

# How the 2008 Housing Crisis affected then and now

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# Introduction

- The housing crisis lasted from 2007-2010
- Housing bubble popped in 2008
- People taking advantage of low interest loans to buy houses while not having enough money to pay back those loans.
- Many bankruptcies from companies in the United States including the Lehman Brothers.

# Research Question and Hypothesis

- Research Question: How did the previous crash affect the market then? How does it affect now?
- Hypothesis: The crash has had a lasting impact with regulations being made to prevent it from happening again. However, legislation has made these regulations more lenient

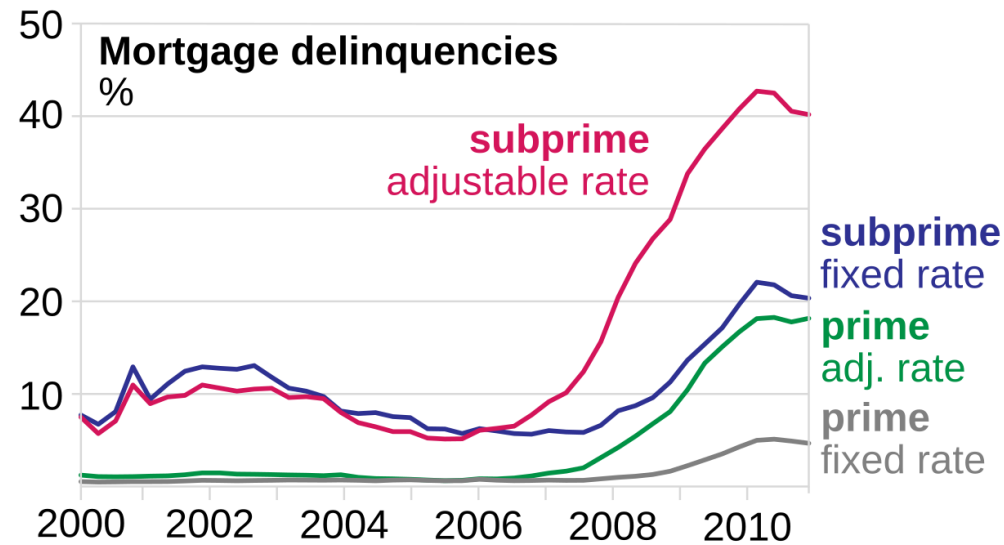
# Real World Connection

- 12 million Americans had to pay mortgages worth more than their property (p. 5)
- Lehman Brothers collapsed in 2008 while being the fourth largest investment bank in the United States.
- Largest bankruptcy in U.S history



# Private Property

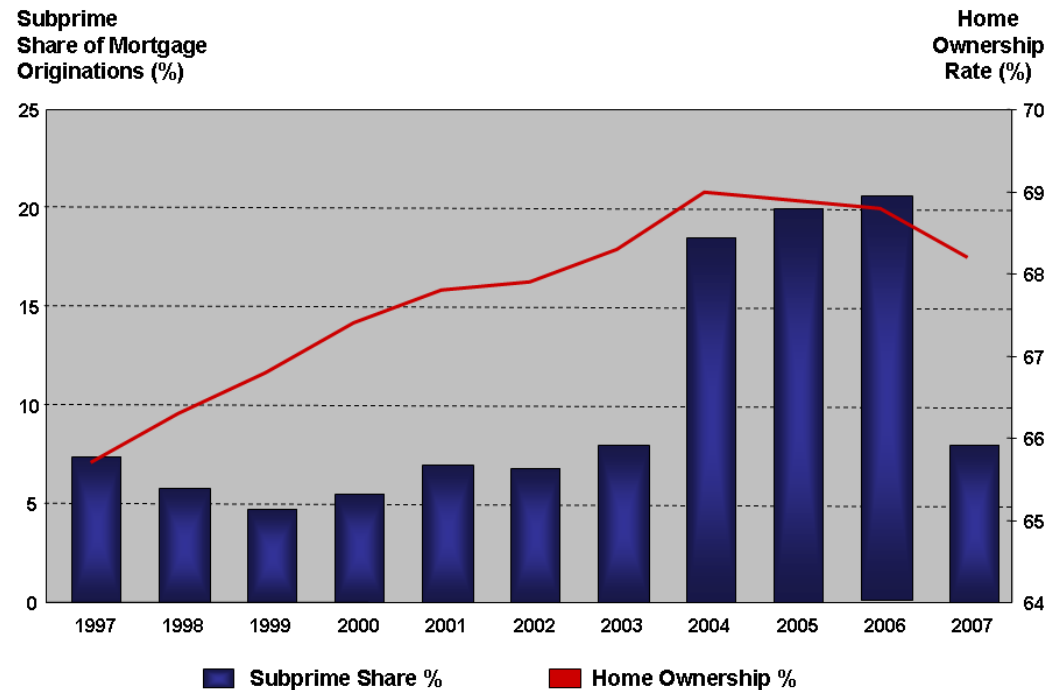
- Private property is a part of the market system
- Banks own houses and private properties until the mortgage is paid off.
- Banks started offering too many risky mortgages, as shown by the graph below.
- Started in around 2006, peaked around 2009-2010



