FEBRUARY 2007

FEB 5 Mortgage Lenders Network USA, the 15th largest subprime lender in the US, files for bankruptcy.

FEB 13 ResMae Mortgage Corporation files for bankruptcy.

MARCH 2007

MAR 20 People's Choice Home Loan files for bankruptcy.

APRIL 2007

APR 3 New Century Financial, the largest subprime lender in the US, files for bankruptcy and releases an $8.4 billion in loan repayments.

APR 4 CNN Money reveals that subprime loans have five times the delinquency rate of prime loans, or a total of approximately $1.3 trillion loans have been issued to subprime borrowers, in a $6 trillion housing market.

MAY 2007

JUNE 2007

JULY 2007

JUL 6 In a surprise move, Peter Wuffli, the CEO of Swiss bank UBS, resigns over declining profits due to the bank's activity in the US subprime market.

JUL 17 Two Bear Stearns hedge funds specializing in subprime debt disclose to investors that each fund has lost at least 90% of its value. The funds only invested in securities that rating agencies graded as triple-A, high-quality investments.

JUL 19 The DJIA closes above 14,000 for the first time in its history.

JUL 31 The two troubled Bear Stearns hedge funds file for bankruptcy. Shortly thereafter, the SEC launches an investigation into Bear Stearn's risk management process.

AUGUST 2007

AUG 7 American Home Mortgage, one of the largest retail mortgage lenders, files for bankruptcy.

AUG 9 BNP Paribas SA, France's biggest bank, freezes assets on three investment funds that had capital of €1.6 billion. The funds had declined almost 20% in two years and had the bank freeze withdrawals because they could not fairly value their assets due to the growing turmoil in the subprime market.

AUG 9 The European Central Bank injects €95 billion into the European banking system to maintain liquidity, the largest such intervention since September 11, 2001.

AUG 10 Central banks around the world including the Federal Reserve, the European Central Bank, the Bank of Japan, the Swiss Central Bank and the Bank of Australia inject $300 billion to prevent a liquidity crisis from freezing up the credit markets.

AUG 16 Countrywide Bank borrows $11.5 billion from other banks to stave off bankruptcy. Later they would be sued for predatory lending practices and for giving out loans without appropriate risk analysis.

AUG 24 Bank of America buys $2 billion in preferred shares of Countrywide Bank in an attempt to restore investor confidence following concerns over Countrywide's possible bankruptcy.

AUG 28 The National Association of Realtors reports that the number of unsold homes in US has reached a 16-year high in July.

SEPTEMBER 2007

SEP 14 One of England's largest retail mortgage lenders, Northern Rock, seeks emergency liquidity from the Bank of England. This is the first major incident of the financial crisis in the UK.

SEP 21 Bear Stearns announces a 61% drop in earnings from the same quarter in 2006. Goldman Sachs reports a 79% rise in third quarter profits, beating analyst expectations.

OCTOBER 2007

OCT 1 Swiss Bank UBS announces a $3.7 billion writedown followed by the resignation of the head of its investment banking division. UBS was heavily involved with collateralized debt obligations (CDOs) and credit default swaps, derivative products that lost value when the subprime crisis hit.

OCT 9 The DJIA closes at its highest-ever level, ending the day at 14,164 points.

OCT 11 Merrill Lynch, AIG & Citigroup, in the housing market, reports that foreclosures have doubled compared to the same time last year.

OCT 16 Because of subprime writedowns totaling over $3 billion, Citigroup's profits drop 57% compared to the same quarter the prior year.

OCT 25 Merrill Lynch announces a $2.24 billion loss in the third quarter, largely due to subprime mortgage-related losses.

OCT 26 Countrywide Bank reports its first quarterly loss in 25 years of $1.2 billion on about $1 billion in writedowns.

OCT 31 Merrill Lynch CEO Stan O'Neal resigns after an announcement that the company would write down around $7.9 billion in subprime debt — the largest writedown in the credit crisis so far. O'Neal gets a $160 million payout upon leaving.

NOVEMBER 2007

NOV 5 Citigroup CEO Chuck Prince resigns after an announcement that Citigroup may have to write down up to $11 billion in bad debt primarily from subprime losses.

