

Government Policy, Moral Hazard and the Endless Financial Crisis

The screenshot shows the EssayPro website. At the top, there is a navigation bar with the EssayPro logo, links for 'How To Order', 'Reviews', 'About Us', and 'Write My Essay', and user options for 'DBA: EPRO', 'Log In', and 'Sign Up'. The main banner features a student sleeping at a desk with the text 'WRITING SERVICE AT YOUR CONVENIENCE' and 'You - Send us your homework We - Do it all for you'. Below this, it says 'Grab your original paper for just \$10 per page with a free plagiarism report included' and has a 'Write My Essay!' button. A 'Calculate the price' widget is overlaid on the right, showing options for 'Writing', 'Rewriting', and 'Editing', with 'Writing' selected. It also shows 'Essay (any type)', 'College', '2 weeks', '1 page / 275 words', and 'Double spaces' selected, resulting in a price of '\$11.4' and a 'Write My Paper' button. At the bottom of the banner, it says 'NO MORE SLEEPLESS NIGHTS... 100% PLAGIARISM-FREE ESSAYS. ANY TOPIC OR DIFFICULTY CAN BE HANDLED!'.

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LINK => <http://787787.com/writing-service?391862146>

The story begins in 1938 when Roosevelt establishes Fannie Mae to purchase mortgages from lenders and sell them to investors as mortgaged backed securities. Loan originators are no longer exposed to mortgage default risks, and they have a continuous supply of money to lend as they sell each loan to Fannie. In 1970, congress creates Freddie Mac to buy and securitize private loans not guaranteed by Fannie Mae. Because Freddie Mac and Fannie Mae are government sponsored enterprises (GSE), investors believe the securities are backed by the US Government and thus very low risk. Later, the Community Reinvestment Act gives Fannie Mae an affordable housing credit for buying subprime loans, and The Department of Housing and Urban Development requires Fannie to dedicate 50% of its business to these loans. Subsequently, Fannie Mae lowers credit requirements so banks can lend to borrowers who otherwise would not qualify for a loan. In 2002, President Bush sets a goal of increasing minority home ownership through tax credits, subsidies, and a Fannie Mae commitment to purchase \$440 billion of these loans. Over the next four years, Fannie and Freddie will purchase \$434 billion in securities backed by subprime loans.

On another stage, the Federal Reserve is bailing out large banks considered “too big to fail” during the Savings and Loan Crisis of the 1980’s and 90’s. Smaller institutions go bankrupt and are acquired by the big banks making them even bigger (the total would decline from 3,234 to 1,645). In 1998, the Fed rescues Long-Term Capital Management, a highly leveraged investment bank that gambled and lost during a worldwide decline in commodity prices. Normally financial institutions are risk-averse because failure means bankr...

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...o drive wise decision making through regulation will and must fail. A fortune awaits the finder of the next loophole while the regulator is paid a government salary plus whatever bribes or campaign contributions he accepts. Borrowers who risk a large down payment do not haphazardly borrow. When they do, lenders can seize property whose value covers the loan. Lenders who risk borrower default do not lend loosely. When they do, shareholders discipline or replace them. Equity and bond investors who risk losing money will demand that corporations have transparent and sound risk management policies. Corporations found lacking will be forced to pay much more for equity and [debt](#). It is a universal law that agents who bare the consequences of their actions will mitigate risks or perish. Either way, an environment of sound risk management at all levels will result.

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