# Market Failure

- The number of subprime mortgages being taken out caused the housing market to become vulnerable which led to the crash.
- Lehman Brothers was caught up in this and eventually caused the company to go bankrupt

U.S. Subprime Lending Expanded Significantly 2004-2006



Sources: U.S. Census Bureau; Harvard University- State of the Nation's Housing Report 2008

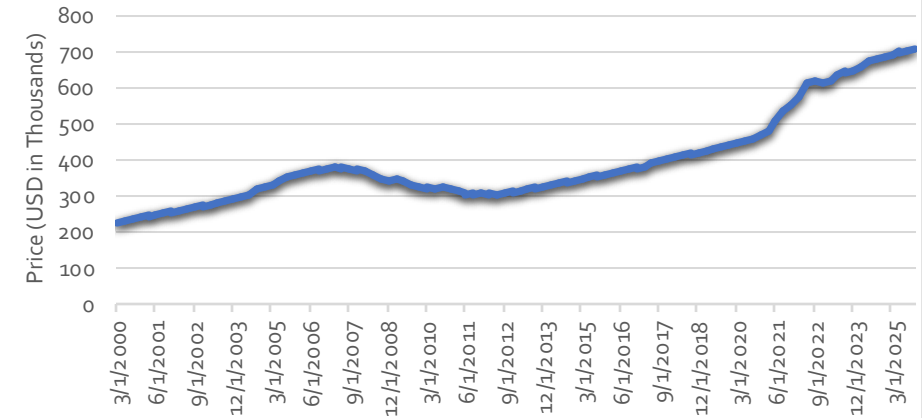
# Government Failure

- During and before the crash, mortgage fraud was rampant in the US.
- FBI Assistant Director Chris Swecker warned CNN that “it has the potential to be an epidemic” with as much impact as the S&L crisis.
- Interest rates could have been raised to slow down the housing market, but the government did nothing.

# Everlasting Impact

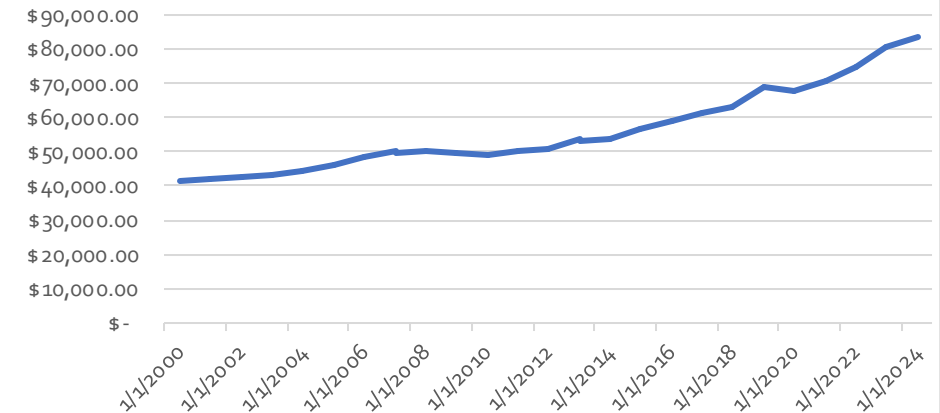
- House prices seem to increase more over time than the average U.S. household income
- “In 39 states and the District of Columbia, more than 65% of households are unable to afford the median-priced new home” (NAHB).
- It seems like another crash may happen within a few years
- House price graph has a similar trend from 2003-2006 and 2020-2025

