Yale SCHOOL OF MANAGEMENT
Program on Financial Stability

Lessons Learned Oral History Project Interview

Interviewee Name and Position	Greg Feldberg[1] Director of Research, Financial Crisis Inquiry Commission
Interviewer Name	Sandra Ward (Contractor) Yale Program on Financial Stability
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Introduction:

The Yale Program on Financial Stability (YPFS) contacted Greg Feldberg by email to request an interview regarding Feldberg's time as Director of Research for the Financial Crisis Inquiry Commission established in the aftermath of the financial crisis of 2007-09[2]. The 10-member bipartisan commission, known as the Angelides Commission after its chairman Angelides, was charged with investigating and determining the causes of the crisis. It held more than 19 hearings and interviewed more than 700 people in the span of 15 months beginning in September 2010 and concluding in January 2011.

Feldberg went on to serve as a senior associate director of the Office of Financial Research, where he oversaw the annual financial stability report as well as other publications. At the time of this interview, he was a Research Scholar at the Yale Program on Financial Stability. Prior to his time at the FCIC and at the OFR, Feldberg spent 10 years at the Federal Reserve Board as a financial analyst.

[*This transcript of a telephone interview has been edited for accuracy and clarity.*]

Transcript:

YPFS*:* **Let's start by hearing how you got involved in the Financial Crisis Inquiry Commission. How did you come to participate in it? And how did you become the director of research for it?**

Feldberg: I'd been at the Fed since 2002 in banking supervision and regulation. In 2009, I was sent over to the Treasury Department to be a detailee on the team that was working on regulatory reform after the crisis. In the summer of '09, we put out a green book called "Financial Regulatory Reform: A New Foundation."

[1] The opinions expressed during this interview are those of Mr. Feldberg, and not those any of the institutions for which the interview subject is affiliated.
[2] A stylized summary of the key observations and insights gleamed from the interview with Mr. Feldberg is available here in the Yale Program on Financial Stability's *Journal of Financial Crises.*

It had a lot of ideas that eventually got turned into the Treasury's first proposal that went to the Hill and eventually became the Dodd-Frank Wall Street Reform and Consumer Protection Act. I continued to work on regulatory reform through the fall of '09 at the Treasury, writing an internal paper suggesting how banking supervision and regulation could be amended after the crisis. The report that I wrote very much drew on the wisdom of my colleagues back at the Fed. While at Treasury, I met with the folks who were starting up the Crisis Commission and I was hired in January 2010. I was very excited by the opportunity to be involved in the project. I was still being paid by the Fed, on detail, first at the Treasury, and then at the Crisis Commission. In both cases, the Fed had to approve it.

YPFS: **Did that pose a conflict?**

Feldberg: I stayed out of interviews with people whom I had directly worked with. I didn't focus my efforts on investigating my own agency. We had a big team so I didn't have to get involved in conflicts of interest.

YPFS: **When did you become Director of Research?**

Feldberg: At first, I had been aggressively helping to recruit people to the team. One of the first things that I did upon getting there as a Fed detailee was to call up the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corp. and other regulatory agencies and ask if they had any detailees to send over. It was a very successful effort. I got a couple of more Federal Reserve people as well. We ended up with nine or 10 detailees across the organization by the time we got going. There was always a time constraint and a resource constraint and a constraint of bodies. We could have always used more folks to help. Even though we had access to anybody in the academic or financial community to share their wisdom with us in interviews, just getting people with real background and expertise on the issues on staff was always valuable. It was useful to have people from the SEC, and the OCC, and the FDIC and from other agencies who understood something about finance to help us out. After a few months, the executive director was asked to step down and the research director (Wendy Edelberg) became the executive director and she asked me to take her job.

YPFS: **Did they say why you were tapped?**

Feldberg: I asked Wendy that and she said, "Because you get shit done."

