

Test Bank

for

Skolnick and Currie

Crisis in American Institutions

Fourteenth Edition

prepared by

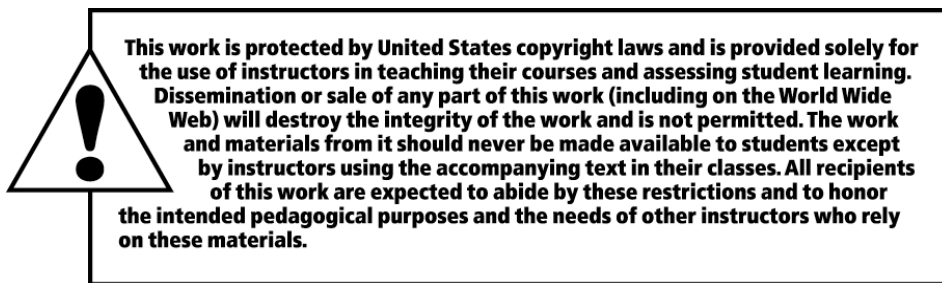
Sue Humphers-Ginther
Minnesota State University, Moorhead

Allyn & Bacon

Boston Columbus Indianapolis New York San Francisco Upper Saddle River
Amsterdam Cape Town Dubai London Madrid Milan Munich Paris Montreal Toronto
Delhi Mexico City Sao Paulo Sydney Hong Kong Seoul Singapore Taipei Tokyo

Copyright © 2011, 2007, 2004 Pearson Education, Inc., publishing as Allyn & Bacon, 75 Arlington Street, Suite 300, Boston, MA 02116. All rights reserved. Manufactured in the United States of America. The contents, or parts thereof, may be reproduced with *Crisis in American Institutions*, Fourteenth Edition, by Jerome H. Skolnick and Elliott Currie, provided such reproductions bear copyright notice, but may not be reproduced in any form for any other purpose without written permission from the copyright owner. To obtain permission(s) to use material from this work, please submit a written request to Pearson Higher Education, Rights and Contracts Department, 501 Boylston Street, Suite 900, Boston, MA 02116, or fax your request to 617-671-3447.

10 9 8 7 6 5 4 3 2 1 14 13 12 11 10



Allyn & Bacon
is an imprint of



www.pearsonhighered.com

ISBN-10: 0-205-61089-7
ISBN-13: 978-0-205-61089-1

CONTENTS

SYSTEMIC PROBLEMS

PART ONE: CORPORATE POWER

1. Mark Zepezauer, Take the Rich off Welfare	1
2. Robert S. McIntyre, Tax Cheats and Their Enablers	3
3. Neil Postman and Steve Powers, The Commercial.....	5
4. John Luoma, Water for Profit.....	7

PART TWO: ECONOMIC CRISIS

5. Barbara Ehrenreich, Nickel-and-Dimed: On (Not) Getting by in America	9
6. Tamara Draut and Javier Silva, Generation Broke: The Growth of Debt among Young Americans	11
7. Dale Russakoff, Retirement's Unraveling Safety Net	13
8. Robert Kuttner, The Squandering of America	15

PART THREE: INEQUALITY

9. Dean Baker, Increasing Inequality in the United States	17
10. Center for American Progress, From Poverty to Prosperity: A National Strategy to Cut Poverty in Half	19
11. Elliot Liebow, Day by Day: The Lives of Homeless Women	21
12. David Wessel, As Rich-Poor Gap Widens in the U.S., Class Mobility Stalls.....	23

PART FOUR: RACISM

13. Michael K. Brown, et al., The Roots of White Advantage	25
14. Sentencing Project, Schools and Prisons: Fifty Years after <i>Brown v. Board of Education</i>	27
15. Daniel Golden, At Many Colleges, the Rich Kids Get Affirmative Action.....	29
16. Aviva Chomsky, "They Take Our Jobs!"	31

PART FIVE: SEXISM

17. The Economist, The Conundrum of the Glass Ceiling	33
18. Catherine Hill and Elena Silva, Drawing the Line: Sexual Harassment on Campus	35
19. Peggy Orenstein, Learning Silence.....	37

