



Who's Behind the Financial Meltdown?

THE TOP 25 SUBPRIME LENDERS
AND THEIR WALL STREET BACKERS

THE
SUBPRIME
25

Check their stats,
including the
bailout funds
they've received



THE CENTER FOR
PUBLIC INTEGRITY

Investigative Journalism in the Public Interest

Table of Contents

About the Financial Meltdown Project	3
The Mega-Banks Behind the Meltdown	8
How Wall Street's Greed Fueled the Subprime Disaster Commentary by Bill Buzenberg	
The Roots of the Financial Crisis: Who Is To Blame?	11
Banks that Financed Subprime Industry Collecting Billions in Bailouts By John Dunbar and David Donald	
Predatory Lending: A Decade of Warnings	25
Congress, Fed Fiddled as Subprime Crisis Spread By Kat Aaron	
Meltdown 101	43
Subprime Mortgages and the Road To Financial Ruin By John Dunbar	
The Subprime 25	51
The Top 25 Lenders Behind Nearly \$1 Trillion of Subprime Loans	
1. Countrywide Financial Corp.	
2. Ameriquest Mortgage Co./ACC Capital Holdings Corp.	
3. New Century Financial Corp.	
4. First Franklin Corp./National City Corp./Merrill Lynch & Co.	
5. Long Beach Mortgage Co./Washington Mutual	
6. Option One Mortgage Corp./H&R Block Inc.	
7. Fremont Investment & Loan/Fremont General Corp.	
8. Wells Fargo Financial/Wells Fargo & Co.	
9. HSBC Finance Corp./HSBC Holdings plc	
10. WMC Mortgage Corp./General Electric Co.	
11. BNC Mortgage Inc./Lehman Brothers	
12. Chase Home Finance/JPMorgan Chase & Co.	
13. Accredited Home Lenders Inc./Lone Star Funds V	
14. Indymac Bancorp, Inc.	

15. CitiFinancial/Citigroup Inc.
16. Equifirst Corp./Regions Financial Corp./Barclays Bank plc
17. Encore Credit Corp./ECC Capital Corp./Bear Stearns Cos. Inc.
18. American General Finance Inc./American International Group
19. Wachovia Corp.
20. GMAC LLC/Cerberus Capital Management
21. NovaStar Financial Inc.
22. American Home Mortgage Investment Corp.
23. GreenPoint Mortgage Funding Inc./Capital One Financial Corp.
24. ResMae Mortgage Corp./Citadel Investment Group
25. Aegis Mortgage Corp./Cerberus Capital Management

Methodology

82

How the Center Investigated 350 Million Loan Applications
By David Donald

Meltdown Glossary

86

A Glossary of Terms for the Subprime Era | By Kat Aaron

On the Web

Interactive Maps that show where the top 25 subprime lenders originated most of their high-interest mortgages from 2005 through 2007 at www.publicintegrity.org/investigations/economic_meltdown/data/maps/

Share Your Story: If you are one of the thousands of homeowners affected by predatory lending, the Center would like to hear your story. Go to: www.publicintegrity.org/investigations/economic_meltdown/share_your_story/

Stay Connected: Subscribe to our e-mail newsletter at www.publicintegrity.org, or follow the Center on Twitter (@publici), iTunes, and Facebook to get the latest from our in-depth investigations, articles, interviews, blogs.

Support the Center: Your support will help us bring you more investigations like this one. Donate now at www.publicintegrity.org.

About the Financial Meltdown Project

THE CENTER FOR PUBLIC INTEGRITY began work on this project in fall 2008 as it became clear that subprime lending was at the heart of the financial crisis. While keeping track of other work in this investigative field, we believed that most news organizations were caught up in the rapidly changing day-to-day economic stories, and none were digging into precisely who was responsible for the subprime lending that contributed so heavily to the disaster.

In late September, the Center's data editor David Donald began his computer analysis of some 350 million mortgage applications going back to 1994. We wanted to determine how America's subprime lending unfolded and who the biggest lenders were. At the same time, reporter Kat Aaron began work on a widely overlooked history of attempts to reign in abusive loan practices, "Predatory Lending: A Decade of Warnings; Congress, Fed Fiddled As Subprime Crisis Spread."

In January 2009, former Associated Press reporter John Dunbar, who had been covering the economic crisis in Washington, joined the Center and immediately began work designing a project around the top subprime lenders and their financial backers. Meanwhile, data expert Donald focused on the top loan originators from 2005 through 2007, a period that marks the peak and collapse of the subprime boom. These lenders we eventually dubbed "The Subprime 25." With our data analysis in hand, Dunbar and a team of Center reporters put together profiles of all 25 top subprime lenders.

Through our reporting, we discovered that at least 21 of the top 25 subprime lenders were directly or indirectly financed by the mega-banks that received bailout money — through direct ownership, credit agreements, or huge purchases of loans for securitization. Dunbar then completed two major reports with the help of his team, "The Roots of the Financial Crisis: Who Is To Blame; Banks that Financed Subprime Industry Collecting Billions in

Bailouts,” as well as a thorough primer on what had happened, “Meltdown 101: Subprime Mortgages and the Road to Financial Ruin.”

