Book Review
AND THEN THE ROOF CAVED IN

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It is not often that we get front-row seats to watch a financial crisis spread like a disease, especially a crisis so deep and severe that some compare it to the Great Depression. Americans were unprepared for the recent financial crisis, let alone one that had more depth and duration than any other in the past quarter century. Many months have passed since Lehman Brothers collapsed, and the credit markets are slowly unthawing. Even so, the aftershocks of this crisis are still being felt around the globe. David Faber describes in elaborate detail why financial institutions must maintain the trust of their investors and why a lack of confidence nearly destroyed capitalism. He provides an intense understanding of how complex financial products are developed and circulate through the global financial system, while adding a unique perspective to the story by providing the reader with real-life examples of how the crisis has affected peoples' lives. This text is a treasure for faculty searching for ways to discuss the business world, which is essentially the mission field of Christian business students.

I would recommend that Christian business faculty read Faber's account of the crisis and consider its suitability for classroom use. My recommendation is based on three of the book's characteristics. First, Faber has a distinctive ability to portray the crisis from individual perspectives. His personal approach makes the book comprehensible to a wide array of college students. Second, the impact of the global financial crisis is currently affecting college students in areas such as loan approval and limited employment opportunities. Such felt impact gives Christian faculty an opportunity to illustrate the interconnections among business, community, ethics, and personal responsibility. Third, Faber's exhaustive personal interviews reveal how countless people inadvertently played a role in this crisis. His analysis highlights the depth of society's need for reform by emphasizing the moral and ethical dilemmas faced by different constituents.

The rise of materialism is one of many salient points of the book. Before the financial crisis peaked, the United States economy was in a period of declining personal savings rates; and consumers were becoming increasingly reliant on leverage through credit card utilization. In addition to declining personal savings rates, financial literacy had also deteriorated. The catastrophic collision of these two conditions created an environment in which people began using the equity in their homes as an ATM machine. Through Faber's documentation, it becomes clear that people had become obsessed with accumulating material possessions. His interpretation of these events was that everyone has a different definition of the "American Dream." For some, the old American Dream of home ownership now included items such as swimming pools, fancy automobiles, and designer apparel.

Faber does not stop at describing human greed as the only element for the crisis. He describes other contributing factors: changing societal relationships and leadership. In the financial marketplace, the relationships between banker and borrower had changed and so had the methodology of being approved for a loan. The epoch of establishing a banking relationship, saving for a substantial down payment, and providing documents which verified employment and income had vanished. So had the era of simple product offerings. New complicated mortgage products, such as interest only or negative amortization loans, were being sold by questionable mortgage originators on the basis of one rapid phone conversation. These exotic financial products were peddled to people with less than a stellar credit history and who often did not understand the legal documents they were required to sign, as well as their financial obligations.

As for changes in leadership, the loan origination profession and banks' appetite for risk had also drastically changed over the past quarter century. Historically, loans had been underwritten by banks who intended to hold them until maturity. Because the bank would ultimately bear the collection risk, loan originators at banks needed to be educated and trained in risk management. However, this new sub-prime lending industry experienced rapid growth during a period of low unemployment. The low unemployment rate coupled with the fact that banks quickly sold mortgage products to Wall Street created an environment in which unsophisticated paper pushers, who had received minimal training, were suddenly highly compensated. This rapidly expanding brigade of subprime mortgage originators suddenly started fighting over borrowers in a feverish attempt to line their pockets. In some instances, mortgage originators falsified applicant information to close loans rapidly and to quench the thirst of investment bankers who had an endless yearning for mortgages. Inexperienced mortgage originators were unaware of the systemic risk they were adding to the global financial markets. The leadership exhibited by this new mortgage industry was mainly their eagerness in servicing their two customers: borrowers stretching for their piece of the American Dream and Wall Street craving more mortgages. The rivalry among banks fighting for additional mortgages intensified, lending standards deteriorated, and riskier loans were approved which created a housing bubble ready to explode.

Countless mortgages were purchased by investment banks and packaged together into complex structured products, such as collateralized debt obligations (CDOs). CDOs were then sold to investors around the globe who did not comprehend the underlying investment risks associated with structured products. Just to illustrate how complicated those financial instruments were, the author interviewed former Federal Reserve Chairman, Alan Greenspan. Greenspan depicted the convoluted investment products being advocated by investment banks as follows: "Some of the complexities of some of the [financial] instruments that were going into CDOs bewilders me" (p. 95).

However, before sub-prime mortgages were packaged into CDOs and sold to investors, they were turned over to rating agencies for evaluation. Rating agencies were hired to calculate expected losses on pools of mortgages in order to assign the structured product a risk rating. They found themselves in the peculiar circumstance of needing to issue numerous ratings on mortgages underwritten to borrowers with low credit scores and high loan-to-value ratios in a period of escalating home prices without historical data for benchmarking purposes. Although rating agencies are concerned about protecting their reputations, they faced minimal consequences if the ratings they issued were not accurate or if home values unexpectedly declined. Faber elaborately describes the role rating agencies played in the financial crisis as follows: "Most people at rating agencies are honest individuals. They're trying to feed their family. There is no evil intent. It is simply that they're overwhelmed. They don't have the tools. They don't have the training." (p 90)

Faber does not leave the government's role out of the crisis equation. After all, the government is a body of public servants who in theory should have known about the mounting systemic risk associated with extensive lending. Through interviews with government officials, the author exposes the fact that some officials were aware of the mounting mortgage problem but were unable to drum up support among congressional colleagues to address potential systemic risk. Many politicians were unwilling to stop a wave of lending that had allowed millions of their constituents a chance to own their own home or live their idea of the American Dream. Alan Greenspan publicly acknowledged that he was aware of some flagrant lending practices and personally contemplated additional regulation; but he realized that, without proper enforcement, lenders would use new regulations to promote further outrageous practices and products. He also believed that executives understood their fiduciary responsibilities and would not endanger the survival of their own institutions.

Faber's book is an inside look at the implosion of the global financial system. His unique ability to personalize individual stories of greed, failed regulatory policies, and systemic risk makes it impossible for readers to disconnect themselves from the catastrophic meltdown. Today, people are trying to place blame for the global economic crisis. Wall Street is an easy target. The subtitle on the cover of the book reads, "How Wall Street's Greed and Stupidity Brought Capitalism to Its Knees." It is baffling why Faber used that subtitle, when throughout the book, he clearly documented that the spectrum of blame ranged from unsophisticated consumers to decorated scholars and included our democratic government. Faber used the book like a canvas to paint a picture of a raging sea filled with societal greed and corruption as the primary culprit for the near collapse of the financial system, yet chose a subtitle that would present a view of being able to effortlessly isolate the responsibility of the spiraling crisis to one group, Wall Street.

The recent global financial crisis will have an ambiguous impact on business professionals in the future. The book gives the reader an appreciation for how complex, fragile, and interconnected the global financial system is. It also reveals how a change in one interconnected part can have a profound and uncertain impact on various stakeholders' even years after a change is made. Historians have only begun to write about this financial earthquake, and aftershocks are still being felt around the globe. What we do know is that the financial system nearly collapsed due to our greedy cultural preferences of personal possessions and lack of focus on societal good. Today, our government is trying to create and enforce laws that will make banks and businesses morally responsible. This text, which contains pictures of people whose lives have been irrevocably altered, is a vivid illustration of our fallen society. I consider this book a must read for those of us who teach business and who are desperately searching for inspirational messages that will assist students in discerning their mission field.

REFERENCE

Faber, D. (2009). *And then the roof caved in*. New Jersey: John Wiley & Sons.