 Download This Paper (Delivery.cfm/SSRN_ID1467161_code711466.pdf?abstractid=1462895&mirid=1)

Open PDF in Browser (Delivery.cfm/SSRN_ID1467161_code711466.pdf?abstractid=1462895&mirid=1&type=2)

 Add Paper to My Library

Share:    

Securitization: Cause or Remedy of the Financial Crisis?

Georgetown Law and Economics Research Paper No. 1462895

U of Penn, Inst for Law & Econ Research Paper No. 09-31

19 Pages

Posted: 28 Aug 2009

Last revised: 8 Sep 2009

Adam J. Levitin (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=450592)

Georgetown University Law Center

Andrey D. Pavlov (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=327180)

Simon Fraser University (SFU) - Finance Area

Susan M. Wachter (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=58534)

University of Pennsylvania - Wharton School, Department of Real Estate ; University of Pennsylvania - Finance Department

Date Written: August 27, 2009

Abstract


This article describes the causes of the boom and bust in the U.S. housing market, which brought down not just the U.S. financial system but the global economy. How did this vicious cycle begin? How did home prices appreciate so far and so fast? Why did rational investors not recognize and stop mispricing and investing in these loans on Wall Street? We offer a supply-side explanation of the mortgage crisis. At the root of the crisis was a new class of specialized mortgage lenders and securitizers unrestricted by regulations governing traditional lending and securitization. Eager to take profits in an originate-to-distribute lending model, aggressive lenders piled in by offering loans with low upfront costs, attracting first-time home buyers previously unable to afford houses, repeat buyers buying pricier homes and second homes, as well as speculators. These practices drove prices particularly high in Arizona, California, Florida, and Nevada, which had significant land-use regulations and environmental controls that reduced supply elasticity, leading increases in demand to trigger mostly higher prices instead of a greater supply of housing.

Keywords: securitization, mortgages, subprime, bubble, housing finance, MBS, mortgage-backed securities, credit default swaps, mispricing

JEL Classification: G21, K20, G24

[Suggested Citation](#) >

[Show Contact Information](#) >

 Download This Paper (Delivery.cfm/SSRN_ID1467161_code711466.pdf?abstractid=1462895&mirid=1)

Open PDF in Browser (Delivery.cfm/SSRN_ID1467161_code711466.pdf?abstractid=1462895&mirid=1&type=2)

0 References

0 Citations

Do you have a job opening that you would like to promote on SSRN?

[Place Job Opening \(https://www.ssrn.com/index.cfm/en/Announcements-Jobs/\)](https://www.ssrn.com/index.cfm/en/Announcements-Jobs/)

We use cookies that are necessary to make our site work. We may also use additional cookies to analyze, improve, and personalize our content and your digital experience. For more information, see our [Cookie Policy](#)

[Policy \(https://www.elsevier.com/legal/cookiepolicy\)](https://www.elsevier.com/legal/cookiepolicy)

Paper statistics

[Cookie Settings](#)

Accept all cookies

3 Citations

15 References

PlumX Metrics



(https://plu.mx/ssrn/a/?ssrn_id=1462895)

Related Journals

The Wharton School, University of Pennsylvania Research Paper Series (https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=1942054)

Follow



University of Pennsylvania Carey Law School, Law & Economics Research Paper Series (https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=164155)

Follow



View more >

Recommended Papers

Real Estate Booms and Banking Busts: An International Perspective (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2546407&rec=1&srcabs=1462895&pos=1)

By Richard J. Herring (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=81919) and Susan M. Wachter (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=58534)

Subprime Lending and Real Estate Markets (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1319757&rec=1&srcabs=1462895&pos=2)

By Susan M. Wachter (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=58534), Andrey D. Pavlov (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=327180), ...

Subprime Lending and the Housing Bubble: Tail Wags Dog? (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1262365&rec=1&srcabs=1462895&pos=3)

By Khasadyahu Zarbabal (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=848974), Michael Lacour-little (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=3101556), ...

View more >

Feedback

Submit a Paper > (<https://hq.ssrn.com/submission.cfm>)

SSRN Quick Links

SSRN Rankings

About SSRN

(<https://www.facebook.com/SSRNcommunity/>)

We use cookies that are necessary to make our site work. We may also use cookies to improve and personalize our content and your digital experience. For more information, see our [Cookie Policy](https://www.elsevier.com/legal/cookiepolicy) (<https://www.elsevier.com/legal/cookiepolicy>)

(<https://www.linkedin.com/company/493409/>)

(<https://twitter.com/SSRN>)

[Cookie Settings](#)

Accept all cookies

(<http://www.elsevier.com/>)

Copyright (<https://www.ssrn.com/index.cfm/en/dmca-notice-policy/>)

Terms and Conditions (<https://www.ssrn.com/index.cfm/en/terms-of-use/>)

Privacy Policy (<https://www.elsevier.com/legal/privacy-policy>)

All content on this site: Copyright © 2024 Elsevier Inc., its licensors, and contributors. All rights are reserved, including those for text and data mining, AI training, and similar technologies. For all open access content, the relevant licensing terms apply.

We use cookies to help provide and enhance our service and tailor content.

To learn more, visit [Cookie Settings](#).



(<http://www.relx.com/>)

(<https://papers.ssrn.com/sol3/updateInformationLog.cfm?process=true>)

We use cookies that are necessary to make our site work. We may also use additional cookies to analyze, improve, and personalize our content and your digital experience. For more information, see our [Cookie Policy](https://www.elsevier.com/legal/cookiepolicy) (<https://www.elsevier.com/legal/cookiepolicy>)

[Cookie Settings](#)

Accept all cookies