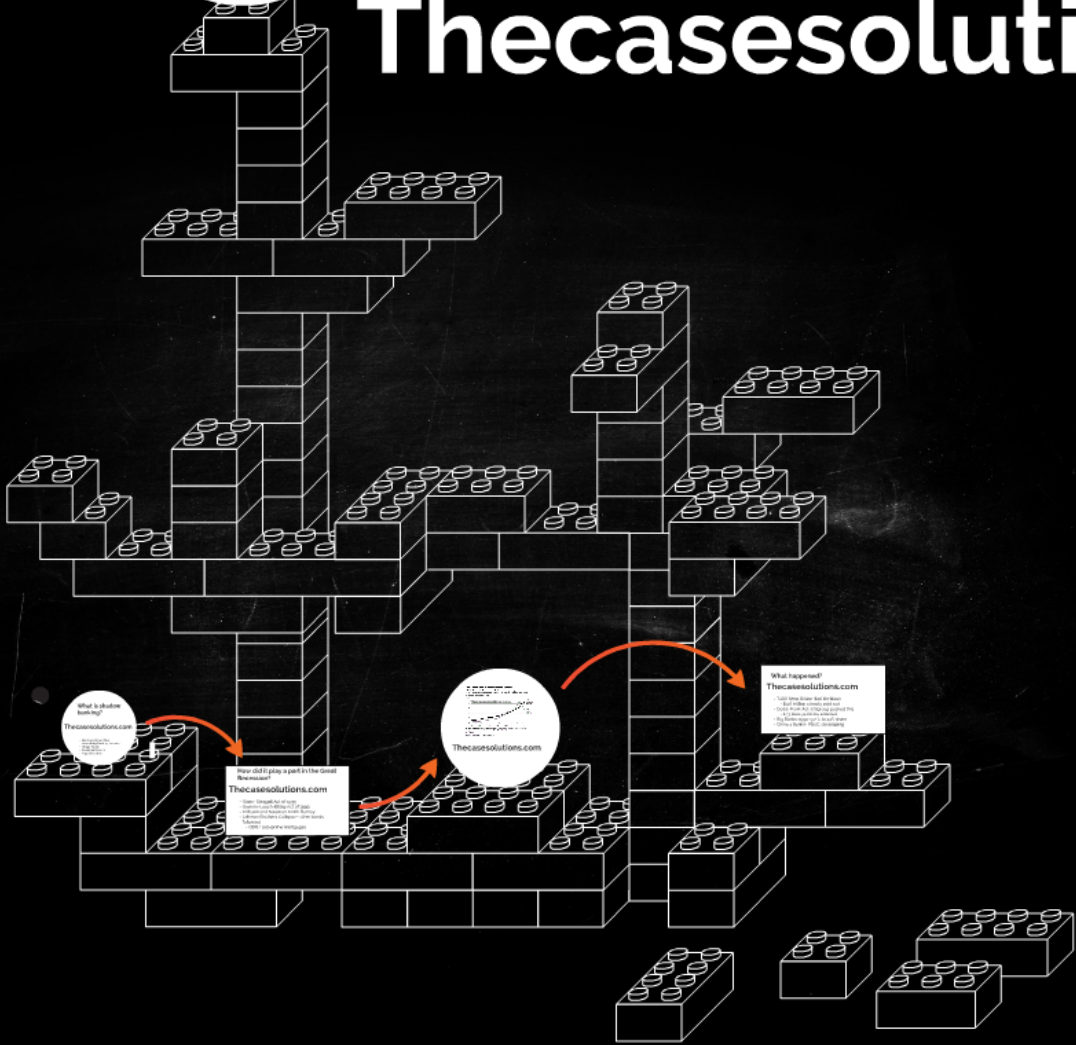


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- Risk Diversification
- Housing crisis
- More growing industries
- Decreased heavy involvement of big banks
- American ingenuity