YPFS: **How did you feel about taking on that role?**

Feldberg: I was thrilled. I was excited to be involved in something that I thought was very important. To be working on an official commission that had the ability to really dive into the crisis and to explain for history what caused this crisis was a unique opportunity. I'd been looking for an opportunity to run a team. I'd had leadership opportunities at the Fed, but I had never been promoted to that point.

YPFS: **When you took this role on, how did you get a handle on it? How did you structure the research effort?**

Feldberg: I should step back first and talk about how the commission had been organized all along and then discuss where I fit into that. We had 18 months to do a massive report on the causes of the financial crisis. And the commission didn't get a lot done for the first six months. We essentially had 12 months from when most people got hired in the beginning of 2010 to the deadline, which was late January or early February 2011. There was a research team and three investigative teams. There were 15 people in research and each investigation team had about eight people. Within research we had a lot of economists, financial analysts, people from agencies, and people from the private sector. The investigation teams were lawyers and people from investigative agencies like the SEC and even the U.S. Postal Service and FBI. That was the structure of the commission. The scheduled plan for the year, and this had been set up before I got there, was that in the first half of the year we would hold a public hearing a month for six months on different topics and then spend the second sixth months writing the report. The hearings covered mortgages, shadow banking, credit ratings, derivatives and the concept of "too big to fail" as applied to large financial institutions. Experts and chief executives testified.

For every hearing, we had an investigative team assigned to investigate the company whose CEO would be speaking and we had the research team lay out the issues that would be discussed at the hearing and provide information. The investigative team was producing two investigative reports that were confidential prior to each hearing and would help the commissioners know what to ask. And the research team was producing two public reports. When I started, I was part of this frantic effort to generate two research reports a month on complex financial issues. When I became the research director the role was to continue pumping out those reports. The first thing I really focused on, and it's always difficult to separate what initiatives I started before I had the official role of Research Director because we were all moving at light speed, was to back up our research efforts with a bunch of data projects. I thought we could take advantage of our subpoena power to collect data that nobody else was ever going to collect from the financial institutions that were involved. Preparing for those hearings and getting the data project started was my priority when I moved into the role.

YPFS: Give an example of one of the data projects, if you would.

Feldberg: We did a survey of hedge funds in which we managed to collect detailed information from hedge fund advisors that controlled more than a trillion dollars of assets in more than half the hedge fund industry. We collected data on market risk from market participants in the short-term funding markets, an area that was subject to run-risk that hadn't been understood before the crisis. The survey covered the dealers, insurance companies, mutual funds, money market funds, and any and everybody involved in that. We also provided an in-depth profile of one mortgage backed security where we relentlessly probed every company that was involved in this one security so we could show what was going wrong at every stage from the origination of the loan all the way through to the mortgage-backed security and how it gets divided up for investors into collateralized debt obligations or CDOs. In the final report, we repeatedly came back to the story of the mortgage security as an example of the underwriting standards of the time looking specifically at the exact mortgages that made up the security.

YPFS: As the director of research, was it up to you to choose who was going to be interviewed during these public hearings? Was that also part of your role?

Feldberg: I had a lot of input, based on my role, on the team that was writing the research reports. I was consulted and probably suggested a half dozen people that ended up appearing. But in hearings that focused on companies and CEOs, the investigative teams would have been responsible more than the research team people for choosing who testified.

YPFS: I was struck by the fact that Michael Lewis was chosen to be interviewed. How'd that come about?

Feldberg: We had the ability to very quickly set up interviews, anybody who the staff wanted to talk to. One person suggested, "Why don't we talk to Michael Lewis and just interview some of the folks that he had talked to?" We learned a lot from them and it saved time when we had so little time. Michael Lewis's book was a very good take on the crisis, but it wasn't the whole story.

YPFS: The timeline is interesting. You say six months was lost early on. Was that why there was a shift in the executive director's position?

Feldberg: I don't know.

YPFS: Can you put into context why the first six months were a lost six months and the next 12 months were more productive?