The Center for Public Integrity also created a series of charts and graphs to help tell the story, including information on the hefty lobbying and political contributions to members of Congress by the companies involved. To illustrate the project, Multimedia Editor Ariel Olson Surowidjojo was instrumental in gathering the charts, graphs, photos, and company logos. The Center also shared its subprime mortgage data with the innovative, Palo Alto-based Palantir Technologies, which used its network analysis software to create more than a hundred “heat maps” showing where each of the Subprime 25 companies made their home loans.

Project Credits

Editorial Team

Bill Buzenberg, *executive director*
David E. Kaplan, *editorial director*
Gordon Witkin, *managing editor*
John Dunbar, *project manager/lead author*
David Donald, *data editor*

Reporting Team

John Dunbar, David Donald, Kat Aaron, Laura Cheek, Josh Israel, Matt Lewis, Sarah Laskow

Fact Checking

Peter Newbatt Smith, *research editor*; Laura Cheek, Matt Lewis, M.B. Pell

Technical Team

Andrew Green, *web editor*
Ariel Olson Surowidjojo, *multimedia editor*
Cole Goins, *assistant web editor*
Tuan Lee, *information technology manager and web developer*

Media Team

Bridget Gallagher, *director of development and communications*
Jeanne Brooks, *outreach coordinator*
Steve Carpinelli, *media relations manager*

Project Credits

(continued)

Web Design

Top Dead Center Design

www.tdcdesign.com

Data Analysis & Map Design

Palantir Technologies

www.palantirtech.com

Digital Newsbook

This Digital Newsbook was produced for the Center for Public Integrity at the Donald W. Reynolds Journalism Institute at the Missouri School of Journalism in Columbia.

www.rjionline.org

Additional Thanks

Carolyn Jarboe, Eva Koehler,
Ellen McPeake, Regina Russell

Funders

Who's Behind the Financial Meltdown? is generously supported by the Carnegie Corporation of New York, the Ford Foundation, the John S. and James L. Knight Foundation, the John D. and Catherine T. MacArthur Foundation, the Open Society Institute, the Park Foundation, the Rockefeller Brothers Fund, and many other generous institutional and individual donors. The Center for Public Integrity also wishes to thank Palantir Technologies of Palo Alto, Calif., which provided generous in-kind support through its network analysis software, data analysis, and map design.

Support the Center: Donate Today

The Center for Public Integrity would cease to exist if not for the generous support of individuals like you. Help keep transparency and accountability alive and thriving by becoming a new or recurring member to support investigations like *Who's Behind the Financial Meltdown?*

To make a recurring (monthly, quarterly, semi-annual, or annual) gift click here when you are online or visit <http://www.publicintegrity.org/>.

Our work could not be completed without your generous support. Donors of \$500 or more in a 12-month period will be acknowledged on our website and in publications.



About the Center For Public Integrity

Investigative Journalism in the Public Interest

The Center for Public Integrity is a nonprofit, nonpartisan, and independent digital news organization specializing in original investigative journalism and research on significant public policy issues.

Since 1990, the Washington, D.C.-based Center has released more than 475 investigative reports and 17 books to provide greater transparency and accountability of government and other institutions. It has received the prestigious George Polk Award and more than 32 other national journalism awards and 18 finalist nominations from national organizations, including PEN USA, Investigative Reporters and Editors, Society of Environmental Journalists, Overseas Press Club, and National Press Foundation.

In 2007, the Society of Professional Journalists recognized three Center projects with first-place online awards — the only organization that year to be recognized with three awards. The Center has been honored with the Online News Association's coveted General Excellence Award, and a special citation for the body of its investigative work from the Shorenstein Center on the Press, Politics and Public Policy at Harvard's Kennedy School of Government.



THE CENTER FOR
PUBLIC INTEGRITY

910 17th Street NW, Suite 700, Washington, D.C. 20006
Telephone: (202) 466-1300 • www.publicintegrity.org

The Mega-Banks Behind the Meltdown

HOW WALL STREET'S GREED FUELED THE SUBPRIME DISASTER

Commentary by Bill Buzenberg

Executive Director of the Center for Public Integrity

THERE is something of a myth surrounding the current economic crisis, how it unfolded, and the precise role of the world's largest financial institutions in the global meltdown. That myth suggests these banks and investment houses were somehow surprised "victims" of unscrupulous subprime mortgage lenders, and that they could not have anticipated the damaging toxic assets that have so infected their balance sheets.

What's missing from this story is the fact that this was a self-inflicted wound for which the rest of us are picking up a massive tab. The largest American and European banks



and investment houses were not the unwitting "victims" of an unforeseen financial collapse, as they have so often been portrayed. The mega-banks not only invested in subprime lending institutions — they were the enablers, bankrollers, and instigators driving high-interest lending, and they did so because it was so lucrative and unregulated.

Worse, in many instances these are the same financial institutions the government is now bailing out with tax revenues. How these bottomed-out banks helped cause the financial meltdown can be clearly seen in a new study by the Center for Public Integrity. The