INSTITUTIONS IN CRISIS

PART SIX: THE FAMILY

20. Arlene Skolnick, Beyond the "M" Word: The Tangled Web of Politics and Marriage.....	39
21. Sharon Lerner, The Kids Aren't Alright.....	41
22. Brittany Shahmehri, More Than Welcome: Families Come First in Sweden.....	43

PART SEVEN: THE ENVIRONMENT

23. James Gustave Speth, A World of Wounds.....	45
24. Steve Lerner, Diamond: A Struggle for Environmental Justice in Louisiana's Chemical Corridor	47
25. Union of Concerned Scientists, Smoke, Mirrors & Hot Air: How ExxonMobil Uses Big Tobacco's Tactics to Manufacture Uncertainty on Climate Science	49

PART EIGHT: WORK AND WELFARE

26. Pierette Hondagneu-Sotelo, Doméstica	51
27. Peter Edelman, Harry J. Holzer, and Paul Offner, Reconnecting Disadvantaged Young Men	53
28. Herbert J. Gans, The Underclass Label	55
29. Sharon Hays, Flat Broke with Children: Women in the Age of Welfare Reform	57

PART NINE: HEALTH AND MEDICAL CARE

30. Susan Starr Sered and Rushika Fernandopulle, Sick Out of Luck: The Uninsured in America	59
31. The Commonwealth Fund, Why Not the Best? Results from the National Scorecard on U.S. Health System Performance, 2008.....	61
32. Lillian B. Rubin, The Untold Health Care Story: How They Crippled Medicare	63

PART TEN: THE SCHOOLS

33. Jonathan Kozol, The Shame of the Nation: The Restoration of Apartheid Schooling in America.....	65
34. Ellen Mutari and Melaku Lakew, Class Conflict: The Rising Costs of College.....	67
35. Lawrence Mishel and Richard Rothstein, Schools as Scapegoats: Our Increasing Inequality and Our Competitiveness Problems are Huge—But They Can't Be Laid at the Door of Our Education System.....	69
36. Jennifer Washburn, Hired Education	71

PART ELEVEN: CRIME AND JUSTICE

37. Elliott Currie, The Myth of Leniency	73
38. Jerome H. Skolnick, Wild Pitch: "Three Strikes, You're Out" and Other Bad Calls on Crime	75
39. Pew Foundation, One in 100: Behind Bars in America 2008.....	77
40. Ken Silverstein, Unjust Rewards.....	79

PART TWELVE: AMERICA IN THE WORLD

41. Chalmers Johnson, Blowback	81
42. Michael T. Klare, Oil, Geography, and War.....	83
43. The 9/11 Commission, What to Do? A Global Strategy Against Terrorism	85

SYSTEMIC PROBLEMS

PART ONE: CORPORATE POWER

1. Mark Zepezauer, Take the Rich off Welfare

Multiple Choice

1.1 Zepezauer uses the term “wealthfare” to describe _____.

- a. trade shows, conventions, and fairs hosted by banks and brokerage firms that publicize the latest investment products and tools.
- b. the new term established with the Welfare Reform Act of 1996 that replaced the term “welfare” in an effort to lessen the stigma associated with the receipt of government benefits.
- c. the money government gives away to corporations and wealthy individuals.
- d. none of the above

ANSWER: C

Ref page: 20

1.2 During the Great Depression, 25 percent of the American population lived and worked on farms. Today, that figure has dropped to _____ percent.

