

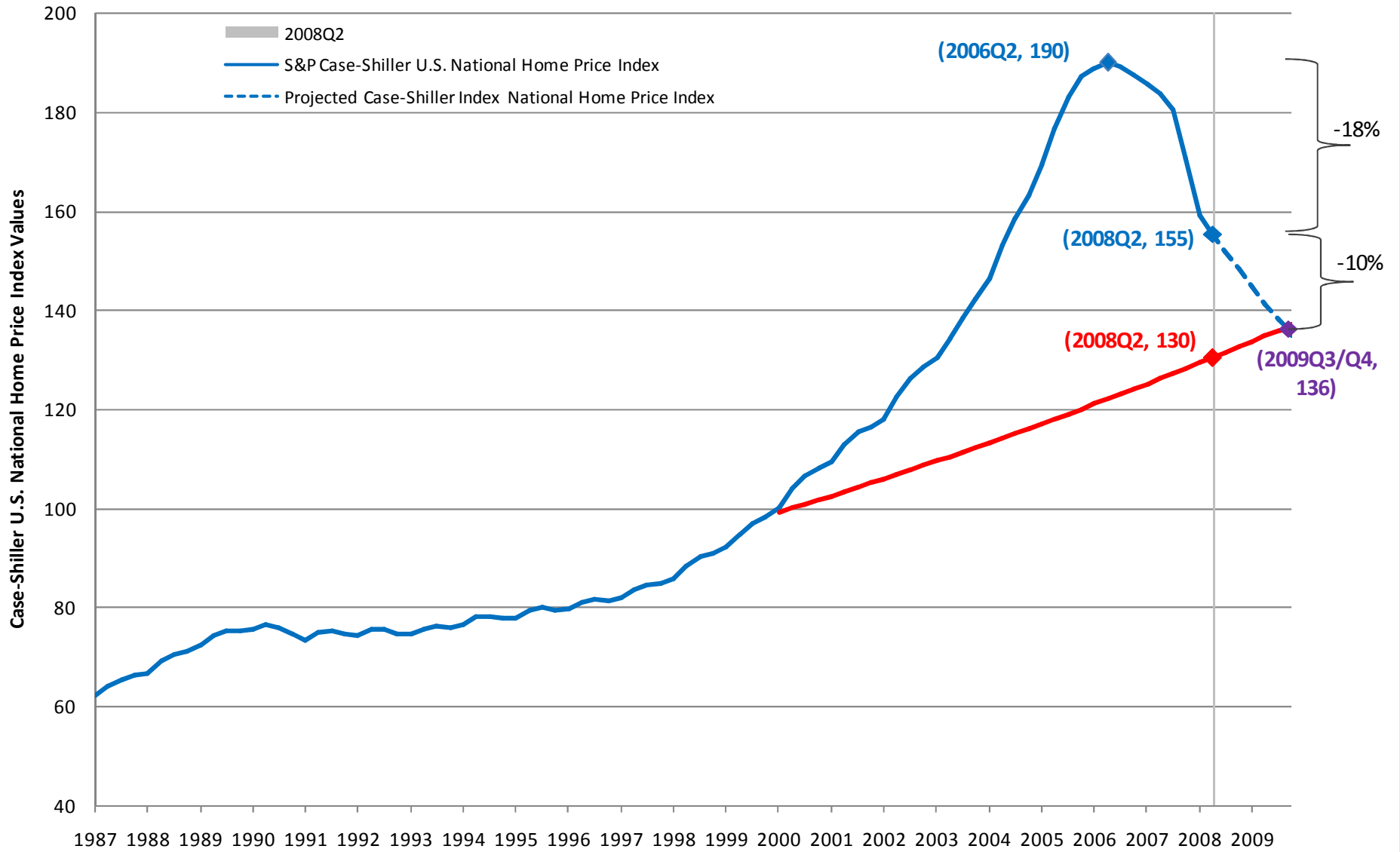
The Deflating Mortgage and Housing Bubble, Part IV:

Where Is the Bottom?

