

# Financial and Economic Awareness



*Presented by the*  
**NEW JERSEY**  
**Department of Banking and Insurance**

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**Director, Division of Banking**

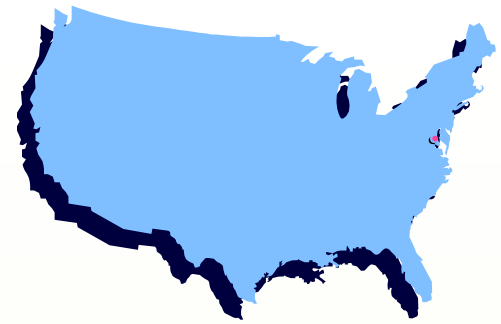
February 06, 2009

# Regulated by the Division of Banking, NJ Department of Banking & Insurance

- Banks
- Credit Unions
- Industrial Loan Companies
- Licensed Lender
  - Mortgage Bankers
  - Mortgage Brokers
  - Correspondent Mortgage Bankers
    - Mortgage Solicitors
  - Secondary Mortgage Lenders
  - Consumer Lenders
  - Sales Finance Companies
- Check Cashers
- Pawn Brokers
- Money Transmitter/Foreign Money Transmitter
- Home Financing Agency
- Home Repair Contractor/Salesperson
- Insurance Premium Finance Company
- Motor Vehicle Installment Seller
- Debt Adjuster
- High Cost Home Loan Credit Counselor



# U.S. Economy



- Dow Jones Industrial Average is down 33.8% YTD (WSJ 1/2/09)
- Unemployment is 7.6%
- Inflation for 2008 was 3.8%



# Origins of the Financial Crisis

- Deterioration in housing market led to rapid increase in mortgage defaults
- Mortgage defaults trigger large write-downs in mortgage-related securities
- Demand for securitized and structured assets falls sharply, resulting in the liquidity shock of August 2007
- Crisis spreads to the broader economy as firms and consumers deleverage, creating severe contraction in credit flows and a spike in credit risk spreads



# Financial Industry Crisis



- Goldman Sachs- Berkshire Hathaway
- Wells Fargo – Wachovia – Merger
- Bank of America – CountryWide – Merger
- AIG – Government Intervention
- Fannie Mae & Freddie Mac – Government Intervention
- PNC Bank - National City – Merger
- J.P. Morgan Chase – Bear Stearns – Government Intervention
- Lehman Brothers – Chapter 11
- Washington Mutual – FDIC Intervention
- **Securitized Mortgages Instruments (Investments)**
- **Credit Default Swaps**