- a. 2
- b. 5
- c. 10
- d. 15

ANSWER: A

Ref page: 20

1.3 Which of the following crops receive 90 percent of all federal subsidies?

- a. corn, wheat, strawberries, rice, and cotton
- b. corn, rice, apples, strawberries, and cotton
- c. corn, wheat, sugar beets, strawberries, and tobacco
- d. wheat, corn, rice, cotton, and soybeans

ANSWER: D

Ref page: 20

1.4 The federal government defines “farm” as which of the following?

- a. any land that produces \$1,000 or more in agricultural products
- b. any land whose products are used for human or animal consumption, or fuel, and which is the primary residence of a farmer
- c. any land used to produce food for humans or animals that may or may not be sold at market
- d. none of the above

ANSWER: A

Ref page: 21

1.5 The tobacco industry has been receiving federal subsidies since ____.

- a. 1886
- b. 1902
- c. 1933
- d. 1955
- e. 1964

ANSWER: C

Ref page: 25

True/False

____ 1.6 The majority of U.S. farmers receive agricultural subsidies from the government.

ANSWER: F

Ref page: 20

____ 1.7 Farmers who receive government subsidies must live the state in which their subsidized farms are located.

ANSWER: F

Ref page: 21

____ 1.8 Agribusiness subsidies, such as price supports, import restrictions, and market and production quotas help keep food prices in the U.S. lower than on the world market.

ANSWER: F

Ref page: 22

____ 1.9 According to the government, "farmers" include individual persons, municipal governments, universities, prison systems, and Fortune 500 companies.

ANSWER: T

Ref page: 21

____ 1.10 Because of production quotas established by the government, peanut and tobacco farmers must be licensed by the government.

ANSWER: T

Ref page: 22

Essay/Discussion

1.11 Describe the original purpose of agricultural subsidies. Using specific examples, describe how the government strayed from that purpose, according to Zepezauer.

1.12 Select one type of agribusiness subsidy and describe the various ways in which the government subsidizes the business. Why does the government continue to subsidize this business?

1.13 Describe the various ways in which tobacco is subsidized. How has the tobacco lobby responded to proposals to end tobacco subsidies, as well as public pressure to discourage smoking?

2. Robert S. McIntyre, Tax Cheats and Their Enablers

Multiple Choice

2.1 What advantages do big corporations have over individuals in sheltering their income from tax?

- a. They have tremendous lobbying power in Congress, which enables them to get special tax concessions enacted that ordinary citizens could not.
- b. Unlike individuals, corporations can break themselves into different entities on paper and treat phony, non-existent transactions among those entities as if they actually happened.
- c. The 1986 Tax Reform Act freed corporations from paying any state income taxes.
- d. a and b above

ANSWER: D

Ref page: 29

2.2 American corporate taxes have _____ since 2001.

- a. increased
- b. stayed the same
- c. decreased

ANSWER: C

Ref pages: 31-32

2.3 If U.S. corporations paid the same effective tax rate now that they paid in the 1950's, corporate tax payments to the U.S. Treasury would be _____ than they actually are.

- a. \$500 billion
- b. \$380 billion higher
- c. \$400 million higher
- d. \$400 million lower

ANSWER: B

Ref page: 32

2.4 Which law was enacted to reform the nation's tax laws?

- a. 1987 Omnibus Budget Reconciliation Act
- b. 1986 Tax Reform Act
- c. Citizens for Tax Justice Law of 2002
- d. Yukos-Mordovia Reform Act of 1989

ANSWER: B

Ref page: 29

2.5 Which of the following reasons are given by McIntyre to explain why the 1986 Tax Reform Act has failed to have a lasting effect?

- a. New tax loopholes were enacted.
- b. New tax-dodging schemes were discovered
- c. Tax reform laws were insufficiently enforced.
- d. all of the above

ANSWER: D

Ref page: 29

True/False

_____ 2.6 Corporate tax-dodging is a relatively recent phenomenon in the U.S. For example, as recently as the 1950's, corporate taxes paid for about a third of the federal government.

ANSWER: T

Ref page: 29

_____ 2.7 Despite the 1986 Tax Reform Act, corporate tax-sheltering has "run amuck", according to McIntyre.

ANSWER: T

Ref page: 29

_____ 2.8 The 1986 Tax Reform Act assured that corporate tax-dodging would be held in check.

ANSWER: F

Ref page: 29

_____ 2.9 Due to tax reform efforts in the U.S., federal and state corporate income taxes amount to an ever-increasing percentage of our GDP.