Feldberg: It could be that's just my perspective from joining in January. Maybe you have to look at that as the true start-up cost of an agency. When I got there, they had a whole floor in a building and had a lot of administrative staff and it's not trivial to get these things going.

YPFS: **Talk about the major challenges of the commission. I would think that some of these people did not want to cooperate. And you mentioned that you had subpoena power, so even if they didn't want to provide you with information, you could get information.**

Feldberg: In general, we got a lot of cooperation. It would be very valuable to talk to the Director of Investigations, Chris Seefer. Once the hearings drew to a close, the investigations teams were combined under one head of investigations for the rest of the year. And he might have some better perspective on the tug of war that went on between him and various sources who were less cooperative.

We used the subpoena power a handful of times. We had to pick our targets to some extent because we couldn't do a deep dive on every single company. The commissioners had originally picked Standard & Poor's to be the rating agency that we were going to do a deep dive on. But Moody's was being difficult and so the commission decided to investigate Moody's instead and there was a subpoena issued. We asked Warren Buffett to testify at one of our hearings and he said he would only do it if we subpoenaed him. We subpoenaed him. And Goldman Sachs was subpoenaed; they were not being very cooperative with our data requests and were of interest in various parts of the investigations that were going on.

YPFS: **What were some of the other challenges?**

Feldberg: The challenge was getting all these ideas and analysis done in time for hearings. I had an ability, because I was generating the research reports, to focus the hearings on the topics we thought were important. We wrote 12 preliminary reports and, through those, had the opportunity to guide how those hearings went. The commissioners did a good job at these hearings of getting useful stuff out of the people involved as well as the experts we had lined up.

Around June or July we were done with most of our hearings. The "Too Big To Fail" hearing was in September, but the others were all done. We were starting to pivot towards writing our report. It took us a while to figure out how we were going to approach that. We went through four models of how to write a report. The first was to have one journalist write the whole thing but that was just too much. Then we shifted to having more experienced writers pair up with a couple of junior folks to write large swaths of it but that turned out to be too unwieldy. Then we hired four journalists to take different sections of the report. That idea really stuck in the sense that one journalist wrote the first part pretty much on her own using the resources we had. Another journalist wrote the final chapter, which focused on the aftermath of the financial crisis.

It wasn't until September that we figured out the model for the bulk of the report that we produced, the second through fourth parts. I was just sitting in my office reading through some of the interviews and other materials that we had, trying to figure out what happened to the investment banks after the Lehman failure, and I started writing a section on Morgan Stanley. I wrote a thousand words and it got across what happened to Morgan Stanley and I decided we should write the whole report in one- to two-thousand-word pieces. I divided the whole story into little pieces and assigned them out and that's the way it ended up being organized. Once we had this way of doing it, we had this incredible machine going. Maryann Haggerty, who was a Washington Post editor, came in as the managing director. She created a process where every section would be sent to the investigative team to see whether the information was complete. Then it would go to the researchers to review. Then it would come back to me and I would send it to the fact checkers. Each piece got looked at very carefully. Maryann Haggerty deserves a lot of credit for that. My job was to write and review: I was either writing parts of the report myself, or I was helping improve them.

YPFS: **What were you hoping to accomplish through this process? Did the goals change or evolve as the process went on?**

Feldberg Our goal was to write the definitive account of the crisis and why it happened, one that would stand the test of time. I felt we succeeded. I still do. The report is widely cited. It's widely considered to be the definitive account of the crisis. The audience we were looking at was, first, the general public and, second, the experts. We were looking at informing the next generation of people like me, of banking supervisors, and market experts in the financial community who are trying to track risk in the financial system to fully understand how this happened so maybe they can see it coming better next time. I certainly feel that we did that.

YPFS: **What would you say were the flaws of the report?**

Feldberg: The report is most often criticized for the different conclusions that the commissioners came to. Our role was to do the report and do the analysis. The commissioners had their own discussions about what to put in the conclusion, which we didn't have much of a role in. I only fact-checked the various commissioner conclusions.