NOV 13 Bank of America says it will have to write off $3 billion of subprime debt.

NOV 15 Barclays Bank in the UK confirms a $1.6 billion writedown due to subprime losses.

NOV 16 The US House of Representatives passes a predatory lending bill imposing liability on parties that securitize mortgages.

NOV 21 Freddie Mac announces a $9 billion loss to mortgage-related credit losses. Shares in Freddie Mac drop 29% and Fannie Mae's shares drop 25% immediately following the announcement.

NOV 27 Freddie Mac announces a $6 billion share issue to cover more losses from mortgages. In addition, Freddie Mac says it will cut its dividend by 50%, in the fourth quarter in an attempt to shore up its capital.

NOV 27 Citigroup raises $7.5 billion from the government of Abu Dhabi.

DECEMBER 2007

DEC 3 Moody's announces it will lower its triple-A ratings on mortgage-related securities. These high ratings allowed for successful securitization of pools of lower-quality bonds that were packaged and exported all over the world. Because of the high ratings, hundreds of billions of dollars in bonds were not subject to appropriate due diligence by the buyers.

DEC 6 President George W. Bush announces a plan, which is never implemented, to help troubled homeowners facing foreclosure and freeze subprime interest rate loans for five years.

DEC 14 The CEO of Northern Rock resigns and talks about nationalizing the troubled UK bank.

DEC 20 Bear Stearns reports the first quarterly loss in its 84-year history: $854 million.

JANUARY 2008

JAN 8 Jimmy Cayne, the CEO of Bear Stearns, resigns. Cayne has personally lost over $900 million, since he was heavily invested in Bear Stearns stock.

JAN 17 Lehman Brothers announces plans to eliminate 3,300 jobs in its domestic mortgage division, on top of 2500 that have already been cut in the wake of the subprime crisis.

JAN 22 The Federal Reserve cuts the discount interest rate by 0.75% — the largest cut in two decades.

JAN 26 Bank of America and Countrywide are in merger talks, which would create the largest mortgage lending group in the US.

FEBRUARY 2008

FEB 8 Deutsche Bank reports profits of $9.4 billion for 2007 and seems to have dodged the worst of the subprime crisis.

FEB 13 Data from the Financial Services Agency, the Japanese financial watchdog, shows that losses from the Japanese exposure to the subprime crisis reached $5.6 billion in 2007.

FEB 17 Britain announces the nationalization of Northern Rock, which saved the Bank of England £25 billion for loans given after a run on the bank in September 2007.

FEB 28 Federal Reserve Chairman Ben Bernanke warns of increasing bank failures in a speech to the Senate Banking Committee.

FEB 29 President Bush attacks a Democrat-sponsored housing bill that he could veto, and threatens to veto the bill in an current form.

MARCH 2008

MAR 10 Rumors spread on Wall Street that Bear Stearns is experiencing severe liquidity problems. Investor anxieties become a self-fulfilling prophecy as Bear's stock price plunges over the next five days.

MAR 16 JP Morgan Chase announces that it will acquire Bear Stearns at $2 a share in an arrangement brokered by the Federal Reserve. The Fed finances the transaction and guarantees Bear's pending obligations up to $30 billion.

APRIL 2008

APR 1 Deutsche Bank reveals that it will write down $3.9 billion in the first quarter.

APR 7 *The Concise Oxford English Dictionary* announces it will include "subprime" and "credit crunch" in its next edition.

APR 17 Merrill Lynch reveals first-quarter losses of $1.96 billion largely due to subprime lending, compared to a profit of $2.1 billion the year before.

MAY 2008

MAY 13 *The Financial Times* releases a write-downs table showing worldwide bank write-offs totaling almost $450 billion since January 2007.

MAY 21 It becomes clear that Moody's triple-A ratings, which played a critical role in the export of hundreds of billions of dollars of toxic US subprime mortgage securities, were inappropriately conferred.

JUNE 2008

JUN 2 Wachovia's CEO Kennedy Thompson retires in the wake of $708 million in subprime losses.

JUN 16 Lehman Brothers reports a $2.8 billion second-quarter loss, the first loss in the company's 14-year history under public ownership.

