

Hello Henry,

You asked me for some help with your essay about the subprime mortgage crisis. I am sure that this information can really help you with writing your essay.

So subprime mortgages are mortgages who have less requirements than a normal mortgage. So if you have a lot of debts then you can still get a high mortgage, but you just get a higher interest rate. This is how bankers can earn a lot of money on short-term. But for the bankers there is also a bigger risk that people cannot pay their mortgages. If this happens too long the bank becomes the owner of the house and sells it, in this way the bank also earns a lot of money. So it does not matter which way it goes the bank always earns money from this kind of mortgages. But what happened is that more and more people lost their houses and there was a lot more supply than demand. Through this the house prices decreased a lot and the bankers could not sell the houses anymore. Normally when the prices are low the demand for houses will grow, but now people cannot afford this anymore so the house prices stay low and the bankers get no money at all. In this way all banks went bankrupt and all institutions who worked together with the banks went bankrupt too. What also happened is that people who had a savings account at a bank who was bankrupt lost their money. That is why all people withdrew their money. The more people who did this the faster a bank fell down. After this subprime mortgage crisis there is a lot more control and inspection by the government on how banks are lending money.

I hope this will help you by writing your essay.

Good luck

Bas

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