YPFS: **Were the disagreements among certain commission members a surprise?**

Feldberg: There was one commissioner whose dissent was clear all along. He came up with an alternative set of facts, even before I got there in early 2010 and maybe even in '09, that he had from an outside analyst on how to think about the subprime market. Our team roundly analyzed and refuted his information many times over the course of the year. The other nine commissioners understood and agreed with the staff analysis. And not only did this commissioner not accept our analysis, he claimed that we hadn't done it.

YPFS: **Is this Peter Wallison?**

Feldberg: That's right.

YPFS: **In his dissent he claimed he wasn't informed about hearings and didn't know about certain interviews. Is there truth to that?**

Feldberg: I don't know anything about the details of his complaints about not being informed. It wasn't my job to inform the commissioners of hearings coming up. It was known what hearings were coming up. My recollection is that it wasn't our job to let the commissioners know about every interview coming up anyway. As a staffer, I always tried to be helpful. From my point of view, our job was to write the four to f ive hundred pages in the middle that would be the narrative about the crisis. To me that's what stands the test of time and what gets most cited anyway. To the extent we were hoping for a consensus, we were always hoping that the other nine would be a consensus. By the middle of the summer, maybe late summer, it was pretty clear that wasn't going to happen.

YPFS: **Talk about that realization.**

Feldberg: I remember the first time I read the Republican's dissent. I thought, this is really reasonable. I wasn't even sure what was different the first time I read it. I liked the way that they set out the essential ingredients needed for the crisis to happen. I liked the way it was written. But I remember reading it a second time and saying, "Okay, I see." They didn't want to hold any specific type of product, or specific type of market, responsible. They wanted to say managing subprime MBS risk was done poorly by a few people, but there's nothing wrong with subprime mortgages.

Similarly, they didn't want to say there was anything wrong with existing regulations, because they didn't want their words to be used to satisfy any regulatory agenda at all. So I can see it would have been difficult to get agreement. On the other hand, you know, the majority view, which I generally agree, didn't pull any punches. It was trying to provide the basis for legislation in some ways. It seems possible to me that the two sides could have agreed on language if they had tried harder.

YPFS: **I was struck that the majority of commissioners took a much broader view about what led to the crisis. The dissenters seemed to take a much narrower view and wanted to either pinpoint one particular area or shift the blame abroad.**

Feldberg: Later, Yale's Andrew Metrick asked me to speak to one of his classes about the crisis. And as he presented his slides, he asked students to think of what their dissent would be. For the first time, I thought to myself, "Gee, what would my dissent be?" I supported the majority conclusions. They were generally in the right direction and I found them very high level. I found a lot of them to be the kind of things you could have said about any financial crisis. There was poor supervision and risk management all around. And people indulged in short-term thinking. If I were to write a dissent, it would focus much more on making sure that people understood what was special and different about this crisis, such as the design of financial products and how the system was allocating risks in really screwed up ways. I didn't feel as if the majority or the dissenters did that in the way I would have done it. As a staffer, it didn't occur to me to write down my conclusions. I was happy to be the guy who was just explaining to the world what we thought had happened.

YPFS: **What did you take away as some of the more meaningful findings of the report and of the commission's work?**

Feldberg: The data projects we did supported in new and innovative ways what we had been learning in the course of our work. Going into the inquiry we already knew an awful lot about what had happened. The world in general knew there had been a housing bubble. Maybe some people identified it in advance and some people hadn't, but simply having identified in advance that there was a housing bubble and that underwriting standards and risk management had been atrocious, isn't the same as identifying that there was going to be a crisis. There's a lot of smug people who say, "We saw this coming because we've been complaining about underwriting standards," but there's a lot more to it. Even before I started working at the commission, I would've said there's more to it. Nobody saw the collapse of Northern Rock and the [on the run] short-term wholesale deposit funding market that happened in 2007 coming. The way that risks had been packed into exotic CDO (collateralized debt obligations) and CDS (credit default swaps) products was not something that people were talking about in '05 and '06. If someone wants to say they've forecast the crisis, they also would have had to have identified those problems because there would have been no financial crisis without them.