JUN 16 The SEC announces plans to overhaul credit rating agency regulation to increase competition and address the conflicts of interest between the agencies and bond issuers by banning agencies from rating securities that they were paid to assess.

JUN 25 Bank of America takes over Countrywide Bank.

JUN 26 The SEC announces that it will revise its rules to reduce its reliance on credit rating agencies. Existing rules implicitly assume that higher-rated securities are regarded as less liquid, price volatility, an assumption that has been proven wrong by the credit crisis.

JUN 25 Illinois Attorney General files suit against Countrywide Financial for unethical business practices which included "deceptive conduct," "misleading marketing," "hidden fees and risky terms" as well as "egregiously unfair and deceptive lending to steer borrowers to loans that were destined to fail." The CEO of Countrywide, Angelo Mozilo, had been paid $132 million in 2007.

JULY 2008

JUL 8 The SEC says that credit rating agencies failed to manage conflicts of interest in assigning ratings to complex instruments backed by subprime mortgages. Issuers paid the agencies to rate these instruments, and it was alleged that assessments were influenced to be more favorable, than the risks would warrant.

JUL 17 Merrill Lynch announces writedowns of $9.4 billion primarily on its mortgage-related assets and its hedges with troubled bond insurers, for a total of $19 billion in the last four quarters. By late summer, writedowns neared $40 billion.

JUL 20 Merrill Lynch sells $31 billion worth of mortgage-backed securities for $7 billion, at around 22¢ on the dollar, stunning Wall Street.

JUL 22 IndyMac Bank closes down due to large mortgage-related losses. With $32 billion in assets, this is the second-largest bank failure in US history. The FDIC, which insures deposits in member banks, estimates that the takeover could approximately cost $4 billion.

JUL 22 Wachovia posts a $9 billion loss in the second quarter, due largely to subprime loans.

JUL 23 President Bush signs into law a housing bill which contains a rescue plan for Freddie Mac and Fannie Mae and gives the government the power to guarantee up to $300 billion in mortgages refinanced through the Federal Housing Administration.

JUL 31 Deutsche Bank reveals more writedowns bringing the total to $7.8 billion for the year.

AUGUST 2008

AUG 7–9 Citigroup pays a $100 million fine and agrees to pay a $150 million fine to settle allegations that they engaged in deceptive sales practices and misrepresented auction-rate securities that they sold to customers as liquid and similar to cash. Citigroup reimburses $7 billion to investors and UBS $19 billion after reaching an agreement with regulators.

AUG 13 Britain reveals a negative real interest rate after the Bank of England has been lowering rates in response to the credit crisis. The crisis in the UK is considered more severe than in the US.

AUG 20 Lehman Brothers holds secret talks to sell up to 50% of its shares to South Korean or Chinese investors. Talks reportedly break down because Lehman is asking too high a price for its shares.

SEPTEMBER 2008

SEP 7 The US government effectively takes over Fannie Mae and Freddie Mac, placing the companies under the conservatorship of the Federal Housing Finance Agency.

SEP 11 Lehman Brothers announces plans to downsize its operations in view of investor concerns about the firm's viability.

SEP 13 Major banks meet to devise a plan to buy Lehman Brothers. Bank of America is the leading contender for the takeover.

SEP 13 The Federal Reserve and US Treasury refuse to rescue Lehman Brothers, citing a lack of "political will" for a bailout and the "moral hazard" of protecting failing companies from the consequences of their actions. As a result of this decision, the markets go into a tailspin.

SEP 14 Bank of America drops out of the bidding for Lehman because of the government's lack of support and enters into discussions to buy Merrill Lynch instead.

SEP 15 Lehman Brothers announces that it will file for bankruptcy — the largest in American history.

SEP 15 The DJIA responds with a 504-point drop.

SEP 16 The US Federal Reserve announces it will lend insurer AIG $85 billion in emergency funds. The government will take an 80% stake in the company's preferred stock, which will pay a 10% interest rate. In effect this is a collateralized loan, a demand not made of the banks receiving government assistance. An AIG collapse would be catastrophic because its extensive derivative obligations, including credit default swaps, would have caused a global market collapse.

