

Backdrop of steadily rising housing values feeds confidence

'Global savings glut'

Backdrop of apparent macroeconomic stability feeds confidence

Innovations in mortgage origination



Innovations in mortgage securitization

People willing to buy houses on speculation, to flip

Loosening of standards / gaming of standards

Principle of diversification as providing safety

Assumption that mortgage securities are very safe

Complexity of overall ecosystem discourages attempts at deep understanding, in real time

Profits so wonderful, no one wants to question the overall dynamic, or its sustainability

Use of vast leverage, to make HUGE amounts of money