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 Competency 2 Part 1

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The housing price bubble refers to a run-up in housing prices which is caused by demand, conjecture and exuberant spending to the point of collapse. It reaches a point where demand declines or stagnates and at the same time its supply goes up leading to a sharp decline in prices. This is the point where the bubble bursts.  Actions taken by the Federal Reserve to mitigate the crisis.  The Federal Reserve purchased the mortgage-backed securities and the federal agency debt in order to decrease interest rates which later on led to making the home purchases more affordable. The Federal Reserve also came up with new rules for mortgages, credit cards as well as other financial products following the wake of the financial crisis. The Federal Reserve also provided liquidity (Verma, 2013).  By providing liquidity means that the fed provided short-term secured loans to the financial institutions. They also supported the impaired financial markets and systematically supported the significant financial institutions around the country.  How the corrective action helped to restore stability to the financial system.  The Federal Reserve availed short-term secured loans which was issued to the financial institutions (Follain, & Giertz, 2013). The Federal Reserve established two programs in March 2008 through which it provided short-term secured loans to the primary dealers which was similar to discount-window loans which are provided to the banks in such scenarios. The Fed Supported the Weakened Financial Markets

When the housing bubble took place in the United States of America, the Federal Reserve acted to assist keep the troubled financial markets working.  During the fall of 2008, the fed provided secured loans to institutions in the commercial paper market. Through the provision of the secured loans in this form ensured that there were adequate funds that were available. It has been noted that since this time when the housing bubble occurred and the commercial paper was availed to the lenders, the rates on commercial paper have since then decreased to low levels and the markets have once again started functioning well (Verma, 2013). The Federal Reserve Started to Systematically Support the Significant Financial Institutions

Since there were financial institutions that were troubled, the Federal Reserve ensured that these institutions were provided with loans. This served to restore the confidence of customers in the financial system.  In addition, the Federal Reserve provided secured loans to the American Internal Group Insurance Company (AIG) since it was playing a role in guaranteeing financial instruments (Follain, et al., 2013).  The Fed also provided non-recourse loans to JP Morgan Chase bank in order to facilitate its purchase of specific Bear Stearns assets.  How the corrective action should prevent recurrence of a similar crisis. The corrective action of provision of liquidity would ensure the availability of short-term secured loans. Such an action would ensure that customers can access loan facilities which would ultimately lead to increased demand to counter the excess supply in the market. Also, through the Fed's support for the weakening financial markets by provided the lending institutions with a commercial paper which in order to increase the amounts that could be lend (Verma, 2013). Lastly, the fed started to systematically support the important financial institutions such as the AIG Insurance which played a role in guaranteeing financial instruments.

References

Follain, J. R., & Giertz, S. H. (2013). Preventing house price bubbles: Lessons from the 2006-2012 bust. Verma, N. M. P. (2013).  Recession and Its Aftermath: Adjustments in the United States, Australia, and the Emerging Asia. Dordrecht: Springer.

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Student paper		
Competency 2 Part 1	Original source	Competency 2 Part 1

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Student paper		
Actions taken by the Federal Reserve to mitigate the crisis.	Original source	Actions taken by the Federal Reserve to mitigate the crisis

3	sfied-education	80%
Student paper		
The Federal Reserve purchased the mortgage-backed securities and the federal agency debt in order to decrease interest rates which later on led to making the home purchases more affordable. The Federal Reserve also came up with new rules for mortgages, credit cards as well as other financial products following the wake of the financial crisis.	Original source	Federal Reserve purchases of federal agency debt and mortgage-backed securities have reduced mortgage interest rates, making home purchases more affordable The Federal Reserve developed new rules for credit cards, mortgages, and other financial products following the wake of the financial crisis

1	sfied-education	71%
Student paper		
By providing liquidity means that the fed provided short-term secured loans to the financial institutions.	Original source	Provided liquidity The Federal Reserve provided short-term secured loans to financial institutions

2	Student paper	100%
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How the corrective action helped to restore stability to the financial system.	Original source	How the corrective action helped to restore stability to the financial system

3	sfied-education	72%
Student paper		
The Federal Reserve availed short-term secured loans which was issued to the financial institutions (Follain, & Giertz, 2013). The Federal Reserve established two programs in March 2008 through which it provided short-term secured loans to the primary dealers which was similar to discount-window loans which are provided to the banks in such scenarios.	Original source	Provided liquidity The Federal Reserve provided short-term secured loans to financial institutions In March 2008, the Federal Reserve created two programs to provide short-term secured loans to primary dealers similar to discount-window loans provided to banks

3	sfied-education	69%
Student paper		
During the fall of 2008, the fed provided secured loans to institutions in the commercial paper market.	Original source	In the fall of 2008, the Federal Reserve provided secured loans to institutions in the commercial paper market, ensuring that adequate funding was available

3	sfied-education	73%
Student paper		
In addition, the Federal Reserve provided secured loans to the American Internal Group Insurance Company (AIG) since it was playing a role in guaranteeing financial instruments (Follain, et al., 2013).	Original source	In addition, the Federal Reserve provided secured loans to the giant insurance company American International Group (AIG) because of its central role guaranteeing financial instruments

4	Student paper	83%
Student paper		
The Fed also provided non-recourse loans to JP Morgan Chase bank in order to facilitate its purchase of specific Bear Stearns assets.	Original source	In order to contain the damage of investment bank failure, the FED provided non-recourse loans to the bank JP Morgan Chase to facilitate its purchase of certain Bear Stearns assets

2	Student paper	100%
Student paper		
How the corrective action should prevent recurrence of a similar crisis.	Original source	How the corrective action should prevent recurrence of a similar crisis

5	Student paper	88%
Student paper		
Recession and Its Aftermath:	Original source	The Great Recession and its Aftermath