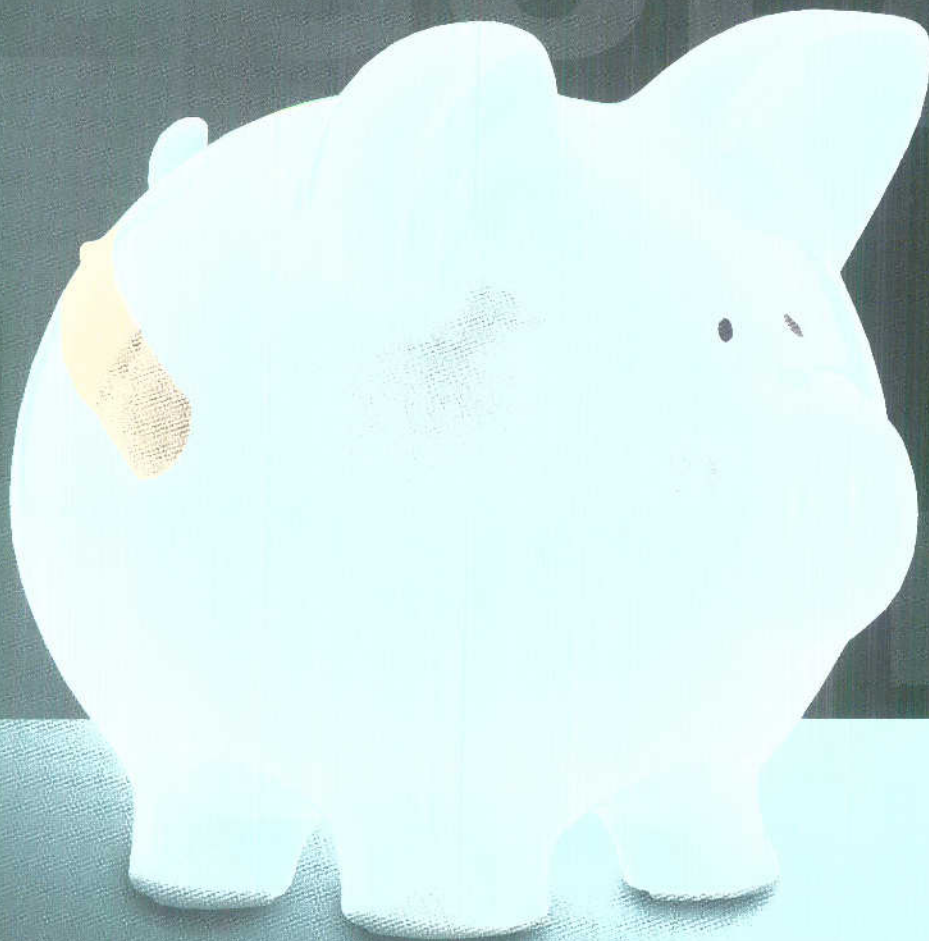


Researching the  
**Current Banking  
and Lending Crises**

by Amy Affelt



"RUN ON THE BANK": It seems like a phrase that would only be searched by academic librarians doing research on the Great Depression. However, a search of all publications on Factiva reveals at least 450 mentions of the phrase since March 2008. Mortgage meltdown reveals more than 1,000 hits. And the granddaddy of them all seems to be subprime crisis, which was used by authors more than 4,000 times in less than 2 months.

The current state of banking and lending in the U.S. poses a unique research situation for information professionals in industries as varied as financial institutions, law firms, government agencies, and consultancies. How did we get here? Did we see this coming? Why or why not? How can economic adjustments be made so that this doesn't happen again? Researchers need to have a specific set of tools and search strategy templates at the ready, because if the obvious search terms are used, we will be inundated with repetitive information. The challenge is to search the most widely respected sources using exacting, pinpointed strategies in order to uncover the most highly relevant information.