YPFS: **Talk about the impact of structured finance in the crisis.**

Feldberg: The way we tried to describe it, but it might have been lost in the commissioners' conclusions, was that this crisis was caused by two bubbles. The Republicans might have described this better than the Democrats. There was the housing bubble, which was fueled by funding from the GSEs (Freddie Mac and Fannie Mae). A lot of countries around the world had housing bubbles as the Republican dissent pointed out. That was driven largely by macro forces. The housing bubble was in full force in '03, '04, and '05. It peaked in late '05 and early '06. If all you had was a housing bubble financed by the GSEs, you wouldn't have had the financial crisis.

But starting in '05, and through '07, there was this weird structured finance bubble in which housing assets and mortgages were bundled into CDOs and CDS and ABCP (asset-backed commercial paper). The funding for these instruments was through the roof. Demand was strong because they were seen as super safe.

Even after the housing bubble started to burst, which already was happening in early '06 -people were identifying a housing bubble on the cover of the Economist, in June '05- the structured financial bubble was just starting to get crazy. It was driving the mortgage market, an example of the cart driving the horse. There was so much money available for mortgages that the demand helped drive down underwriting standards. Then the GSEs stepped back. Fannie and Freddie weren't going to get involved in that. They did buy some subprime mortgage-backed securities, but they bought the senior tranches and weren't buying the riskier parts. They weren't buying CDOs. It was the private sector, outside of Fannie and Freddie, that was driving demand for these products. Collateralized debt obligations became the only source of demand for the riskiest tranches in mortgage-backed securities. If you didn't have collateralized debt obligation investors and if you didn't have this demand for CDOs, then you wouldn't have had anybody buying the riskiest parts of mortgage-backed securities and you wouldn't have been able to originate subprime mortgages because there would have been no mortgage-backed securities to put them in.

YPFS: **What was the role of hedge funds in all this?**

Feldberg: It wasn't all about hedge funds, but the role they played was pretty important and we documented that. They created demand for the equity tranches of CDOs, which is the riskiest of the tranches and absorbs the first loss. In what were called correlation trades, the hedge funds would buy the equity tranches of CDOs and then short other CDOs. This was an extremely extensive trade. Shorts were driving the market to keep it going, which seems incredibly counter-intuitive and weird. One of the things we showed in our data project was actual evidence of this. We found that hedge funds accounted for something like 25% of all the equity tranches who and were also short the market. Michael Lewis's book "The Big Short" made shorts out to be heroes. But a lot of these guys were doing something that was not necessarily beneficial. It was keeping this market going. It's something we should have identified and said, "This is not the kind of market structure we want." I'm not bringing this up to say it was bad or wrong to do or should have been illegal or prosecuted, but it was a screwed-up way of allocating financial risks.

YPFS: **You worked at the Federal Reserve as an analyst prior to your role on the commission. How was it to be serving on a commission that was ultimately very critical of the Federal Reserve as well as other agencies?**

Feldberg: I felt that I was doing something important, separate from my role at the Fed. I also didn't feel like I was there to let the Fed off the hook. I was hoping we would write a fair report and the Fed's role would be portrayed fairly whether I worked at the Fed or not. My colleagues at the Fed understood that for the most part. I got a memo from somebody at the Fed saying, "Wow, the back cover of your report singles out the Fed." And I said, "Yeah, well, it wasn't my decision what went on the back cover."

I didn't write the commissioners' conclusions, but, as a Federal Reserve employee, I didn't feel as if their main conclusions were offensive. I thought they were very fairly laid out. It's good for the Fed and other agencies to analyze and figure out what goes wrong in these events and that includes seeing what you did wrong. I like to think we were hired for our expertise, and our ability to dive into these issues and that the commission never thought that those of us that came from agencies were there to represent or defend our agencies.