# Credit Crisis – Credit Markets “Frozen”

- Business Loans
- Mortgage Loans
- Auto Loans
- Student Loans



Lenders greatly tightened lending criteria to avoid risks & secure balance sheet

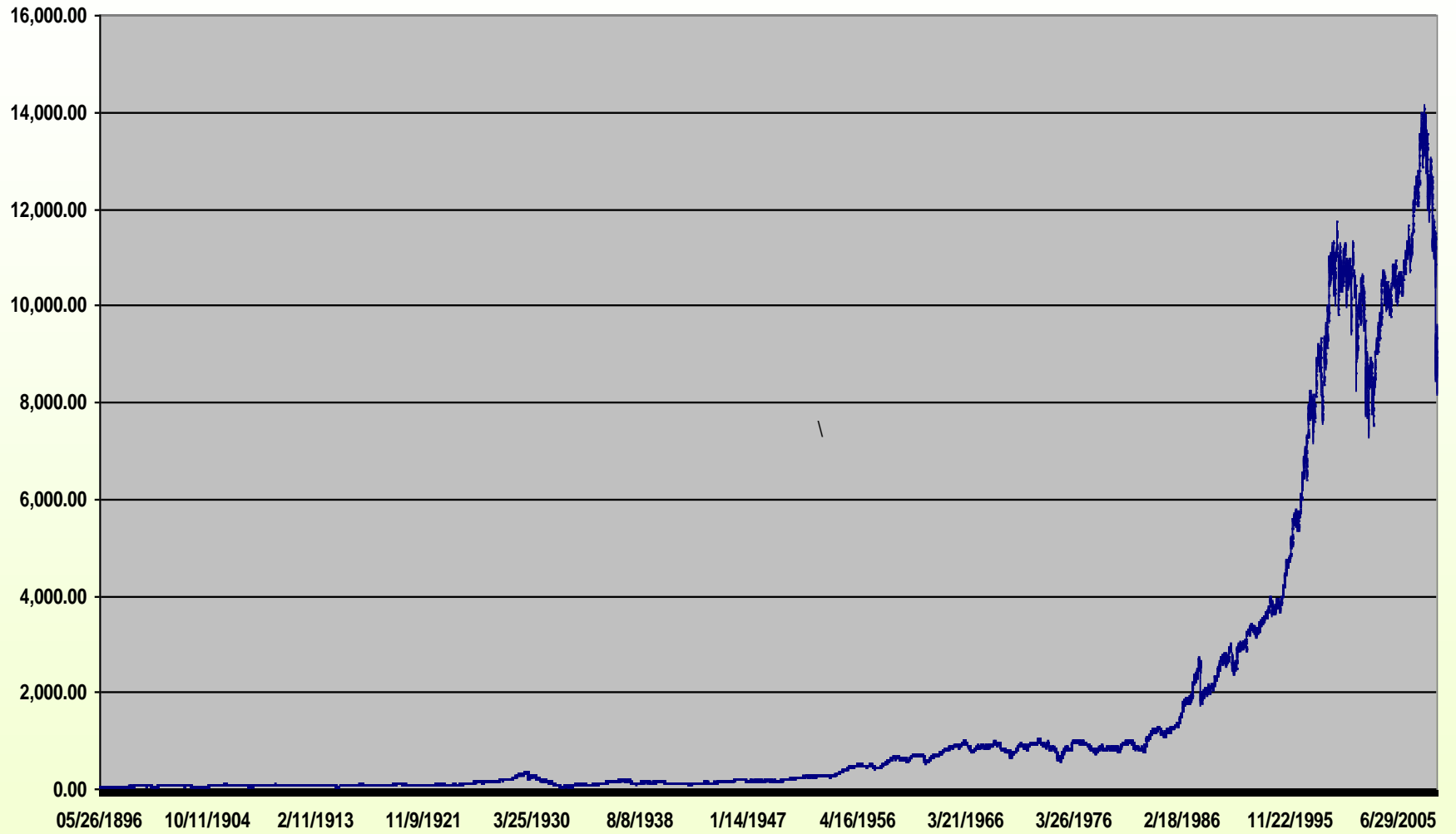


# Credit Default Swaps

**\$50,000,000,000,000**  
**(50 Trillion dollars)**



# Dow Jones Industrial Average



# Regulators

## Federal Housing Finance Agency

[comments@fhfb.gov](mailto:comments@fhfb.gov)

1625 Eye Street NW  
Washington, D.C. 2006  
[www.fhfb.gov](http://www.fhfb.gov)



## Federal Deposit Insurance Corp.

**Robert Feldman**

*comments@fdic.gov*  
550 17<sup>th</sup> Street NW  
Washington, D.C. 20429  
[www.fdic.gov](http://www.fdic.gov)

Each depositor insured to \$100,000



## Federal Reserve Board

Jennifer Johnson  
*Regs.comments@federalreserve.com*  
20<sup>th</sup> & C Streets NW  
Washington, D.C. 20551  
[www.federalreserve.gov](http://www.federalreserve.gov)



## Office of Thrift Supervision

Director, Information Services  
*regs.comments@ots.treas.gov*  
1700 G Street NW  
Washington, D.C. 20552  
[www.ots.treas.gov](http://www.ots.treas.gov)



## Comptroller of the Currency

*Regs.comments@occ.treas.gov*  
250 E Street SW  
Mail Stop 3-2  
Washington, D.C. 20219  
[www.occ.treas.gov/index.htm](http://www.occ.treas.gov/index.htm)



## National Credit Union Administration

Becky Baker  
*Regcomments@ncua.gov*  
1775 Duke Street  
Alexandria, VA 22314  
[www.ncua.gov](http://www.ncua.gov)



# The Stimulus Package

## New Spending

- Extend and raise jobless benefits through 2009; boost aid to poor, including food stamps.
- Subsidize health care coverage for jobless help states with Medicaid, other health programs.
- Fund construction projects and repairs; Highways, bridges, mass transit, federal buildings, water.
- Provide school grants, aid to states, other school programs; boost Pell Grants
- Support science facilities, high-speed Internet, other environmental, energy programs
- Repair and weatherize public housing, help homeless, repair foreclosed homes.

## Tax Cuts

- Enact \$500 per worker \$,000 per couple tax cut for two years.
- Expand \$1,000 per child tax credit and earned-income tax credit to more working poor.
- Provide \$2,500 tax credit for college.
- Homeowner tax credits.
- Extend quicker write-offs for depreciation for equipment; help money-losing companies.
- Tighten rules on firms that buy failing banks and merge them.
- Subsidize local bonds for schools, infrastructure, economic, development; extend energy tax credits.

