



Subprime mortgage crisis

2016315158 Kim Mi Song
2012314004 Kim Woo Hyuk
2016314476 Kim Yun Tae
2014311078 Song Won Seok
Kim Jae Hyun

CONTENTS

- 1. Overview of Subprime Mortgage Market in the U.S.**
- 2. Causes of Subprime Mortgage Crisis**
- 3. Subprime Mortgage Crisis phases(+EU)**
- 4. Responses**

1. Subprime mortgage

: A type of mortgage loan granted to individuals with **poor credit scores**, who would not be able to qualify for conventional mortgages



Credit markets

Prime

High credit

High income

Alt-A

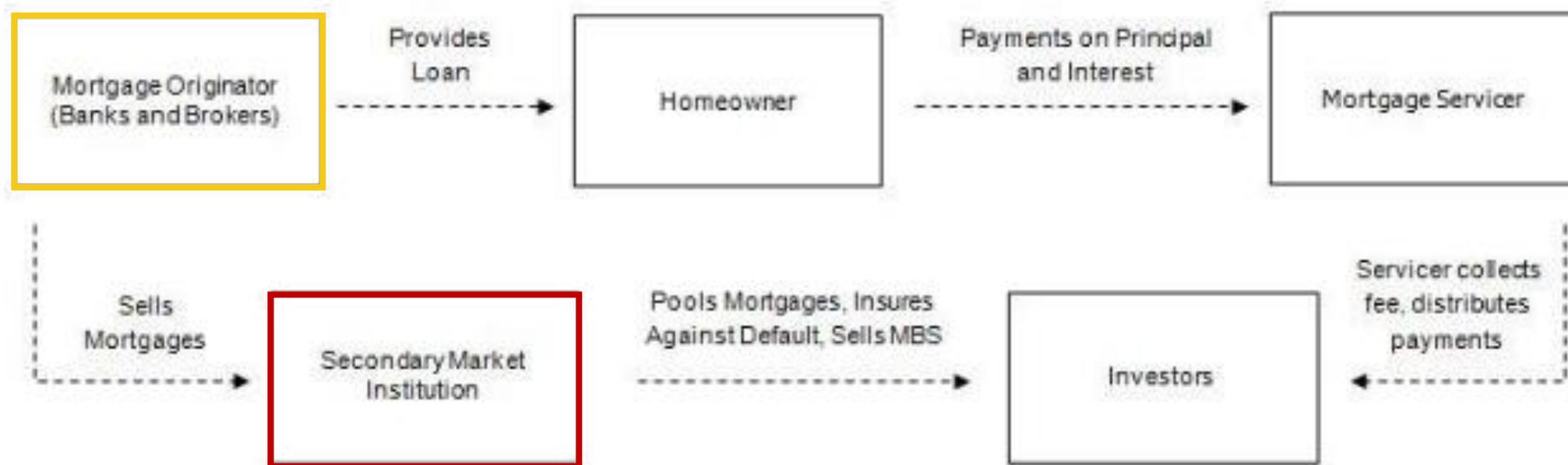
**Sub-
Prime**

Low credit

Low income

How mortgage market operates

1. Primary mortgage market



2. Secondary mortgage market : MBS - Mortgage Backed Securities /
CDO - Collateralized Debt Obligation(54%)

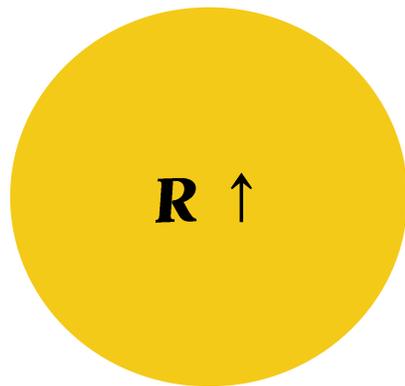
How mortgage market operates

1. Primary mortgage market



2. Secondary mortgage market : MBS - Mortgage Backed Securities /
 CDO - Collateralized Debt Obligation(54%)

2. Causes of Subprime Mortgage Crisis



3. SMC Phases in the United States

- Default rate rose to 13%
- Mortgage companies shut down
- *New Century Financial* into bankruptcy

Early 2007

- Visualized loss & poor performances of financial firms and investment banks in succession

2007. 10~11



2007. 8~9

- BNP Paribas shock
- damage in lots of finance companies
- the financial market confusion ↑

Late 2007~

- Collapse of *Bear Stearns*
- Impact on the real economy
- Awareness and attention to the crisis

Impact on EU

- Subprime mortgage loans becoming insolvent
 - Global economic downturn
- De-leveraging in financial institution in the U.S
 - Depreciation of the currency & Foreign debt burden ↑
Financial deficit of firms and difficulty in fund-raising

five consecutive quarters of
NEGATIVE economic growth

4. Responses



US

1. Just appreciation
2. Open Market Operation & Lowered the target for the Federal funds rate from 5.25% to 2% → **Liquidity**
3. Try to revise wrong practices in subprime mortgage loan
4. TFA/TSLF
Bailout of financial sector



EU

- Macroeconomic policy coordination for reflation
U. K–France–Germany
- Financial system restructuring
ESRC/ESFS
(European Systemic Risk Council)
New guidelines for bank restructuring

References

신용상, (2007), 서브프라임 모기지 사태의 분석과 전망

김남수, (2008), 미국의 서브프라임 모기지 사태와 그 시사점

서영수, (2009), 미국 서브프라임 금융위기에 따른 EU 대응방안 및 시사점

이규복, (2008), 금주의 논단: 서브프라임 모기지 사태 후 정책대응의 특징 및 향후 전망

장시복, (2008), 미국 서브프라임 모기지 사태와 세계 경제의 위기

Thank you 😊