YPFS: **When you were at Federal Reserve, did you notice things that should've been addressed that weren't? Or they weren't addressed the way perhaps you would have like to have seen them addressed?**

Feldberg: At the Fed in '04 to '06, I was the assistant to the director in the Banking Supervision and Regulation Division. I was the chief of staff essentially. In that time, the Credit Risk Division was working on guidance for banks on how to avoid risks from non-traditional mortgages and home equity loans. It was very much a focus of theirs. Our credit risk team was noticing that different types of risks were being layered into single mortgage products, a practiced called risk layering, and that was pointed out to supervisors who were then talking to banks about it. We were doing our job in terms of understanding the credit risks. We weren't seeing how the financial system had developed these new products that were spreading risks in new ways.

It was revealed in the Commission's report that there was this fantastic international effort in '03-'04 to look at new credit risk transfer products. The Joint Forum, a group of global supervisors, including the Fed, put out a report in '05 that described how CDOs and CDSs work and how they allocated risk in new ways. The report suggested there could be new participants, such as mono-line insurance companies, that could be taking on too much risk. What's fascinating about it is that the word "mortgage" only comes up once or twice because they were talking about these new products, but mortgages hadn't become the key yet. It was really the collision of mortgage-backed securities and these new credit risk transfer products that created the financial bubble.

But the new products only really started to become noticeable in '05. So, in essence, it's this great miss that this international effort was done just a little bit too early or it wasn't done on a biannual basis or something. When I got back into the surveillance world, I was looking at the role as one of doing reports like that on a more regular basis because that was such an interesting close miss.

A lot of us started to study what was going on in the ABCP and CDO markets only in '07. I was writing memos for the board about ABCP after the ABCP market started to blow up in the summer of '07. The risks there were not understood before.

YPFS: **Have you thought about why there were these reports being done and yet nobody was drawing connections?**

Feldberg: When I was at the Office of Financial Research later trying to help figure out a surveillance system, I was always asking myself the question, what surveillance mechanism really would've worked in the middle of '05 that would have identified things as they start to go crazy. We at OFR and the Fed and other agencies and central banks around the world decided we needed to understand how credit risk is being allocated in any form. It means looking for products in which risks are being allocated in new ways. Hopefully, that's the right lesson. Hopefully, it's actually possible.

YPFS: **The FCIC report came out months after Dodd-Frank was enacted and that led to some criticism along the lines of 'How could Dodd-Frank be enacted without waiting for the conclusions of this report?' How do you feel about that criticism?**

Feldberg: That really has never crossed my mind. I had been involved early on in Dodd-Frank and I felt it was going in the right direction. Capital standards were already being revised. We felt we were writing something for historical reasons, for the public, for the market, for supervisors to understand how to improve their understanding of and their surveillance of the markets.

YPFS: **You went on to serve as Senior Associate Director of the Office of Financial Research. How did that transition take place? And what was the mission of that group when you joined?**

Feldberg: It's funny that you'd bring that up. When Dodd-Frank was enacted, one of my strongest reactions was: "They're creating an Office of Financial Research, I should go work there." Other colleagues from the FCIC ended up at the CFPB, which was also formed under Dodd-Frank. It was a natural outgrowth of what I had learned and what I had done at the crisis commission. There were direct links between the lessons learned and how I thought about financial stability surveillance afterwards.

In the first year after the FCIC report came out, I went back to the Fed and worked in the new Financial Stability Division there. I was the first research employee of this division. I definitely had something to contribute there and helped innovate a couple of ongoing reports based on the lessons learned at the crisis commission. And then, for a couple of months, the Fed assigned me back to Treasury where I helped write the first Financial Stability Report.

