



**Regulatory Update:
The Financial Crisis and Its
Implications for Foreclosure
Prevention**

**Examining Successful Collaborations & Ongoing
Barriers to Foreclosure Prevention**

November 6, 2008

Disclaimer

- The views expressed in this presentation are those of the author and do not necessarily represent the views of the Federal Reserve Bank of Chicago or the Federal Reserve System.
- This presentation and the information presented herein is intended for informational use and is not legal advice.
- If you have specific legal questions you should consult an attorney.

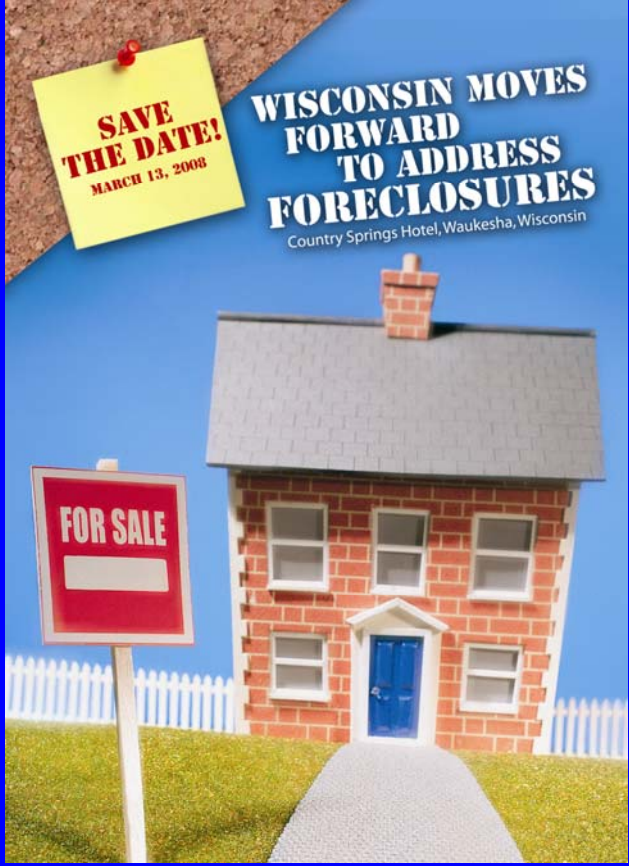
Much Has Happened...

*An Informed Discussion of
Nontraditional Mortgage Products
& Escalating Foreclosures:
Building an Effective Community Response for Wisconsin*



SAVE THE DATE
Tuesday, Dec. 11 and Wednesday, Dec. 12, 2007

FEDERAL RESERVE BANK OF CHICAGO  



SAVE THE DATE!
MARCH 13, 2008

WISCONSIN MOVES FORWARD TO ADDRESS FORECLOSURES
Country Springs Hotel, Waukesha, Wisconsin

Timeline of Events in the Credit Crisis

- Q3 2007 – 1.69% of US mortgage inventory in foreclosure.
- Dec 11, 2007 – “An Informed Discussion of Nontraditional Mortgage Products & Escalating Foreclosures” conference.
- Dec 12, 2007 – “Building an Effective Community Response for Wisconsin” conference.
- Dec 12, 2007 – Term Auction Facility (TAF) created.
- Q4 2007 – 2.04% of US mortgage inventory in foreclosure.
- March 3, 2008 – HSBC’s sub-prime loan write-offs top \$51 million/day.

Timeline of Events in the Credit Crisis

- Mar 7, 2008 – Carlyle Capital Corp. \$22 billion bond fund collapses.
- Mar 13, 2008 – “Wisconsin Moves Forward to Address Foreclosures” conference.
- Mar 14, 2008 – Bear Stearns Discount Window lending authorized.
- Mar 16, 2008 – Bear Stearns sold to JP Morgan Chase and the Board approved an increase from 30 days to 90 days for Discount Window lending.

Timeline of Events in the Credit Crisis

- Q1 2008 – 2.47% of US mortgage inventory in foreclosure.
- April 24 – Credit Suisse reports first quarterly loss in almost 5 years.
- May 2 – Fed, ECB, and the SNB expand liquidity measures.
- May 15 – LIBOR unexpectedly jumps.
- June 19 – 170 hedge funds liquidated.

Timeline of Events in the Credit Crisis

- Q2 2008 – 2.75% of US mortgage inventory in foreclosure.
- July 4 – US stocks sink into bear market.
- July 10 – Fannie and Freddie lose half their value.
- July 11 – Oil hits a record high of over \$147 a barrel.
- July 23 – Congress agrees to save Fannie and Freddie and President Bush drops opposition to the Housing Bill.

Timeline of Events in the Credit Crisis

- July 30 – President Bush signs housing bill and Fed enhances liquidity measures.
- Aug 6 – Freddie reports \$821 million loss.
- Sept 7 – US seizes Fannie and Freddie.

Timeline of Events in the Credit Crisis

- Sept 14 – Lehman Brothers files bankruptcy.
- Sept 15 – BOA acquires Merrill Lynch.
- Sept 16 – \$85 billion loan to AIG and LIBOR jumps again.
- Sept 21 – Goldman Sachs and Morgan Stanley become bank holding companies.
- Oct 3 – Emergency Economic Stabilization Act (EESA) becomes law.

Timeline of Events in the Credit Crisis

- Oct 6 – Fed pays interest on deposits, lowers rates, and the Dow closes below 10,000.
- Oct 7 – Fed begins backstopping commercial paper.

Timeline of Events in the Credit Crisis

- Oct 13 – Dow skyrockets.
- Oct 14 – Federal budget deficit soars.
- Oct 17 – President Bush addresses the country about the financial crisis.
- Oct 23 – “Once-in-a-century credit tsunami.”

Timeline of Events in the Credit Crisis

- Oct 28 – Consumer Confidence at historic low level.
- Oct 29 – Fed lowers rates.
- Oct 30 – GDP and consumer spending fall.
- Oct 31 – BOJ lowers rates.
- Nov 4 – Barack Obama elected president.

Emergency Economic Stabilization Act (EESA)

- EESA authorized the Troubled Asset Relief Program (TARP).
- Deposit insurance coverage temporarily raised from \$100,000 to \$250,000 per account.

Emergency Economic Stabilization Act (EESA)

- Voluntary capital purchase program – nine of the biggest U.S. financial institutions will participate.
- FDIC insurance coverage temporarily expanded to include non-interest-bearing transactions accounts.

TARP Capital Purchase Program

- Application deadline is November 14.
- Deadline may be extended for sub S, non-publicly traded and mutual institutions.
- The plan is complicated and will require due diligence from your counsel and primary regulator.

Why Consider Applying for TARP Capital Purchase Program?

- Improve net worth and liquidity.
- Capital allows for more growth.
- Capital improves flexibility in restructuring securities portfolios and working with troubled borrowers.
- Source of capital for acquisitions or to remain independent.

Why Consider Applying for TARP Capital Purchase Program?

- What is your need for capital?
- Banks that apply will have the option of obtaining new capital if they find the terms acceptable.
- Banks that don't apply will not have the option.
- www.treas.gov/press/releases/reports/applicationguidelines.pdf

Fed's Efforts to Develop Solutions to Rising Foreclosures

- Standards and procedures put in place for the new Hope for Homeowners (H4H) program.
- We have called upon lenders, investors, and servicers to aggressively pursue sustainable loss mitigation activities.

Fed's Efforts to Develop Solutions to Rising Foreclosures

- Federal Reserve Bank of Chicago is working at the local level.
- Within the last year, we have co-sponsored three conferences on the impact of foreclosures in Wisconsin.



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