

## The 2008 financial crisis in the movies

Excerpts from HBO's *Too big to fail*, directed in 2012 by Curtis Hanson (minutes 55-57).

–Wall Street started bundling home loans together, mortgage-backed securities, and selling slices of those bundles to investors. And they were making big money, so they started pushing the lenders, saying ‘Come on, we need more loans.’

–The lenders had already given loans to borrowers with good credit, so they go bottom-feeding. They lower their criteria.

–Before, you needed a credit score of 620 and a down payment of 20%. Now, they’ll settle for 500, no money down.

–And the buyer, the regular guy on the street, assumes that the experts know what they’re doing. He’s saying to himself, ‘If the bank’s willing to loan me money, I must be able to afford it.’ So he reaches for the American dream. He buys that house.

–The banks knew securities based on shitbag mortgages were risky. So to control their downside, the banks started buying a kind of insurance. If mortgages default, insurance company pays, default swap. The banks insure their potential losses to move the risk off their books so they can invest more, make more money.

–And while a lot of companies insured this stuff, one was dumb enough to take on an almost unbelievable amount of risk. AIG.

–And when they ask me why they did that?

–Fees.

–Hundreds of millions in fees.

–AIG figured the housing market would just keep going up, but then the unexpected happens.

–Housing prices go down.

–The poor bastard who bought his dream house, the teaser rate on his mortgage runs out. His payments go up. He defaults.

–Mortgage-backed securities tank. AIG has to pay off the swaps, all of them, all over the world, at the same time.

–AIG can’t pay. AIG goes under. Every bank they insure books massive losses on the same day. And then they all go under. It all comes down.

–The whole financial system?

–And what do I say when they ask me why it wasn’t regulated?

–No one wanted to. We were making too much money.

**Excerpts from HBO's *Too big to fail*, directed in 2012 by Curtis Hanson (minute 42).**

–Everyone who had a piece-of-crap mortgage security bought insurance on their risk from AIG, and I mean everyone.

–How could they let this happen?

–They must have figured real estate would never go down, ever.