SEP 22 Goldman Sachs and Morgan Stanley request to become bank holding companies which will allow them to take deposits, but also require them to be more closely regulated. Following the disappearance of Merrill Lynch, Bear Stearns and Lehman Brothers, none of the large Wall Street investment houses are left.

SEP 24 Amid the worsening crisis, Presidential candidate John McCain announces he will suspend campaigning to return to Washington to focus on the financial crisis.

SEP 24 Goldman Sachs receives a $5 billion capital infusion from Warren Buffett's company, Berkshire Hathaway, in a show of confidence.

SEP 26 US regulators seize the assets of Washington Mutual, the sixth largest US bank. Washington Mutual had $310 billion in assets, making this the largest bank failure in US history.

SEP 29 The US government votes against the $700 billion emergency bailout bill proposed by the Treasury, created based on their concern over an impending collapse of the financial system. The plan is criticized for being short on details and for giving Treasury Secretary Henry Paulson too much control over massive amounts of taxpayer money.

SEP 29 In response, the DJIA falls 778 points — its worse point decline ever.

SEP 29 The government of Iceland takes control of Glitnir, the country's third largest bank.

SEP 30 Ireland guarantees deposits of six of the largest Irish banks.

SEP 26 JP Morgan acquires WaMu's bank deposits, assets, and the troubled mortgage portfolio from the federal government, making it the largest depository institution in the US.

OCTOBER 2008

OCT 3 A revised bailout plan is signed into law as the Emergency Economic Stabilization Act by President Bush, establishing the Troubled Asset Relief Program (TARP). The bill gives the Treasury $700 billion to purchase subprime loans from banks to improve their balance sheets. The aim is to recapitalize the banks so that they are able to make loans again.

OCT 6 Wells Fargo outbids Citigroup when it announces it will pay $15 billion to purchase Wachovia.

OCT 5 Germany announces a full guarantee all privately-held German bank accounts, worth €568 billion ($721 billion).

OCT 6 French President Nicolas Sarkozy hosts an emergency summit on the global financial crisis in Paris. Leaders of France, Germany, the UK and Italy meet and agree that Europe will not allow any bank to fail.

OCT 7 The DJIA falls below 10,000 for the first time since 2004.

OCT 10 The DJIA caps its worst week ever with the highest one-day volatility on record in its 112-year history. Over the previous eight trading days, the DJIA has dropped 22%, or 2400 points, amid worries of a worsening credit crisis and global recession.

OCT 11 The G7, a group of central bankers and finance ministers from the Group of Seven leading economies, meet in Washington and agree to urgent and unprecedented coordinated action to prevent the credit crisis from threatening the world into depression.

OCT 14 United Arab Emirates' Ministry of Finance injects $19 billion to domestic banks to facilitate capital adequacy to promote lending. The total amount injected is now $32.7 billion.

OCT 14 The US announces it will tap into the first $250 billion of TARP funds made available from the Emergency Economic Stabilization Act.

OCT 16 Citigroup announces their third quarter loss of $2.8 billion after receiving a $25 billion capital injection from the US government.

OCT 17 The European Unions 27 leaders sign off on a joint $2.7 trillion bank bailout plan after a two-day summit in Brussels.

OCT 22 Wachovia announces 3rd quarter losses of $23.9 billion.

OCT 23 Alan Greenspan tells the House Committee on Oversight and Reform that he is "shocked" at the breakdown in the credit markets. Even though he had concerns in 2005 that risks were being understated, he says that he is "in a state of shock and disbelief" over the failures of lending institutions to practice basic risk management.

NOVEMBER 2008

NOV 4 Barack Obama is elected 44th President of the United States. In his victory speech, he states that "if the financial crisis taught us anything it is that we cannot have a thriving Wall Street while Main Street suffers."

NOV 14 Freddie Mac asks the US government for access to $13.8 billion lifeline after reporting a quarterly loss of $25.3 billion.

NOV 17 The US Treasury gives out $33.6 billion to 21 banks in the second round of disbursements from the $700 billion bailout fund, bringing the total to $158.56 billion.