ANSWER: F

Ref page: 31

_____ 2.10 From 2001 to 2003, American companies such as Toys "R" Us avoided paying state income taxes on nearly two-thirds of their U.S. profits, resulting in a cost to state governments of \$42 billion.

ANSWER: T

Ref page: 31

Essay/Discussion

2.11 Why is it easier for big corporations to cheat on their taxes than individuals who earn almost all of their money from wages?

2.12 What did Supreme Court Justice Oliver Wendell Holmes mean when he said taxes are "the price of civilization"?

2.13 Describe the advantages big corporations have over individuals in sheltering their income from taxes.

3. Neil Postman and Steve Powers, *The Commercial*

Multiple Choice

3.1 CPM refers to:

- a. cost per thousand
- b. commercial price market
- c. cash price thousand
- d. constant positive market

ANSWER: A Ref page: 33

3.2 Which of the following media outlets reaches the largest audience?

- a. *USA Today*
- b. *The Wall Street Journal*
- c. the Sunday morning news shows *Face the Nation*, *Meet the Press*, and *This Week*
- d. ABC, CBS, and NBC weekday evening television news

ANSWER: D Ref page: 34

3.3 The demographic profile of news program viewers consists of the following:

- a. geographic region, educational attainment, and age
- b. age, sex, and income
- c. age, family composition, and race/ethnicity
- d. family composition, educational attainment, and income

ANSWER: B Ref page: 34

3.4 A voting point refers to which of the following?

- a. the cost to advertisers to reach each one thousand people watching a particular program
- b. one percent of the 112.8 million households in the U.S. tuned in to a particular program
- c. the ranking of television news programs based on the number of households that are tuned in
- d. points awarded to television programs by viewers based on a representative probability sample of U.S. households

ANSWER: B Ref page: 34

3.5 A rating point is worth about _____ for each thirty-second network commercial, but a commercial on a hit series can bring in _____ more per commercial than what is charged for an average series.

- a. \$32,000; \$10,000
- b. \$224,000; \$60,000
- c. \$10,000; \$32,000
- d. \$60,000; \$224,000

ANSWER: C Ref page: 35

True/False

_____ 3.6 Advertising fees are reduced based on estimates of the number of program viewers who do not tune in to commercials.

ANSWER: F Ref. pages: 33-34

_____ 3.7 Television news reaches a larger audience than other forms of news, including newspapers and magazines.

ANSWER: T Ref. page: 33

_____ 3.8 On average, Americans are exposed to approximately 50,000 minutes of commercials each year.

ANSWER: F Ref. page: 35

_____ 3.9 Production of a short commercial can cost as much as half a million dollars.

ANSWER: T Ref. page: 35

_____ 3.10 "Cost per thousand" refers to the cost to an advertiser for each thousand people reached by a commercial.

ANSWER: T Ref. page: 33

Essay/Discussion

3.11 What do Postman and Powers mean when they say, "the stakes in the ad game are astronomical" (p. 35)?

3.12 Discuss at least three strategies advertisers employ to sell as many of their products as possible.

3.13 Postman and Powers argue that "commercials are . . . about the serious manipulation of our social and psychic lives (p. 36)." Do you agree or disagree? Use examples from the reading to support your argument.

3.14 Discuss how advertising aims to get consumers to focus inward on their own inadequacies, while journalism aims to turn people away from themselves and toward the world. Can this struggle be reconciled? Explain.

4. John Luoma, Water for Profit

Multiple Choice

4.1 _____ percent of people in the U.S. get their water from public utilities.

- a. 10
- b. 30
- c. 55
- d. 85

ANSWER: D

Ref. page: 41

4.2 Around the world, cities that have privatized their waterworks have encountered problems with:

- a. lapses in service.
- b. soaring costs.
- c. corruption.
- d. all of the above

ANSWER: D

Ref. page: 41

4.3 United Water in Atlanta has been charged with:

- a. violating federal drinking water standards.
- b. maintenance problems.
- c. allowing collection rates of unpaid water bills to drop.
- d. all of the above

ANSWER: D

Ref. page: 42

4.4 The federal agency responsible for overseeing/ensuring the nations' water supply is:

- a. the U.S. Department of the Interior.
- b. the U.S. Environmental Protection Agency.
- c. the National Institutes of Health.
- d. the U.S. Food and Drug Administration.