YPFS: **You've mentioned numerous times that the data projects you devised were important to the understanding of the crisis. Can you describe what was innovative about some of these projects?**

Feldberg: What was innovative was we got hedge funds to cough up data about what they had been up to. They are notoriously very unwilling to share information. Ron Borzekowski, who was the Deputy Head of Research at the FCIC, deserves the credit for figuring this out. We hired NORC (National Opinion Research Center) at the University of Chicago, an independent non-partisan data research group, to collect the data from the hedge funds. They collected the data, made it anonymous and aggregated it in a way that dictated we wouldn't be able to figure out what any one hedge fund had done. The hedge funds were willing to trust this intermediary to anonymize the data and get it into a format that was still useful to us. The hedge fund managers had never really been willing to share anything with anyone, so this was quite a coup. There were a couple of specific questions we wanted to know from the hedge funds. We wanted to see if we could identify evidence of the correlation trading to see what was driving the short activity. We wanted to know specifically which types of positions were the hedge funds long and which types they were short? And when? We asked for this on a quarterly basis. We were trying to keep this at a high-enough level that they wouldn't sue us and on a micro-enough level that we would be able to see something if it were actually going on.

The other question we were investigating with the hedge fund survey was the timing of redemption requests and whether there was a meaningful run on hedge funds. Investors in hedge funds are typically locked in for a long period. The question was do lock-ups really work in a financial crisis? If your long-standing investors want their money back are you really going to say, "Sorry, but I don't have to give this back to you until next year?" Or are you going to redeem anyway? And without knowing what was in their contracts, we showed that redemption requests jumped up massively after Lehman Brothers failed.

YPFS: **Could you determine whether the redemption requests were granted?**

Feldberg: I don't think we asked that. But requests jumped to over 20% of assets under management. Before the crisis, requests had been around 3% of AUM. But redemption requests had been rising all along through the crisis period. So that was what we were looking for in the hedge fund survey. Dodd-Frank, later, required the SEC to collect data from hedge funds. And now there's a much more detailed data analysis of hedge fund data that takes place at the Office of Financial Research.

YPFS: **Any other data projects you want to mention?**

Feldberg: One of the other surveys was on activity in the short-term funding markets. There we were specifically asking money market funds to identify when they held short-term funding and instruments from specific investment banks. A chart we created, for example, showed the average amount of repo lending to Bear Stearns, Lehman Brothers and Merrill Lynch before and after the Bear Stearns crisis and before and after the Lehman crisis. It shows how quickly their repo funding went away during the crisis.

YPFS: **Let's return to OFR again. There have been changes to that organization since you have left. How do you feel about that? Can you speak to that?**

Feldberg: I wrote a blog about it recently. My concern has always been about the ability of the OFR to be objective. We were proud of the work and the surveillance that we did there. The current administration has taken a slightly different approach. The new focus is to use OFR's analysis to support the Financial Stability Oversight Council. It would do less research and more monitoring. When I was there, we always felt we were facilitating the legislative mission of helping the FSOC. But we were also providing a broader service to America in trying to understand financial stability risks, and some of those risks we identified on our own and pursued on our own initiative.

YPFS: **Do you feel we are better equipped to see the next financial crisis and to avert it?**

Feldberg: I do think we're better equipped than before. The Fed has devoted a lot of resources to monitoring areas they weren't monitoring before. It's focused on financial stability. Banks have way more capital than they had before and are more liquid than before. The banking system seems much more secure against disruptions than in the past. There's a business cycle, there's a credit cycle, and everything seems to be at the top of the cycle now. The cycle has to turn at some point. How bad will it be when the cycle turns? The financial crisis of 2007-09 was the worst crisis in 70 years. But the truth is there's been significant disruptions in the financial system every decade or so. From the savings and loan crisis, to the Asian crisis, and beyond. Bad stuff happens. The question is whether the next crisis leads us to the brink as it did in 2008. I think we're safer from that kind of calamity.

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