opportunity to work things out on a personal level. The downside to this system of mortgage lending was that the bank was limited to the money deposited by the surrounding community. Poor communities often did not have access to mortgages because there was little to no money in the local bank. In 1938, the U.S. Government established the Federal National Mortgage Association, more commonly known as Fannie Mae, to make mortgages available to low income families by buying up the local banks mortgages loans and pumping the money back into the community. In 1968, the U.S. Government turned Fannie Mae into a private corporation to remove it from the government budget. For the first 60 years, Fannie Mae had very strict underwriting requirements for making loans. In 1999, President Clinton pressured Fannie Mae to expand their low and moderate income mortgage loans and the mortgage lenders in these areas pressed Fannie Mae to loosen the credit requirements. In 2004, the Bush administration dropped lending requirements that prevented high risk high cost loans from being made by Fannie Mae.

In the later chapters we see that the big national and international banks wanted a piece of the action and the securitization of home loans started accelerating. The *Oxford Dictionary of Economics* defines securitization as "The packaging of several non-marketable assets, such as mortgage loans, into bundles which are marketable. Individual mortgages are not generally marketable because there is too much idiosyncratic risk in dealing with any one of them. A package of several similar mortgages reduces the riskiness, which allows the package to be marketed. The fact that mortgages are made marketable may enable them to be financed at lower interest rates." Banks started with prime or low risk mortgages, but there are only so many people who qualify for prime loans. Soon the pressure was on to allow less qualified or subprime buyers into the market ultimately leading to the "liar loans" and the no documents loans.

Nouriel Roubini, professor of Economics at the Stern School of Business and Chairman of the RGE Monitor, back in 2005 predicted the coming bust in the U. S. In this film interview, he states that the U.S. engaged in a laissez faire free market without any safeguards.

Interviews with different players in the meltdown, from real estate lawyers, bankers, foreclosed homeowners, Aid agencies, economists, mortgage brokers and more provide the personal point of view. The final chapter is called Victims and Coconspirators. It is an excellent summation of the film and how we ended up in the mess we are in now. The big question is—have we learned anything?