ANSWER: B

Ref. page: 43

4.5 More than _____ people around the world do not have access to clean drinking water.

- a. 50 million
- b. 500 million
- c. 1 billion
- d. 3 billion

ANSWER: C

Ref. page: 43

True/False

_____ 4.6 Increasingly, U.S. cities and counties are hiring private companies to manage their water works.

ANSWER: T Ref. page: 41

_____ 4.7 Private water management companies have been found to provide consistently high quality service at low cost.

ANSWER: F Ref. page: 41

_____ 4.8 Atlanta's City Council votes in 1998 to privatize its waterworks because it was facing a budget crisis and it was believed that a private company could provide better service at lower cost than a public utility.

ANSWER: T Ref. page: 42

_____ 4.9 Multinational corporations control water systems for 27 percent of the world's population.

ANSWER: F Ref. page: 43

_____ 4.10 More than 1 billion people worldwide do not have access to clean drinking water.

ANSWER: T Ref. page: 48

Essay/Discussion

4.11 Discuss the advantages and disadvantages of the privatization of water services.

4.12 Why have several countries and U.S. cities decided to cancel their contracts with private companies that provide water services?

4.13 What is meant by privatization? Has it been successful with regard to cities' and countries' water services? Why or why not?

PART TWO: ECONOMIC CRISIS

5. Barbara Ehrenreich, Nickel-and-Dimed: On (Not) Getting by in America

Multiple Choice

5.1 On average nationwide in 1998, one had to earn an hourly wage of _____ to afford a one-bedroom apartment.

- a. \$5.15
- b. \$6.75
- c. \$8.89
- d. \$10.00

ANSWER: C

Ref. page: 51

5.2 The chances that a typical welfare recipient will land a job at a "living wage" are about _____.

- a. 2 to 1
- b. 7 to 1
- c. 50 to 1
- d. 97 to 1

ANSWER: D

Ref. page: 51

5.3 _____ percent of the U.S. workforce earns less than \$8 an hour.

- a. 5
- b. 10
- c. 30
- d. 50

ANSWER: C

Ref. page: 52

5.4 The influx of former welfare recipients into the low-skilled work force will have the following effects on wages and the number of jobs available:

- a. Wages will increase and the number of jobs available will increase.
- b. Wages will increase and the number of jobs available will decrease.
- c. Wages will decrease and the number of jobs available will increase.
- d. Wages will decrease and the number of jobs available will decrease.

ANSWER: D

Ref. page: 60

5.5 Welfare reform will result in an influx of a million former welfare recipients into the low-wage labor market, which could cause wages to _____.

- a. increase significantly
- b. increase moderately
- c. stay about the same
- d. decrease

ANSWER: D

Ref. page: 51

True/False

_____ 5.6 The Fair Labor Standards Act requires employers to pay "tipped employees", such as restaurant servers, at least minimum wage.

ANSWER: F

Ref. page: 61, note 3

_____ 5.7 According to the National Coalition for the Homeless, nearly one in five homeless people is employed in a full- or part-time job.

ANSWER: T

Ref. page: 61, note 4

_____ 5.8 Ehrenreich found that low-wage workers devise strategies for economizing, which enable most low-wage jobs to be financially viable.

ANSWER: F

Ref. pages: 58-59

_____ 5.9 The chances are good (i.e., about 2 to 1) that a typical welfare recipient will land a job at a "living wage".

ANSWER: F

Ref. page: 51

_____ 5.10 In 1998, an American worker had to earn an hourly wage of \$5.15 to afford a one-bedroom apartment.

ANSWER: F

Ref. page: 51

Essay/Discussion

5.11 Discuss the role of management in low-wage job settings.

5.12 Using examples from Ehrenreich's research, discuss the ways in which low-wage work involves more hardship and deprivation than being on welfare.

