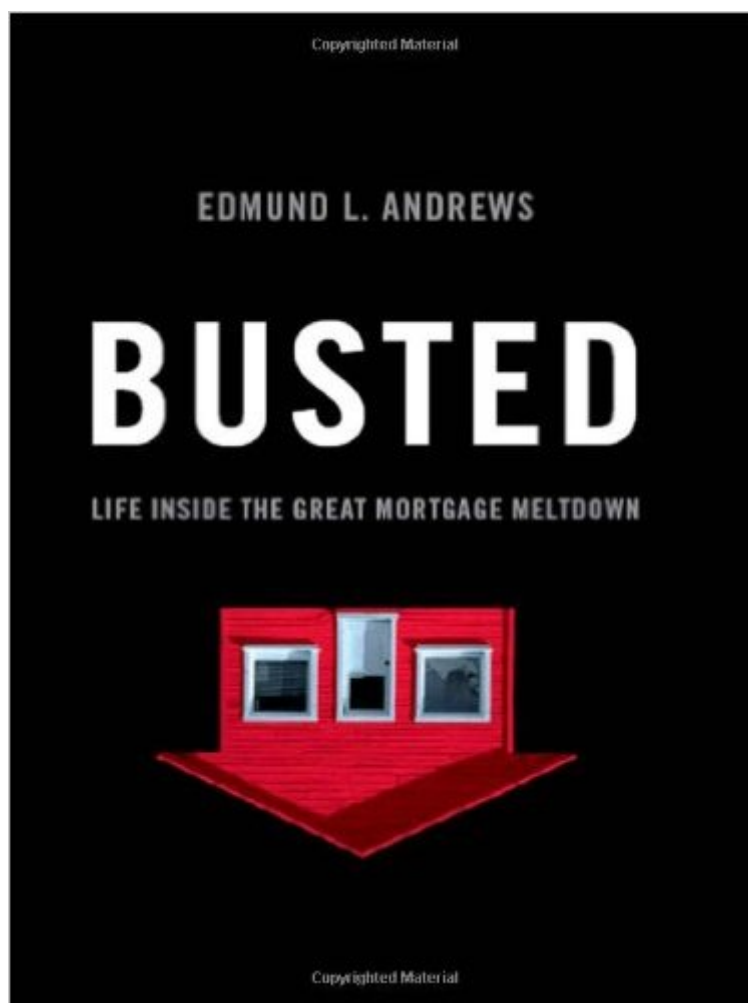


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Busted: Life Inside The Great Mortgage Meltdown



Synopsis

The fiasco that sank millions of Americans, including one journalist, who thought he knew better. A veteran New York Times economics reporter, Ed Andrews was intimately aware of the dangers posed by easy mortgages from fast-buck lenders. Yet, at the promise of a second chance at love, he succumbed to the temptation of subprime lending and became part of the economic catastrophe he was covering. In surprisingly short order, he amassed a staggering amount of debt and reached the edge of bankruptcy. In *Busted*, Andrew bluntly recounts his misadventures in mortgages and goes one step further to describe the brokers, lenders, Wall Street players, and Washington policymakers who helped bring that money to his door. The result is a penetrating and often acerbic look at the binge and bust that nearly bankrupted the United States. Enabled by know-nothing complacency in Washington, Wall Street wizards used "collateralized debt obligations," "conduits," and other inscrutable financial "innovations" to put American home financing into hyperdrive. Millions of Americans abandoned the safety of thirty-year, fixed-rate mortgages and loaded up on debt. While regulators insisted that the markets knew best, Wall Street firms fragmented and repackaged unsound loans into securities that the rating agencies stamped with triple-A seals of approval. Andrews describes a remarkably democratic debacle that made fools out of people up and down the financial food chain. From a confessional meeting with Alan Greenspan to a trek through the McMansion bubble of the OC, he maps the arc of the Frankenstein loans that brought the American economy to the brink. With on-the-ground reporting from the frothiest quarters of the crisis, Andrews locates what is likely to be the high-water mark in America's long-term embrace of higher borrowing, higher risk-taking, and the fervent belief in the possibility of easy profits.

