So Hanna was highly leveraged and went bankrupt. Her bank had to sell her house. As there were many Hanna’s in 2007, suddenly there were many houses for sale. An M.I.T. study documents that many homeowners in Hanna’s position were not labeled risky borrowers, leading up to the crash. They had good jobs and good credit ratings. But they all shared one thing in common. They were all highly leveraged.

The lead author in the M.I.T. study documenting this put it this way:

“A lot of the narrative of the financial crisis has been that this [loan] origination process was broken and therefore a lot of marginal and unsustainable borrowers got access to funding,” Schoar said in September at the MIT Golub Center for Finance and Policy’s annual conference. “In our opinion, the facts don’t line up with this narrative … Calling this crisis a subprime crisis is a misnomer. In fact, it was a prime crisis.”

Check out the chart above. In 2003, before the crisis, 45% of the total value of delinquent mortgages were held by people making less than $45,000 per year, versus 32% for those earning more than $68,000/year. At the onset of the crisis, in 2006, households making less than $45,000 per year held only 29% of the total value of delinquent mortgages. In contrast, households earning in excess of $68,000/year held 49% of delinquent mortagages¹.