Feds sue banks over bad securities

by L Asia Brown
Contributing Writer

In a bold move on Sept. 2, the Federal Housing Finance agency filed lawsuits against 17 banks for their alleged practice of fraudulently selling close to $200 billion in securities linked to subprime mortgages.

Several of the banks are major American financial institutions, who some economists say were nearly single-handedly responsible 2008's recession. Bank of America, Merrill Lynch & Co., JPMorgan Chase & Co., and Goldman Sachs & Co., were among the banks listed in the FHFA's legal filings report.

A subprime mortgage is "a type of loan granted to individuals [or couples] with poor credit histories (often below 600), who, as a result of their deficient credit ratings, would not be able to qualify for conventional mortgages," according to Investopedia.com. These mortgages often have higher interest rates than traditional loans of the same type. And most commonly, they're adjustable rate mortgages, in which many individuals with poor credit do not understand.

Investopedia continues, "Many lenders were more liberal in granting these loans from 2004 to 2006 as a result of lower interest rates and high capital liquidity. Lenders sought additional profits through these higher risk loans, and they charged interest rates above prime in order to compensate for the additional risk they assumed. Consequently, once the rate of subprime mortgage foreclosures skyrocketed, many lenders experienced extreme financial difficulties, and even bankruptcy."

The 17 banks are being accused of participating in this unethical lending practice.

A mortgage-backed security is a risky investment in which an investor indirectly purchases "ownership" in a mortgage. "When you invest in a mortgage-backed security you are essentially lending money to a home buyer or business. An MBS is a way for a smaller regional bank to lend mortgages to its customers without having to worry about whether the customers have the assets to cover the loan," explains Investopedia.

In the lawsuit report, the FHFA alleges banks did not disclose decisive information about the mortgages which were linked to the securities they sold to Fannie Mae and Freddie Mac.

Uninformed and confident in these purchases, Fannie Mae and Freddie Mac purchased these unstable securities; hence, the housing collapse three years ago.

An independent firm, Clayton Holdings, who analyzed mortgages for several bank firms, is "near the center of the allegations," according to a Sept. 2 Huffington Post article.

The article continues, "Wall Street banks bought pools of subprime home loans to turn into securities, and submitted a percentage of those loans to Clayton for review. Clayton found that as many as 28 percent of these loans failed to meet basic standards, the company revealed in September of last year."

Investors were made aware of this data.

And, "Nearly half the time, banks went ahead and purchased the bad loans anyway, using this information to go back and buy the loans on the cheap, according to Clayton data and testimony from the former executive," said the Huffington Post article.

Fannie Mae, the Federal National Mortgage Association, and Freddie Mac, the Federal Home Mortgage Association, are two privately funded lending agencies that were originally designed to make home ownership easier and more affordable for Americans. Fannie Mae began as a government agency in the 1930s under President Roosevelt's New Deal. In the late 1960s, President Lydon B. Johnson privatized Fannie to alleviate financial pressure on the government, caused by the Vietnam War. Freddie Mac was created in 1970 to ensure Fannie did monopolize the secondary mortgage market, according to Rob Alford's "What Are the Origins of Freddie Mac and Fannie Mae."

The 17 banks being sued are: Ally Financial, formerly known as GMAC, LLC, Bank of America Corporation, Barclays Bank PLC, Citigroup, Inc., Countrywide Financial Corporation, Credit Suisse Holdings (USA), Inc., Deutsche Bank AG, First Horizon National Corporation, General Electric Company, Goldman Sachs & Co., HSBC North America Holdings, Inc., JPMorgan Chase & Co., Merrill Lynch & Co., Morgan Stanley, Nomura Holding America Inc., The Royal Bank of Scotland Group PLC, and Sociéte Génerale.

Students lack sleep

by Erin Lawson
Staff Writer and Photographer

Are You Depriving Yourself of Sleep?

