

THE
2007/2008
CREDIT CRUNCH

(2012)

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Introduction

The 2007/2008 "credit crunch" was a financial crisis which was precipitated by a loss of investor confidence and the over-exploitation by banks of the sub-prime mortgage market in the United States. Additionally, because of the global elite interaction of banking institutions the "credit crunch" resulted in a dire global liquidity crisis. Thus the "credit crunch" can be defined as the sudden reduction in the easy availability of credit or loans from banks or mortgage lenders resulting in far more stringent checks becoming conditional before bank loans will be approved.

It is now Apr 2012 and Europe has continued to slip into a serious recession that there is, as yet, no end in sight.

The United States, the United Kingdom, and the Euro Zone are now continually printing money to cover government spending shortfalls and the future looks very bad...

2007, Jul: Credit Crunch begins with the subprime mortgage crisis in the United States

2007, Aug: US Credit Crunch goes Global due to the interaction of world banks and Hedge Funds who also have subprime mortgage backed securities

Aug 09: Debt, due to defaults by subprime mortgage payers, results in the European Central Bank injecting 95 billion euros into the European banking market

Aug 10: The United States Federal Reserve (Fed) injects 43 billion US Dollars

US Housing problem kicks in

2007, Sep: US Interest rates lowered
British Government take over Northern Rock a major UK bank

Internet bank NetBank goes bankrupt

2007, Dec: ECB lends European commercial banks \$500bn over the Christmas period to help ease the credit crisis

2008, Jan: Dramatic down turn in stock markets

2008, Feb: House prices continue to fall and jobs are cut

Houses continue to be repossessed, unemployment soars

Leaders from the G7 group project worldwide losses from the US mortgage crisis could reach \$400bn

2008, Mar 16: Bear Stearns acquired by JPMorgan Chase avoiding bankruptcy

A £1bn hedge fund run by Peloton Partners collapses

2008, Apr: Germany's Deutsche Bank warns of credit losses

2008, May: Figures show that Retail and construction firms are hardest hit by the Credit Crunch

2008, Jul 11: Indymac Bank is placed into the receivership

Banks report unprecedented losses

2008, Aug: Washington Mutual, Morgan Stanley and Goldman Sachs come under pressure

2008, Sep 07: Federal takeover of Fannie Mae and Freddie Mac

Sep 14: Merrill Lynch sold to Bank of America

Lehman Brothers go bankrupt

Sep 19: Bailout of the U.S. financial system by the Emergency Economic Stabilization Act of 2008 proposed by US Treasury Secretary Henry Paulson

Sep 23: Announced that the FBI investigating the possibility of fraud in 26 finance companies including Fannie Mae, Freddie Mac, Lehman Brothers and AIG

2008, Oct: Europe sees effect of the credit crunch resulting in falling house prices, job losses and bankruptcies

The three major banks of Iceland are nationalized

Other European Banks partially nationalized

Stock Markets fall

Global cuts in interest rates

In the UK Lloyds TSB allowed commence takeover plans of HBOS to avoid another Northern Rock style collapse with promise of support from British government (taxpayers)

In UK the guarantee of bank deposits are raised from £35,000 to £50,000

G7 meet but fail to reach agreement

2008, Nov: The US government agrees to rescue Citigroup

2008 Dec 01: The US recession is officially declared by the National Bureau of Economic Research

Dec 29: The US Treasury unveils a \$6bn bail-out for GMAC (General Motors car loans)

Global stock markets report the biggest annual falls for 24 years

And it just gets worse...

End

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