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Abstract

August 9, 2014 marked the twenty-fifth anniversary of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989. FIRREA was to “clean up” the savings and loan debacle of the 1980s. Articles, books, symposia, and papers written in the wake of the debacle, popular media and mainstream financial economists each provided detailed explanations. This paper analyzes and rejects those explanations in favor of an alternative based on interest-group theory and a chain of causes in legislative history where market interventions led to unintended consequences, more interventions and more unintended consequences until no more interventions were possible.
Twenty-five years after the industry bailout, the causes of the debacle are still Real Estate appraisers, under fire for their role in the savings and loan crisis and hurt by a housing recession that has spread from Montauk to Malibu, are facing tough new requirements for education, licensing and scrutiny of their work by state and Federal regulators. An appraiser’s charge has always been to exercise independent judgment about property value. “An appraisal is supposed to reflect economic reality, and the assumptions that were made in the late 80’s were unambiguously wrong,” said David Shulman, director of real estate research at Salomon Brothers, the securities firm. Advertisement. Continue reading the main story.