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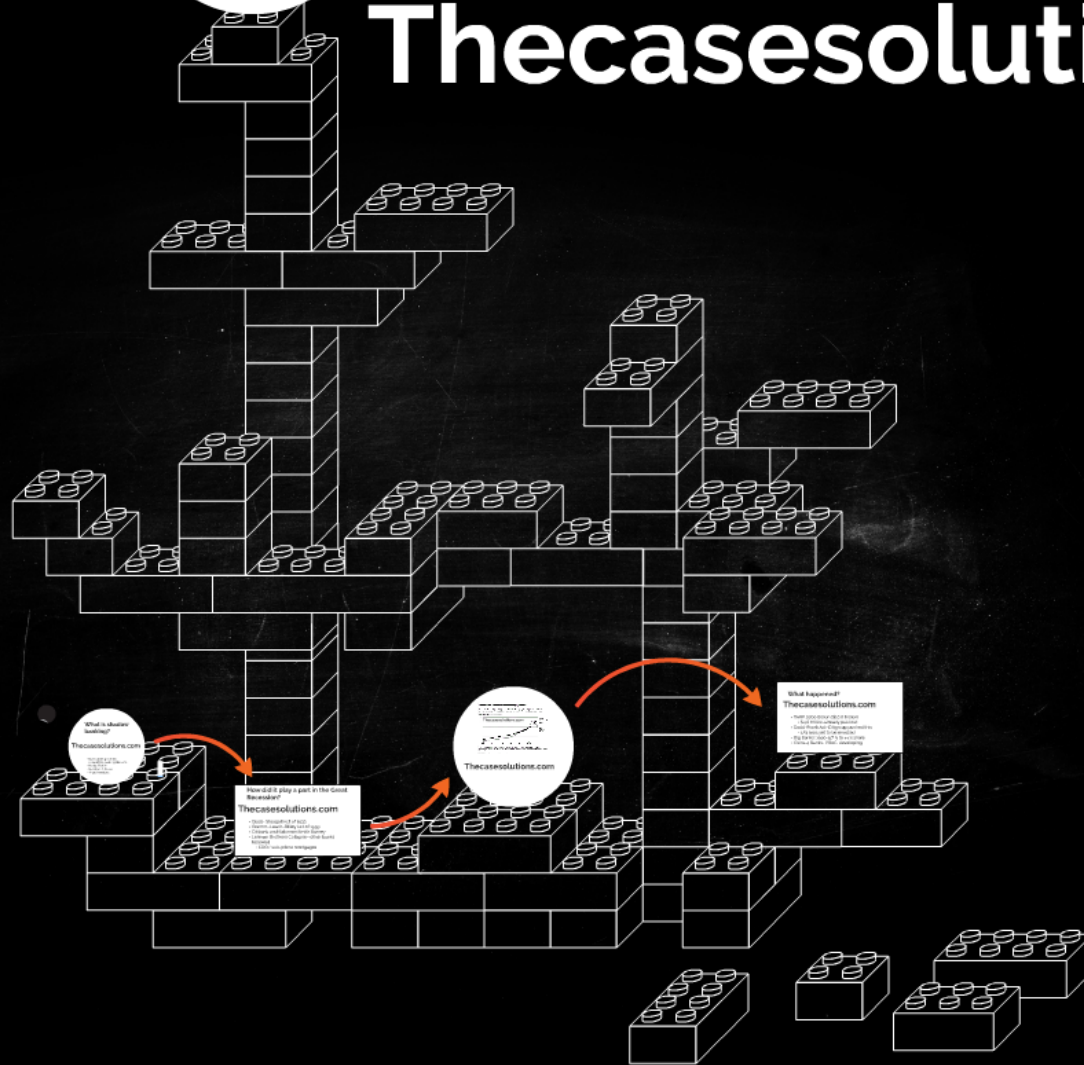
The Real Estate Business and Banking

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# The Real Estate Business and Banking

# What is shadow banking?

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- Non-banking entities committing banking like acts
- Hedge Funds
- Investment Banks
- Angel Investors