NOV 20 Prince Alwaleed bin Talal of Saudi Arabia, Citigroup's biggest individual shareholder, increases his stake in the embattled financial giant. Stock prices plummet in spite of the capital injection, and despite the $25 billion in TARP funds Citi had received in October.

NOV 24 The US government agrees to support Citigroup after short-selling causes the stock price to plummet 60% in one week. The government pledges another $20 billion and also agrees to shoulder 90% of the losses from Citi's toxic mortgages and related securities.

NOV 25 The Federal Reserve pledges $800 billion more to help revive the US financial system.

DECEMBER 2008

DEC 10 Bernard Madoff, former chairman of the NASDAQ stock exchange, is arrested and faces lifelong imprisonment for operating what may be the largest fraud in Wall Street's history, reportedly losing up to $65 billion in a giant Ponzi scheme.

DEC 19 President Bush supports a plan to lend General Motors and Chrysler $17.4 billion to prevent their collapse, subject to the Obama administration's approval of their plans for the bailout money.

DEC 19 The Bank of Japan cuts its interest rate to 0.1%, GNP and critical exports have fallen off sharply.

LATE DEC Despite a $27 billion loss in 2008, Merrill Lynch rushes through payment of $3.7 billion in employee bonuses just before the Bank of America takeover, and despite benefiting from taxpayer TARP money.

4th&2008 The US economy has contracted at the fastest pace in a quarter century, at an annualized rate of 6.2%.

JANUARY 2009

JAN 8 The Bank of England cuts its interest rate to 1.5% — the lowest rate in 315 years.

JAN 10 Unemployment in the United States jumps to 7.2%, the highest in 16 years.

JAN 20 Barack Obama is sworn in as the 44th President of the United States. In his speech he states that "Our economy is badly weakened, a consequence of greed and irresponsibility on the part of some, but also our collective failure to make hard choices."

JAN 22 Merrill Lynch CEO John Thain resigns, having earlier arranged for Merrill to be bought by Bank of America.

JAN 24 Citigroup sells $12 billion of government-guaranteed bonds in an attempt to strengthen its capital.

JAN 24 President Obama states that "if nothing is done, the unemployment rate could reach double digits" and that "if we do not act swiftly and boldly, a bad situation could become dramatically worse."

JAN 25 The International Monetary Fund announces it will significantly adjust its forecasts for global economic growth downward. Shortly afterward, the IMF forecasts a $1 trillion loss of growth due to the financial crisis.

JAN 26 Freddie Mac and Fannie Mae report that they will need up to $51 billion in government funds to continue operations. Losses are blamed on soaring mortgage delinquencies and falling properties values.

JAN 26 Companies in the United States and Europe announce 76,000 job cuts, resulting in one of the world days on record for workers.

JAN 26 Geir Haarde, the prime minister of Iceland, resigns amidst the turmoil created in his country by the global financial crisis.

JAN 27 Japan announces a $16.7 billion stimulus package to help businesses which have been decimated by the global financial crisis. Part of the plan includes buying corporate debt, which will help businesses raise money.

FEBRUARY 2009

FEB 6 US unemployment figures reach 7.6%.

FEB 10 Secretary of the Treasury Timothy Geithner speaks about the new administration's plans to address the crisis in broad terms.

FEB 10 The DJIA falls 382 points in response.

FEB 13 Australia's parliament passes a $27.4 billion stimulus bill in the hopes of heading off a recession in that country.

FEB 17 After weeks of debate in the House and Senate, a $787 billion stimulus package is approved and signed into law, as the American Recovery and Reinvestment Act of 2009.

FEB 23 The president of the World Bank forecasts that because of the global credit crisis, 50 million more people will join the ranks of those earning less than $2 per day in 2009.

FEB 27 Citigroup announces that the US government will take a 36% equity stake in the ailing bank, in exchange for $25 billion in TARP bailout money.

MARCH 2009

MAR 2 AIG declares a 4th quarter loss of $60 billion — the largest quarterly loss in US history. Total support to date from the US government is $130 billion.

KEY TO COLORS

- Investment companies, rating agencies and banks
- International developments
- Real estate market
- Government actions and statements
- DJIA and economic indicators

IMPORTANT TERMS

SUBPRIME LOANS — refers in the timeline to home mortgage loans to borrowers whose ability to repay the loans was questionable, since they had inappropriately low credit scores. Defaults on these loans were a major factor in triggering the current financial crisis.

