## Contents

Acknowledgments xi

Prologue “On the Verge” 1

Chapter 1 Bubble to Bubble 11
  Greenspan’s Shock and Awe 13
  Houses Built on Cow Dung 19

Chapter 2 Home Sweet Home 23
  Opening Doors 24
  An Industry Is Born 27
  Subprime Returns 29

Chapter 3 The Subprime Machine 33
  From Delivering Pizza to Delivering Mortgages 41
  Living the Dream 44
  Diving into Deep Trouble 45

Chapter 4 Eyes Wide Shut 49
  A Warning Unheeded 50
  A Dream No More 55
Chapter 5  The Great Enabler  57
Fannie Mae and Freddie Mac
  Hit the Scene  61
Fannie and Freddie Get a Timeout  63
Wall Street Takes Over  66
A Tsunami of Mortgages  71
From Ownit to Out of It  74
Back from the Grave  77

Chapter 6  Complicity  81
Moody’s the Money Maker  85
Repeat Customers  88

Chapter 7  The Securitization from Hell  95
The Making of a CDO  96
Tough to Kill  98
Turning “Crap into Triple-A”  101
From CDS to CDO  103
Insanity Sets In  106

Chapter 8  Narvik and Me  111
CDOs: An American Export  113
The Truth Revealed—But Does It Matter?  118

Chapter 9  Mortgaging Merrill’s Future  121
Climbing Out of Poverty  122
A Strong Start  124
The Secret Weapon  125
Raking It In  127
Taking Big Risks  130

Chapter 10  A House of Cards  135
Digging for Gold  136
Building a Case  139
The Investment of a Lifetime  147
Contents

Chapter 11  And Then the Roof Caved In  155
   The Wheels Coming Off  157
   The Call  159
   A Crisis Begins  161
   The CDO Blues  165
   Lights Out  167

Epilogue  171

A Note on Sources  181

Resources from CNBC  183

Index  187