6. Tamara Draut and Javier Silva, *Generation Broke: The Growth of Debt among Young Americans*

Multiple Choice

6.1 The major costs faced by young adults between ages 25 and 34 include which of the following?

- a. housing, students loans, and transportation
- b. housing, childcare, and health care
- c. transportation, housing, and childcare
- d. none of the above

ANSWER: B

Ref. page: 62

6.2 The average credit card debt of Americans aged 25 to 34 years old increased by _____ percent between 1992 and 2001.

- a. 38
- b. 55
- c. 71
- d. 80

ANSWER: B

Ref. page: 62

6.3 Which recent trends help explain the erosion of economic security among today's young adults?

- a. rising unemployment
- b. slow real wage growth
- c. large increases in college tuition
- d. all of the above

ANSWER: D

Ref. page: 62

6.4 Which of the following best describes the debt service-to-income ratio?

- a. the percentage of income devoted to debt payments
- b. the ratio of all essential living expenses (i.e., housing, food, and transportation) to income
- c. the average interest charged by credit card companies, plus fees, as a fraction of monthly income
- d. the cost of student loan debt amortized over lifetime earnings

ANSWER: A

Ref. page: 63

6.5 Debt hardship is said to result when debt payments amount to more than _____ percent of income.

- a. 10
- b. 25
- c. 40
- d. 50

ANSWER: C

Ref. page: 65

True/False

_____ 6.6 While the number of credit cards held by young Americans has remained unchanged since 1992, young adult cardholders are much more likely than other cardholders to be in debt.

ANSWER: T Ref. page: 63

_____ 6.7 The debt service-to-income ratio includes the cost of housing, such as rent or outstanding mortgage balances.

ANSWER: F Ref. page: 63

_____ 6.8 The percentage of Americans experiencing "debt hardship" has increased since 1992 for all income groups except the highest wage earners.

ANSWER: T Ref. page: 65

_____ 6.9 College seniors carry an average of ten credit cards.

ANSWER: F Ref. page: 71

_____ 6.10 The average credit card debt of Americans aged 25 to 34 years old increased by 71 percent between 1992 and 2001.

ANSWER: F Ref. page: 62

Essay/Discussion

6.11 Why, according to Draut and Silva, are today's young adults going into debt and going broke?

6.12 Explain the debt service-to-income ratio. According to Draut and Silva, does this ratio accurately describe the financial burdens facing young Americans? Explain.

6.13 Describe the financial situation of the majority of today's college seniors.

7. Dale Russakoff, Retirement's Unraveling Safety Net

Multiple Choice

7.1 For Junior Paugh, the grandfather, the three-legged stool of retirement income consists of which of the following?

- a. employee pensions, health insurance, and Social Security
- b. 401(k) plans, Medicare, and Social Security
- c. employee pensions, personal savings, and Social Security
- d. none of the above

ANSWER: C

Ref. page: 73

7.2 For the middle (second) generation of Paugh's, the three-legged stool of retirement income consists of which of the following?

- a. employee pensions, personal savings, and Social Security
- b. 401(k) plans, personal savings, and Social Security
- c. 401(k) plans, personal savings, and health insurance
- d. None of the above

ANSWER: B

Ref. pages: 76-77

7.3 For the Paugh grandchildren, the three-legged stool of retirement income consists of which of the following?

- a. employee pensions, 401(k) plans, and Social Security
- b. personal savings, employee pensions, and Social Security
- c. Social Security and 401(k) plans
- d. none of the above

ANSWER: C

Ref. page: 78

7.4 Who bears the majority of the risk in 401(k) plans?

- a. employers
- b. employees
- c. brokerage firms
- d. the federal government

ANSWER: B

Ref. page: 73

7.5 How confident was Pamela Cody, Junior Paugh's granddaughter, that the government and her employer would help support her in her retirement as they did her grandfather?

- a. very confident
- b. somewhat confident
- c. not at all confident

ANSWER: C

Ref. page: 78

True/False

_____ 7.6 All three generations of the Paugh family can count on lifetime health insurance.

ANSWER: F Ref. page: 76

_____ 7.7 For the third generation of Paugh's, 401(k) plans have replaced savings and pensions in the three-legged stool of retirement.