Alex J. Pollock

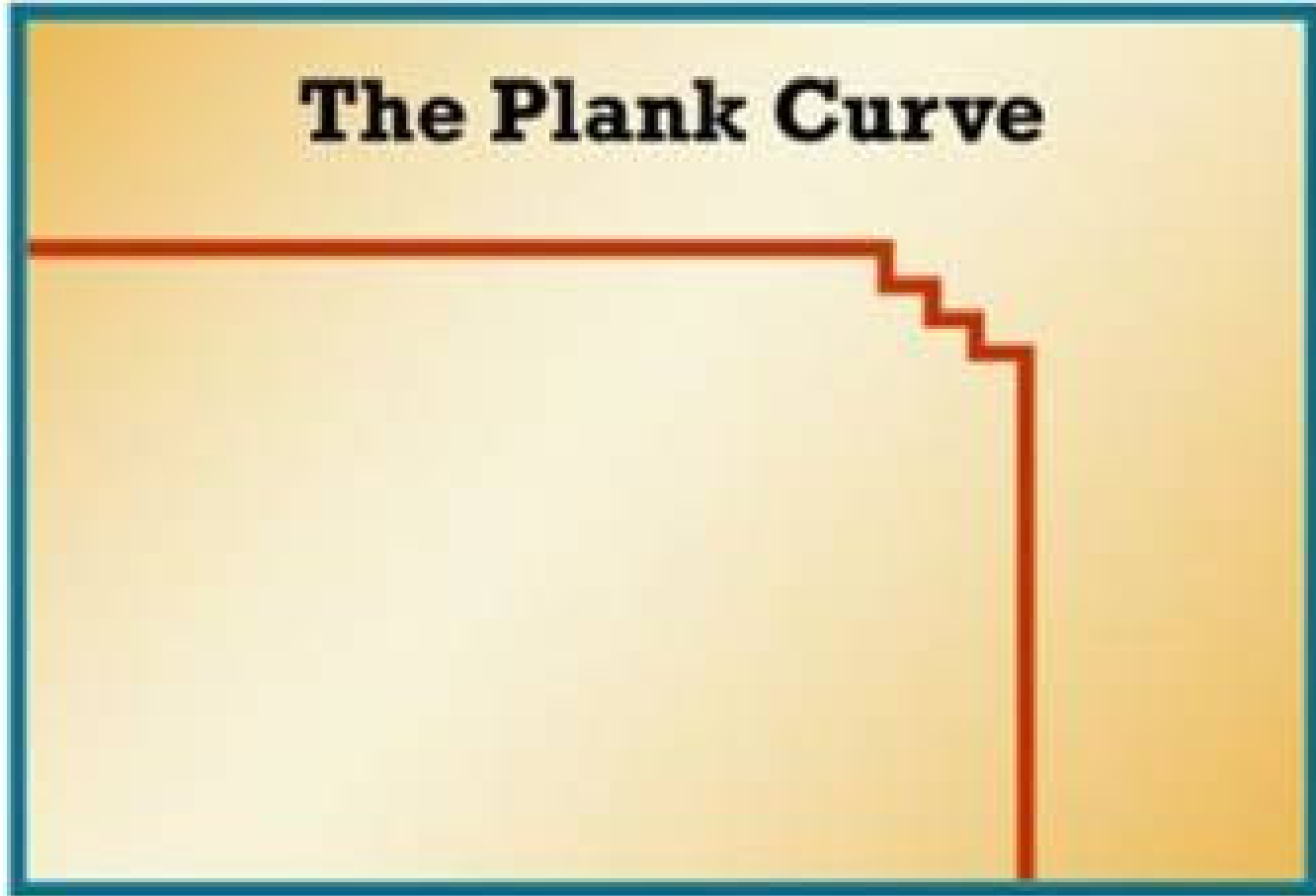
Thursday, October 30, 2008

Historical and Projected Case-Shiller National Home Price Index Values



The Plank Curve

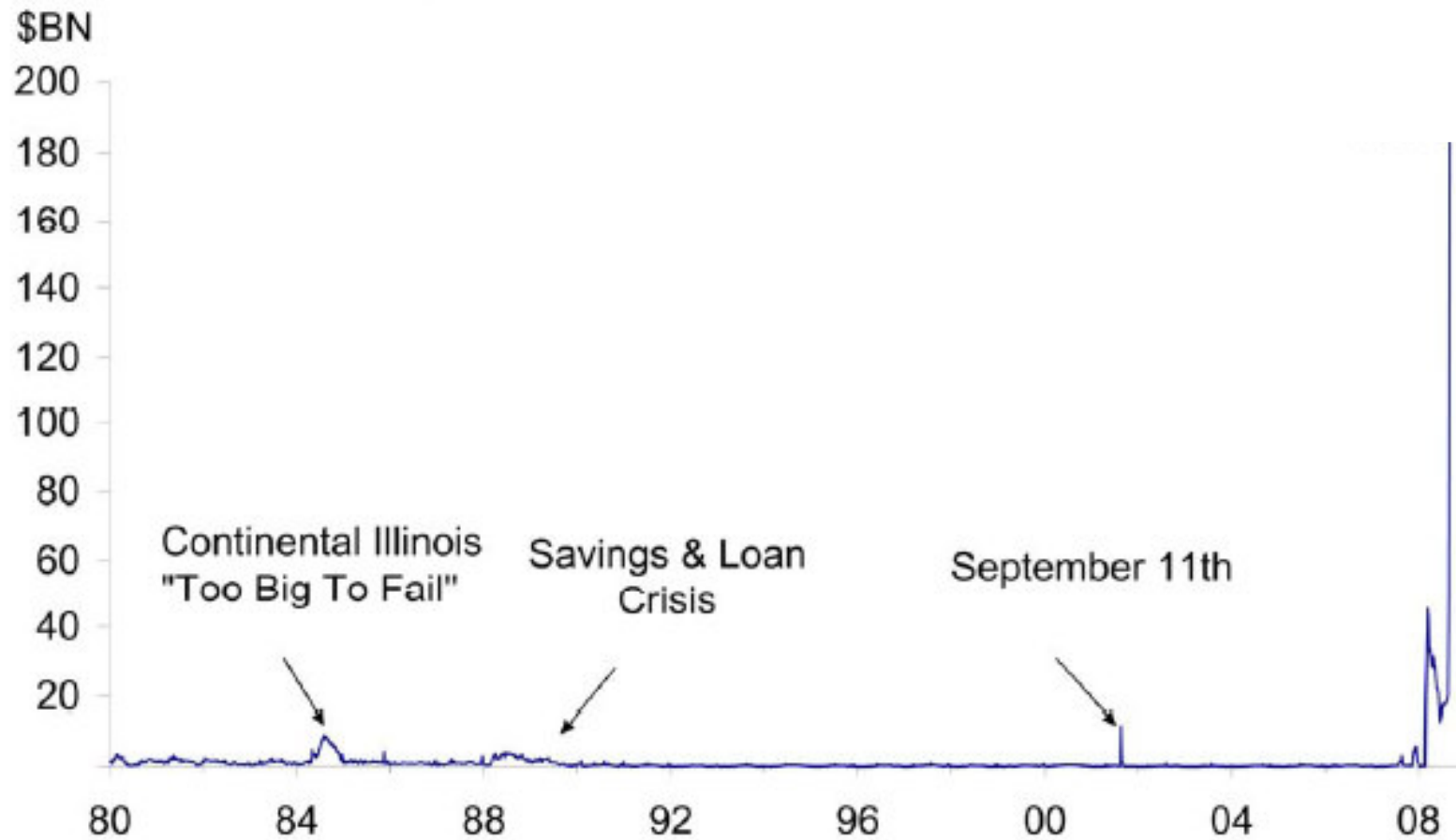
Liquidity Available ↑



Perceived Risk and Generalized Fear →

The source is Alan E. Grunewald and Alex J. Pollock, "Money Managers and Bank Liquidity," 1995.

Deposits with Federal Reserve Banks (other than reserve balances)



Source: MetWest, Federal Reserve, Morgan Stanley

George Goncalves 212 761-1019
Igor Cashyn 212 761-1696

FRB Balance Sheets

July 25, 2007 vs. October 16, 2008

Millions of Dollars

	July 25, 2007	October 15, 2008
Total Assets	\$868,490	\$1,772,431
U.S. Treasury Bills	\$277,019	\$18,423
Term auction credit	---	\$263,092
Other loans	\$246	\$441,370
Maiden Lane LLC portfolio holdings	---	\$29,526
Depository institutions deposits	\$12,558	\$271,881
Total Capital	\$33,085	\$41,858
Leverage Ratio	26X	42X

Bailouts

- Bear Stearns
 - Too interconnected to fail
- Fannie Mae and Freddie Mac
 - An intervention to save an intervention
- AIG
 - Punish the equity and protect the creditors
- Washington Mutual
 - Punish the creditors and save the FDIC fund
- Paulson Plan
 - Recapitalize—but where is Jesse Jones?

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