**How did it play a part in the Great Recession?**

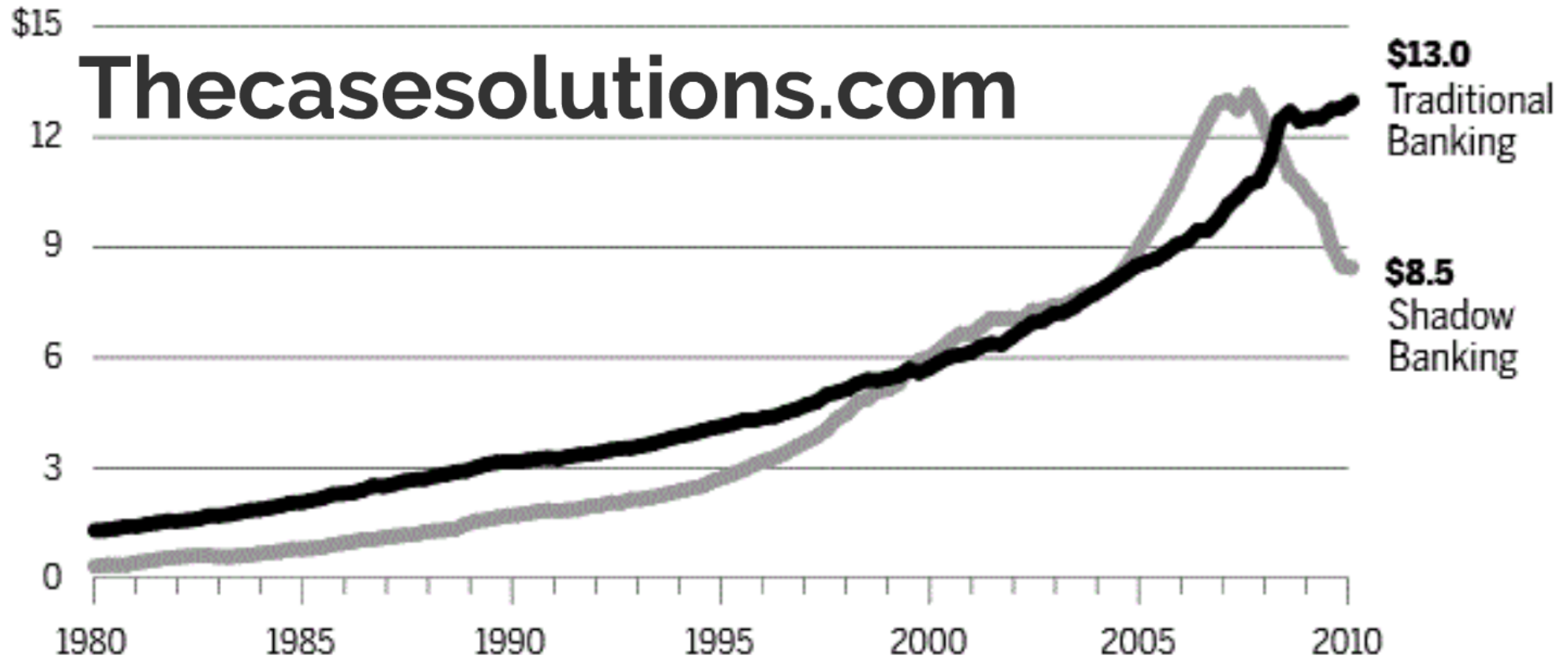
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- Glass- Steagall Act of 1933
- Gramm–Leach–Bliley Act of 1999
- Citibank and Salomon Smith Barney
- Lehman Brothers Collapse--other banks followed
  - CDO/ sub-prime mortgages

# Traditional and Shadow Banking Systems

*The funding available through the shadow banking system grew sharply in the 2000s, exceeding the traditional banking system in the years before the crisis.*

IN TRILLIONS OF DOLLARS



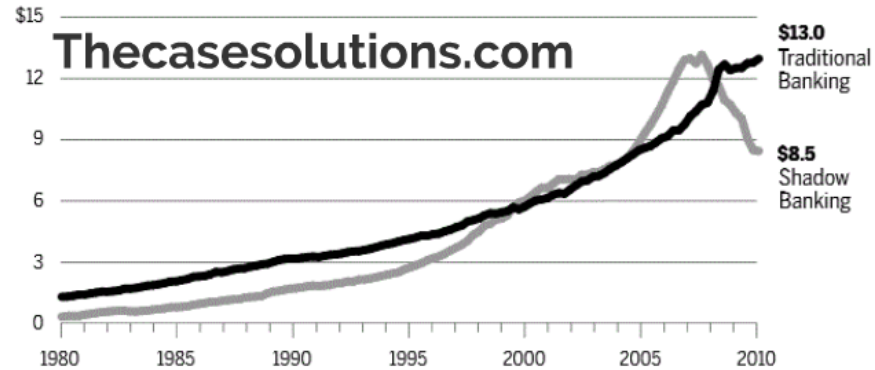
NOTE: Shadow banking funding includes commercial paper and other short-term borrowing (bankers acceptances), repo, net securities loaned, liabilities of asset-backed securities issuers, and money market mutual fund assets.

SOURCE: Federal Reserve Flow of Funds Report

## Traditional and Shadow Banking Systems

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SOURCE: Federal Reserve Flow of Funds Report

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# What happened?

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- TARP \$700 Billion (\$16.8 trillion)
  - \$4.6 trillion already paid out
- Dodd-Frank Act-Citigroup pushed this
  - 1/3 laws yet to be enacted
- Big Banks: 1990-9,7 % to 44% share
- China 4 Banks- PBoC, developing

# How do we fix it?

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- Artificial Scarcity
- Risk Diversification
  - Housing crisis
  - More growing industries
  - Decreases heavy involvement of big banks
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