ANSWER: T Ref. page: 73

_____ 7.8 Employers that offer retiree health benefits now pay as much or more for retiree health insurance as for pensions.

ANSWER: T Ref. page: 74

_____ 7.9 Under 401(k) plans, employers bear the risk and responsibility of investing enough for retirement.

ANSWER: F Ref. page: 73

_____ 7.10 The middle generation of the Paugh family—the boomers—expect to enjoy the same level of retirement security as their father, Junior Paugh.

ANSWER: F Ref. pages: 75-77

Essay/Discussion

7.11 Russakoff follows three generations of the Paugh family to illustrate the changing face of retirement over the last 70 years. Describe the three-legged stool that assured retirement security for the elder Paugh. How has the three-legged stool changed for the Paugh children and grandchildren?

7.12 How does the shift from employee pensions to 401(k) plans characterize the shift from the New Deal Society to the Ownership Society?

7.13 Compare and contrast the major policies and goals that characterize the New Deal Society with those of the Ownership Society. In your opinion, which type of society creates a more secure retirement for individuals? Explain, using examples from the reading.

8. Robert Kuttner, The Squandering of America

Multiple Choice

8.1 “Subprime” mortgage refers to _____

- a. below what is considered optimal.
- b. loan denial because of poor credit history.
- c. income that is too low to qualify for loans.
- d. credit that is extended to people who would not ordinarily qualify for loans.

ANSWER: D Ref. page: 79

8.2 In the early 2000’s, approximately _____ percent of subprime loans required little or no income verification.

- a. 60
- b. 50
- c. 30
- d. 10

ANSWER: A Ref. page: 79

8.3 In an effort to prevent foreclosures in the late 2000’s, housing policies *not* taken include all of the following *except*:

- a. underwriting standards
- b. subsidized mortgages
- c. starter homes
- d. credit counseling for new home buyers
- e. the SEC investigation of New Century Financial Corporation

ANSWER: E Ref page: 80

8.4 Which state had the highest foreclosure rate in 2007?

- a. California
- b. Nevada
- c. Ohio
- d. North Dakota

ANSWER: C Ref. page: 82

8.5 Which of the following best characterizes the federal government's response to the subprime scandal?

- a. A new federal agency was created to regulate mortgage companies, similar to the regulation of banks and savings and loan associations.
- b. The Office of Federal Housing Enterprise Oversight, which monitors Fannie Mae and Freddie Mac, created standards for oversight of mortgage companies.
- c. The regulatory agencies did nothing until 2007 when Congress began to investigate the Mortgage Bankers Association.
- d. The Home Owners' Loan Corporation, first developed in the 1930's, was re-established to assist low-income Americans with home ownership and prevention of foreclosure.

ANSWER: C

Ref. page: 81

True/False

_____ 8.6 In the early 2000's, as many as 30 percent of subprime loans required little or no verification of income.

ANSWER: F

Ref. page: 79

_____ 8.7 The value of subprime loans steadily decreased during the 2000's.

ANSWER: F

Ref. page: 79

_____ 8.8 Unlike banks and savings and loan association, mortgage companies are not directly regulated by the federal government.

ANSWER: T

Ref. page: 80

_____ 8.9 The Home Owners' Loan Corporation, first developed during the Great Depression to prevent foreclosures, was re-established following the subprime scandal of the 2000's.

ANSWER: F

Ref. page: 81

_____ 8.10 A mortgage is considered "subprime" when the buyer's income is too low to qualify for a conventional loan.

ANSWER: F

Ref. page: 79

Essay/Discussion

8.11 Explain how mortgage companies are able to make subprime loans.

8.12 On what basis did the Mortgage Bankers Association resist regulation by the federal government?

8.13 Kuttner argues that there are better ways to help low-income Americans become homeowners or avoid foreclosures than to rely on mortgage brokers. What housing policies does Kuttner suggest? Which do you agree with, and why?