As in every catastrophic situation, there were Cassandras who saw this coming and wrote about it long before it happened. Academic journals such as *The Journal of Structured Finance* (formerly the *Journal of Structured and Project Finance*), *The Journal of Real Estate Finance and Economics*, and the Federal Reserve Bank journals published studies of the subprime lending market in the early 2000s. Files 15 (ABI/INFORM) and 139 (EconLit) in Dialog have excellent coverage of these journals, and descriptor terms such as subprime, mortgage?, delinquent?, regulat?, and foreclosure? can be used to narrow results. In order to find discussions of the packaging of these mortgage loans into financial instruments (which led to the collapse of Bear Stearns), free text terms such as hedge()fund?, financial()instrument?, sivorsivs or structured()investment()vehicle, or mort-gage?(3n)security? can be searched in proximity to subprime or mortgage()loan?.

#### CASE STUDIES

Business school case studies are already being written in an effort to explain what went wrong in the U.S. financial system, and archive searches uncover previous studies that may have hinted at the warning signs. Harvard Business School Cases ([www.hbsp.harvard.edu/hbsp/case\\_studies.jsp](http://www.hbsp.harvard.edu/hbsp/case_studies.jsp)) allows for free text searching of the relevant terms. CasePlace.org ([www.caseplace.org](http://www.caseplace.org)), which provides links to the full text of the documents, is more of a browseable site, but the first list of hits when browsing under Finance and Insurance contains these two gems: "Victimizing the Borrowers: Predatory Lending's Role in the Subprime

Mortgage Crisis," from The Wharton School of the University of Pennsylvania; and "Building Sandcastles: The Subprime Adventure," from Harvard Business School (HBS).

European Case Clearing House (now known as ecch) is an excellent source for case studies with an international bent ([www.ecch.com/casesearch/quick\\_search.cfm](http://www.ecch.com/casesearch/quick_search.cfm)). The advanced search tab allows for field-level searching, and a search for subprime in the abstract yields a case study from HBS which frames the U.S. subprime crisis in the larger context of international finance ("Subprime Meltdown: American Housing and Global Financial Turmoil"). ecch also offers case studies on Northern Rock, a U.K. mortgage lender which faced an implosion similar to those occurring in the States. The pricing is quite reasonable, with many case studies available for less than 15 pound sterling.

#### THE RATINGS GAME

Ratings agencies such as Moody's, Standard & Poor's, Duff & Phelps, and Fitch constantly issue upgrades and downgrades that offer clues to banks' financial health. If the ratings were low, perhaps the banks' activities should have been seen as risky. But what if the ratings were consistently average or relatively high? Perhaps an overhaul of the credit ratings agencies and their methodologies will be the next movement to gain ground. Searching *The Wall Street Journal*, *The New York Times*, and *Financial Times* websites for ratings agency\* in the headline or the lead paragraph of articles suggests that these agencies are indeed coming under scrutiny.

For historical ratings, Factiva offers Moody's Investors Service Press Releases and Moody's Investors Service Ratings Deliver Service. A simple search of the company name in the headline yields any ratings changes by Moody's that have occurred. Researchers with access to a Bloomberg terminal can find Moody's ratings on that system. For Standard & Poor's ratings, RatingsDirect ([www.ratingsdirect.com/Apps/RD/controller/Home](http://www.ratingsdirect.com/Apps/RD/controller/Home)) is a subscription-based service that allows historical searching by company of S&P's ratings and research.

Reuters Knowledge ([www.knowledge.reuters.com/RK/Pages/Public/Login.aspx](http://www.knowledge.reuters.com/RK/Pages/Public/Login.aspx)) contains reports from Fitch, Moody's, and Duff & Phelps. For information centers with subscriptions to Factiva only, the following search template in the Dow Jones Newswire uncovers ratings changes from the major agencies: ((company name) near25 (moody\* or s&p or s&ps or (standard w/2 poor\*) or (duff w/2 phelps) or fitch\*) near25 (upgrade\* or downgrade\* or rate\* or rating\* or chang\* or alter\* or bond\* or debt or deb or debs or note\* or debenture\* or coupon\* or rais\* or low\* or revis\*)).