SECURITY — refers to a financial instrument that indicates ownership of equity or shares in a company (a stock) or debt (a bond) also refers to assets that can be pledged as collateral in obtaining a bank loan.

SECURITIZATION — refers to the conversion of bank loans (for example, mortgages) into tradable securities, such as bonds, for sale to investors. In the context of the timeline, mortgages were securitized by being pooled together and packaged as bonds whose interest was paid to investors by the homeowners as they made their mortgage payments. Hundreds of billions of dollars of these bonds were exported all over the world, which created enormous problems when a great many of the bonds lost their value as a result of the subprime crisis.

HEDGE FUND — refers to an unregulated investment fund for sophisticated or wealthier investors that are willing to accept a large degree of risk. These funds seek higher returns using riskier strategies than regulated funds.

CREDIT RATINGS — refers to the quality assessments that rating agencies made of mortgage-related bonds based on the likelihood of their being repaid in full. The corporations whose debt instruments they were rating paid the agencies. A triple-A rating is the highest investment-grade rating. Bonds with ratings of triple-B or lower often promise a higher yield but are considered speculative, with a greater likelihood of default.

LIQUIDITY — refers to the ability of a company to easily convert assets like stocks, bonds or commodities into cash (or the equivalent of cash) with a minimal loss of value. Corporations constantly need liquidity or the ability to create liquidity to meet their current financial obligations. Banks need liquidity to meet depositor withdrawal demands or requests for loans from borrowers. A lack of liquidity is one of the problems banks have been facing over the last year.

CREDIT CRUNCH — refers to a severe reduction in the availability of credit, from corporate lines of credit to bank loans. Readily-available credit is the lifeline of commerce and without it the flow of business slows dramatically. The credit crunch also means that it is more difficult for consumers to obtain financing.

SYSTEMIC RISK — refers to risk due to the interconnectedness of banking, investment and insurance institutions, which could bankrupt or seriously undermine an entire market or financial system if a major player fails or a cluster of failures occurs together.

CREDIT DEFAULT SWAP — a contract that a lender makes with an outside party who agrees to repay the value of a fixed-interest instrument (such as a mortgage bond) in the event that the instrument loses its value, in return for periodic payments. It is a form of insurance, and many issuing entities were grossly overexposed, such as AIG which had over $450 billion in credit default swaps on its books. The entire unregulated global credit default swap market exceeds $62 trillion.

DERIVATIVE — a financial contract whose value is based on the value of another security, such as a bond or a market index. Examples include futures, forwards, swaps and options. In effect a derivative contract is speculation on the future price of an asset, the idea being to reduce the uncertainty by creating a contract for buying or selling in the future at a specified price.

LEHMAN: A Turning Point in the Markets and in Investor and Consumer Confidence

Although Lehman was about to fail in September 2008 eventually as a function of huge losses related to enormous bets on subprime mortgage backed securities, no financial institution anywhere could be induced to take over the 150-year old, 26,000-employee investment bank. The Bush administration nevertheless refused to offer the same financial guarantees that helped save Bear Stearns, Fannie Mae and Freddie Mac. The Treasury felt it important to uphold a free market belief that the freedom to fail was an important ingredient for a healthy capitalist system, and that a moral hazard risk would exist if companies were inclined to believe government intervention would save them if they made serious and even reckless mistakes.

The reaction to Lehman's bankruptcy, the biggest in US history, led the credit markets to collapse as the stock market plunged, with the DJIA dropping 508 points. AIG began rescue talks with the Fed and Merrill agreed to be bought by Bank of America. Goldman Sachs and Morgan Stanley came under attack as rumors circulated that they were having liquidity problems, being unable to borrow under normal bank lines, while fearful hedge funds withdrew huge deposits.

By the first week in October, Wall Street had suffered its worst week in 100 years with the DJIA falling 18%, and the short selling spread to overseas markets. The French finance minister called the Treasury's unwillingness to support Lehman "a horrendous error," a feeling widely shared in the US markets.