The 2008 Financial Crisis and the Reform of U.S. Mortgage Market

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Abstract

The Dodd-Frank Wall Street Reform and Consumer Protection Act is enacted in July 2010 in the wake of the financial crisis of 2007-2009. It is the policy response of U.S. authorities to reform the financial system. The Dodd-Frank Act (DFA) calls for many diverse proposals for new laws and agencies from all the major stakeholders. In this respect, the purpose of this paper is to focus on the mortgage market reform agenda specifically codified in the DFA.

The study is organized as follows. Section 2 reviews the evolution and growth of the U.S. secondary mortgage market from late 1960s to present. The securitization of mortgages and the production of subprime mortgages are discussed as well. Section 3 examines the role of the two government sponsored enterprises (GSEs), Fannie Mae and Freddie Mac, respectively. Section 4 outlines the timetable of the development of policy initiatives regarding the reform of primary and secondary mortgage markets. Section 5 concludes the analysis and recommendations for further improvement of the financial system.

Key words: financial regulation and reform, mortgage market, the Dodd-Frank Act
References