## TIME SERIES

Historical time series data can be used to track rates of default and foreclosure over time. The Mortgage Bankers Association (MBA; [www.mortgagebankers.org](http://www.mortgagebankers.org)) compiles a quarterly delinquency survey and produces "Trend Reports on Recent Foreclosures and Delinquencies." Researchers with subscriptions to GLOBAL INSIGHT (GI) can download MBA data directly through GI's DataInsight Excel platform. The total number of U.S. "Mortgage Delinquencies from Subprime Loans" is available for the entire country (seasonably or non-seasonably adjusted) or broken down further by length past-due, type of mortgage (fixed or adjustable rate), or limited to those in foreclosure. The data has been tracked since 1998, so it is possible to download these series to see if there was a sharp increase in the past year or if the numbers have inched up slowly but steadily over time, bolstering the argument that the current climate was a long time in the making.

In a move that was deemed more than a little mysterious at first, the U.S. government stepped in to broker a deal with JPMorgan and thus save Bear Stearns from filing for bankruptcy. Immediately, the clarion calls began, with pundits hypothesizing that perhaps the government was now going to start bailing out every corporation that found itself overextended.

In an effort to clarify the government's actions, the Senate Banking, Housing, and Urban Affairs Committee met immediately following the deal and held hearings titled *Turmoil in U.S. Credit Markets: Examining the Recent Actions of Federal Financial Regulators*. The transcripts of these and the other government banking committee hearings that are sure to follow in the coming months are available on LexisNexis in the SCRIPT file in the LEGIS library.

LexisNexis guarantees that its Congressional testimony will appear within one day of publication; researchers facing a greater sense of urgency will want to use Congressional Quarterly (CQ; [www.cq.com](http://www.cq.com)). CQ covers hearings, featuring gavel-to-gavel coverage through its CQ Transcripts product. This is a fee-based database to which hearings are transcribed in 5-minute increments starting at the beginning of testimony and following through until completion.

## WHERE TO GO FROM HERE

Once the government hearings began and the finger-pointing started, the obvious question for business and finance researchers became, where do we go from here? Surely there are more possible bank failures and bailouts to come, and the aforementioned search strategies are great places to begin searching for them. But because these developments are very timely and occur throughout the business day, it is a good idea to set up clipping services or alerts on the major news databases so that information is received immediately and can be rolled out to stakeholders as the news is printed.

Since the amount of information on bank failures and the subprime crisis is so voluminous, the following strategy in the selected online sources of *The Wall Street Journal*, *Financial Times*, and *The Economist* on Factiva keeps tabs on financial firms that may be following in the footsteps of Bear Stearns: (hlp=((bank\* or insurance or (hedge fund\*) or (savings w/2 loan\*) or thrift\* or (mortgage near3 (lender\* or loan\* or broker\* or bank\*)) or (mutual fund\*)) near10 (bankrupt\* or ((ch or chapter) w/1 (11 or eleven)) or liquidat\* or fail\*))

## LAWSUITS ON THE HORIZON

The eventual fallout will result in the inevitable lawsuits that are sure to be brought by shareholders, investors, and creditors. To help find lists of lawsuits as they are filed, the Westlaw CourtExpress docket tracking database is an ideal source because it allows for Nature of Suit searching. Bankruptcy, Stockholders Suits, and Banks and Banking are applicable categories. Also, free text searching is available, so terms such as *subprime* and *illiquid\** can be entered. Alerts and Docket Tracking can be set up so that the latest court filings are delivered to your desktop immediately. When judicial decisions in the cases are rendered, they can be retrieved on LexisNexis so that the "More Like This" feature can be utilized. This feature allows researchers to find similar suits that conventional searching may have missed.

The wide-ranging implications of the 2007/2008 U.S. Banking Crisis will generate challenging research projects for years into the future. Industries as varied as oil and gas, retail, foods, consumer products, and many others are finding that their core business strategies may need to be altered as credit becomes tight and government oversight becomes widespread. Researchers will need to learn new techniques and search strategies, but with the correct tools, the industries in which we work will be able to plan, prepare, and respond appropriately. Once again, it is up to us to steer our clients in the proper direction.

**Note on *Financial Times*:** The Financial Times (FT) recently instituted a policy requiring the purchase of a digital content license by firms accessing FT content through third-party vendors such as Factiva and LexisNexis. While this is a disappointing development, many business researchers will find that it is necessary to purchase the license because *Financial Times* is such a high-quality, well-respected publication, and in the context of researching the subprime crisis in the U.K., it is a critical source of news regarding Northern Rock.

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