

## Summary

The Savings and Loans industry provides mortgages for houses and financing for other purchases. Before this event occurred there were more than 7000 different Savings and Loans institutes that consumers could choose from to do business with. In 1982 the government passed The Garn-St. Germain Depository Institutions Act. This act allowed these institutes to operate freely and do whatever they want. This led to unethical practices and made the industry lose out on a lot of revenue due to a high default rate. Financing was given to individuals who had horrible credit history to obtain more profits. Along side that there was an ethical issue with the senate occurring at the same time. Five U.S. senators – the Keating Five – were investigated by the Senate Ethics Committee due to the \$1.5 million in campaign contributions they accepted from Charles Keating, the head of the Lincoln Savings and Loan Association. Then, due to an extremely high default rate; the industry was no longer profitable which led to a lot of firms declaring bankruptcy. The government then bailed out these firms using taxpayer money and brought in place The Financial Institutions Reform Recovery and Enforcement Act to abolish this industry.

## Questions

Does government intervention help out the consumers or does it profit firms?

What other solution(s) could have been put in place?

Who is to blame?

## Special Instructions

3 groups need to be made

- Government
- Consumers
- Industry Representatives

## Additional Reading List

1. Herold, Thomas. "What was the Savings and Loan Crisis?" Herold's Financial Dictionary. <https://www.financial-dictionary.info/terms/savings-loan-crisis/>.
2. Investopedia Staff. "Savings And Loan Crisis - S&L." <http://www.investopedia.com/terms/s/sl-crisis.asp>.
3. Robinson, Kenneth J. "Savings and Loan Crisis." Federal Reserve History. [https://www.federalreservehistory.org/essays/savings\\_and\\_loan\\_crisis](https://www.federalreservehistory.org/essays/savings_and_loan_crisis)
4. Steinreich, Dale. "The Savings and Loan Debacle Twenty-Five Years Later: A Misesian Re-Examination and Final Closing of the Book." Mises Institute. <https://mises.org/library/savings-and-loan-debacle-twenty-five-years-later-misesian-re-examination-and-final-closing>.
5. Mondini, Pietro. "A brief History of the Savings And Loans Crisis." The Market Mogul. <https://themarketmogul.com/brief-history-savings-loans-crises/>.