Trouble starts with shadow banks ➜ Crisis spreads to larger shadow/investment banks ➜ Commercial banks are affected ➜ Smaller banks struggle amid a mixed recovery

Subprime mortgage lenders show losses and some go bankrupt: New Century Financial (4/07)
Losses spread to investors in subprime mortgage-backed securities: Bear Stearns fights unsuccessfully to save faltering hedge funds (6/07)
Subprime mortgage-related and leveraged loan losses mount amid serial restatements of write-downs: Bear Stearns, Citigroup and Merrill Lynch step down (10/07)
Investment banks acquired by largest commercial banks with government assistance: Bear Stearns (3/08), Merrill Lynch (1/09)

Monoline insurers downgraded (6/08)
Bank/broker failures: IndyMac (7/08), Washington Mutual (9/08)
Nationalization of systemically important mortgage-lending institutions: Northern Rock (2/08), Fannie Mae and Freddie Mac (9/08)

Financial market disarray: Lehman Brothers files for bankruptcy; AIG backstopped (9/08)
Banking behemoth consolidation — Wells Fargo acquires Wachovia; PNC acquires National City; Goldman Sachs and Morgan Stanley become bank holding companies (10/08)

Troubled asset relief program (TARP) funds released; restrictions on exec pay, “stress tests” introduced; Fed pushes policy rate near zero, creates special liquidity and credit facilities and introduces large-scale asset purchases (10/08–9/09)

Banking behemoth consolidation — Wells Fargo acquires Wachovia; PNC acquires National City; Goldman Sachs and Morgan Stanley become bank holding companies (10/08)

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Roughly 800,000 jobs lost per month

Trouble starts with shadow banks

Fallout through 2011
- FDIC’s “problem list” reaches a peak asset total of $431 billion (3/10) and peak number of 888 banks (3/11).
- Roughly 400 smaller banks still owe nearly $2 billion in TARP funds (10/11).
- Only two of the 249 banks that failed in 2010 and 2011 held more than $5 billion in assets (12/11)