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Customer Reviews

It would be tempting to believe that so many people who have gotten caught in the mortgage crisis were duped into their bad decisions - lead down the primrose path by greedy bankers and people with no scruples who were just looking to enrich themselves. That's the principle of this book, anyway. Unfortunately - as it usually is - the truth is inconvenient, and the truth is that no one was holding a gun to Andrews' head when he took out a massive "liar's loan" to buy a house he couldn't afford for himself and wife number 2 in 2004. First, let me just say that Andrews might be a really fine person and tons of fun at parties, but throughout the entire book it's pretty apparent that he wasn't thinking with his "big head" when he was making tons of bad financial decisions. He ditches his wife of 21 years - apparently not realizing that there's a reason why people say after 20 years of marriage, "it's cheaper to keep her." He initiated the divorce, he has three kids, and his first wife apparently didn't work - that's basically a recipe for getting socked with huge alimony and child support payments, yet he seems incredulous and petulant that he would have to support his former family even after he's moved on to his magical new beginning. He ends up with a "captivating" woman he knew in high school - a homemaker with 4 kids and apparently not much in the way of common sense, financial savvy, or ambition. Now, I don't know if this is true everywhere, but "homemaker" where I come from means "woman with no job." Patty, his new wife, hasn't worked in over 20 years, yet throughout the book, Andrews talks about expecting her to get a job making at least \$40,000 a year to supplement the family's income.

I picked up Andrews' book on the assumption that a NY Times financial reporter would elucidate the details of the mortgage crisis in terms I would understand. Instead, I was duped into reading a shameless display of chutzpah and magical thinking by a person the NY Times should quickly fire. I am not a financial writer but rather someone with a finely cultivated math phobia. However, even I can understand that a mortgage loan must be predicated upon a present (not future) ability of the debtor to repay it. Why Mr. Andrews ever, for even an instant, thought he could afford a mortgage on a \$460,000 house with a net income of \$2770 is beyond me. Even if he took home his entire \$120,000 salary, he should not have a mortgage obligation of more than \$300,000 at most. His additional financial obligations, an un- or under-employed spouse, high alimony and child support payments, and a strong disinclination to predict obvious consequences, would have made any reasonable person conclude that his only appropriate domicile should be a rented one. I do not

intend to absolve the mortgage industry or banks for their vile misdeeds over the past few years but it doesn't take a college education to easily avoid falling into the pit. The fact that his mortgage broker, Bob, was eager to loan Mr. Andrews ridiculous amounts of money with no evidence of even a hint of ability to repay is no excuse for Mr. Andrews to have taken on this debt -- nor, most especially, for Mr. Andrews to suck money from people arguably even dumber than he (the people who bought/buy his book) as a last-ditch attempt to avoid debtor's prison (if only there were such a thing today). My final criticism has nothing to do with the subject of Mr.

This is a book that needs to be read, even though it will make you lose your faith in humanity for a long time to come. Andrews analyzes in great detail how the lending institutions gradually became more and more driven by the desire for instant profit without stopping to think for a second what will happen long term. The author also brings to light the incredible, mind-boggling stupidity of Greenspan, Bernanke, and Co. He demonstrates how corrupt and dishonest the Bush Jr. administration was. None of this, however, is very new. At least not to me. From the moment I moved from Quebec to the US, it became obvious to me that the housing prices in this country were ridiculously over-inflated. I saw my friends and colleagues pay really insane, seven-figure prices for poky little apartments in Manhattan or run-down bungalows in Connecticut and immediately realized that this was the game I would never agree to pay. Mortgaging away your life for the next 30 years in hopes that the bubble will get even bigger and the price of your house would magically grow seemed like a genuinely stupid proposition even for someone like me, who at 27 was woefully ignorant about economy. Today, when I understand the workings of this country's economy and politics a lot better, I am even more reluctant to participate in this insanity. What really bothered me in *Busted: Life Inside the Great Mortgage Meltdown* was not the story of the housing bubble. It was the story of a nearly fantastic immaturity. Immaturity on both sides, the lenders' and the borrowers'. Those who handed out completely unsecured loans to people incapable of ever paying them off and those who accepted loans they could never even imagine paying off. Andrews was one of those who accepted. And accepted. And accepted some more.

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