### House Prices (2000-2025)



<https://www.macrotrends.net/2583/industrial-production-historical-chart>

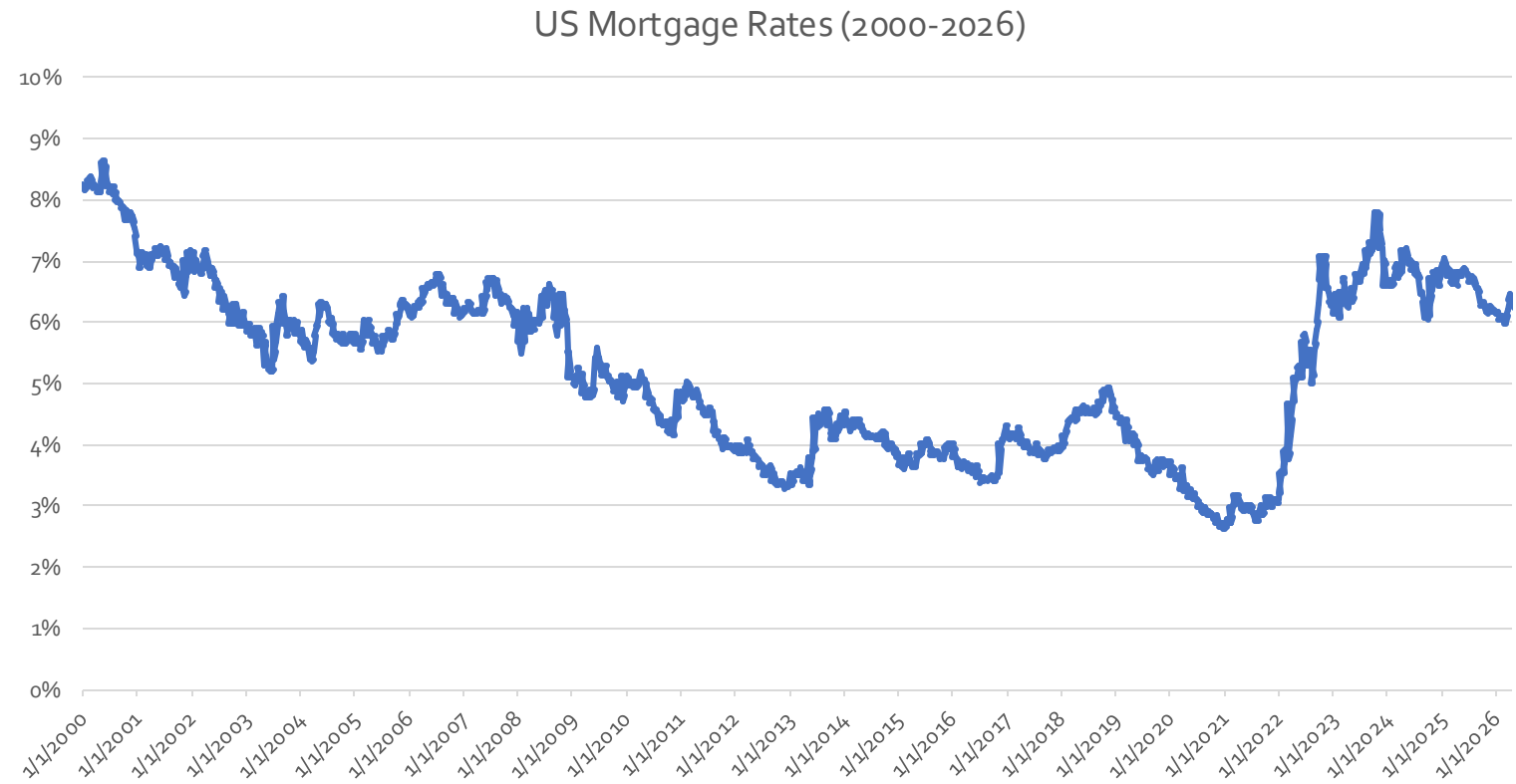
### U.S. Median Household Income (1984-2024)



<https://www.macrotrends.net/3093/us-median-household-income>

# Everlasting Impact (Data)

- In recent times, mortgage rates have gone up, causing houses to be less affordable



<https://www.macrotrends.net/2604/30-year-fixed-mortgage-rate-chart>

# Conclusion

- New bills such as the Economic Growth, Regulatory Relief, and Consumer Protection Act try to exempt financial institutions from laws introduced from the aftermath of the financial crisis.
- According to data and graph patterns, it seems like another crash will happen within the next few years. However, it may not be in housing.

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