When Jasmine Hammond, a freshman, was asked, "What is sleep deprivation?" Her response was, "When an individual burns out energy, without replenishing it with sleep." Though most freshmen are often unaware of this common condition, Ms. Hammond was correct.

Sleep deprivation is the lack of required of sleep that allows the body to function properly. When it comes to this condition, statistics proves that people, especially college students, are not getting the correct amount of sleep.

Sometimes it boils down to whether or not students know how much sleep they really need. Often they don't know what causes sleep deprivation or what it can lead to.

The National Sleep Foundation states that 63 percent of college students don't get enough sleep. This means more than half of Fayetteville State University's population may be suffering from the symptoms that come along with this potentially dangerous condition.

Sleep deprivation is usually the result of busy schedules and stressful lives. College students, in particular, must balance a heavy workload, a social life, and with the less-than-stellar economy, often a part-time job. Bad time management and too much partying also drains students. And when the student misses sleep, he or she rare makes it up within 24 hours.

Say a student gets six hours of sleep during a night out. The next night, the student attempts to cram for a test, getting out four to five hours of sleep. After a while, the student begins pulling several all-nighters, giving him or her little to no sleep. The lack of rest builds exponentially, causing headaches, nausea, weight-gain, and in some instances, feelings of depression.

Sleep deprivation is also closely related to low academic performance.

A study from the Journal of Adolescent Health states that about 20 percent of college students pull all-nighters at least once a month.

Stress is also a big factor in the lack of sleep among students. Whether it's about social issues, homesickness, or school work, students are faced with a barrage of responsibilities upon leaving home. Often they don't know how to handle it properly, and their stress levels skyrocket. And while stress isn't the only cause of sleep deprivation, the partying and other activities students get involved in play a big role. Sleep deprivation hampers physical and mental health.

Sometimes students are able to see the effects of sleep deprivation before feeling them. Their eyelids may appear puffy or they may gain or lose a substantial amount of weigh in little time without major changes to their diets.

Georie Briggs, a nurse at FSU, says focus and concentration in class are threatened if students become sleep deprived. The most common symptom of sleep deprivation is fatigue. Fatigue causes behavioral changes, frequent mood swings, and exhaustion. Students also become less alert and irritable. They begin lacking in reasoning and problem solving, and may not want to participate in class discussions or complete their assignments.

In addition to possibly causing depression, sleep deprivation can lead to heart disease and high blood pressure. It also affects hormonal levels.

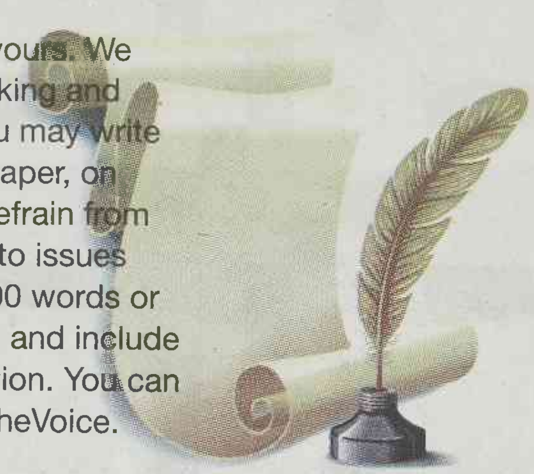
Ms. Briggs recommends a healthy diet, exercise, sleep, and good hygiene practices. Students need seven to eight hours of sleep per 12 to 15 hours they are active each day. This helps keep memory and concentration skills sharp.

Of course, time management skills are essential if a student wants to ensure they get enough rest. The more prepared and organized a student is, the less stress he or she is likely to run into.

It is also best for students to avoid junk food, caffeine, and sugar before bed.

Seeking counseling or assistance is highly recommended when students feel as if they're combating unbearable amounts of stress that are taking tolls on their livelihoods.

LET YOUR VOICE BE HEARD
WRITE A LETTER TO THE EDITOR



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