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Abstract
OTHER PEOPLE'S HOUSES ADDS TO A GROWING LITERATURE on the origins of the Financial Crisis of 2008. Jennifer Taub's contribution provides one of the most comprehensive studies to date. She outlines the many causes of the crisis, dispels myths, and explains what has been done—or how little has been done—in the wake of the crisis, while keeping the perspectives of struggling homeowners front and center. Taub begins by showing how the 2008 crisis was a continuation of the savings and loans crisis of the 1980s and 1990s that brought countless farmers and banks to ruin. In both crises, the "same players" operated, she argues, just under "new names" and in "new institutions with the same frailties."2 She also reveals how the United States Congress, under pressure from the saving and loans industry, dismantled the New Deal regulatory framework, thus allowing savings and loans institutions to operate with much more risk. This deregulation and "desupervision" of the industry would become an essential cause of the 2008 crisis.

Book Note

Other People's Houses: How Decades Of Bailouts, Captive Regulators, And Toxic Bankers Made Home Mortgages A Thrilling Business, by Jennifer Taub[1]

KETON MOTTA FREEMAN

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Taub begins by showing how the 2008 crisis was a continuation of the savings and loans crisis of the 1980s and 1990s that brought countless farmers and banks to ruin. In both crises, the "same players" operated, she argues, just under "new names" and in "new institutions with the same frailties."[2] She also reveals how the United States Congress, under pressure from the saving and loans industry, dismantled the New Deal regulatory framework, thus allowing savings and loans institutions to operate with much more risk. This deregulation and "desupervision" of the industry would become an essential cause of the 2008 crisis.

Taub then follows the story of Washington Mutual (Wa Mu), documenting the decisions that led to its collapse. Eager to increase loan volume, WaMu made loans to people who would struggle to repay. WaMu extended loans with as little

1. (New Haven: Yale University Press, 2014) 302 pages.
2. *Ibid* at 5.

as a five per cent down payment, based only on the applicants' self-declared income. These reckless loans were then packaged and sold as securities, receiving investment-grade ratings. Institutional investors bought them, either because they "did not understand what they were buying … or [they] didn't bother to learn."[3]

Many regulators believed WaMu and other lenders limited the risk they took on to protect long-term shareholder wealth. However, this belief was wrong. Subprime lending surged, creating a real estate bubble, which then popped. The number of borrowers defaulting and foreclosing soared.

Taub then provides a comprehensive overview of legal changes that created the "toxic mortgage supply chain" which caused the 2008 crisis.[4] She outlines how decades of deregulation and desupervision eroded the stability of the previous fifty years and reveals how laws enacted in the early 1980s allowed banks to sell high-risk mortgages, with higher and variable interest rates. These loans where often peddled with fraudulent and predatory practices. Taub identifies the United States Supreme Court's 1993 decision, *Nobelman v American Savings Bank*, as another cause of the crisis, since it prevented debtors in bankruptcy from reducing the principal on their mortgage to their home's depressed market value. Fannie Mae and Freddie Mac shared some of the blame by purchasing and guaranteeing high-risk mortgages. Regulatory inaction on the part of the Federal Reserve and others also enabled the crisis, as did the legal changes of the 1980s and the Securities and Exchange Commission regulations that allowed the private mortgage securities market to flourish, disguising high-risk mortgages as investment-grade securities suitable for institutional investors. Other essential causes were the legal changes in 2000 that gave banks more freedom to speculate on derivatives, as well as the legal changes that permitted the overleveraging of banks and homeowners alike.

Taub's goal is also to document the effect of the crisis on homeowners, reminding us that more than five million families have lost their homes to foreclosure.[5] In 2013, one-fifth of all mortgaged properties in the United States were worth less than their mortgages.[6] The effect is to remind the reader that while so many banks have been deemed too big to fail, millions of homeowners overburdened with debt have been deemed "too small to save."[7] Today, the banks are bigger than ever. However, countless homeowners are struggling to keep their

3. *Ibid* at 159.
4. *Ibid* at 245.
5. *Ibid* at 386.
6. *Ibid* at 3.
7. *Ibid* at 118.

homes and far too often losing them. Taub effectively shows us what caused the 2008 crisis, how damaging the crisis has been to homeowners, and how little has been done to help them since.