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the riley report: - Special Commentary

1 message

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**Common Sense Banking
for the 21st Century
For CEOs, their Executives and
Boards of Directors**

February 19, 2009

Batting .500 May Be Hall of Fame in Baseball....

In November 2008, our first white paper, [2008 Neighborhood Mortgage Stabilization Program](#) proposal, focused on creating a foreclosure avoidance plan that would assist upside down homeowners that were nearing, but had not fallen off of, the proverbial financial cliff. With the administration's announcement creating the Homeowner Affordability and Stability Plan, we are very pleased the administration has included this important group of homeowners.

The other half of our proposal focused on stimulating bank lending through all of our nation's 8,000+ FDIC insured financial institutions (FIs). The Homeowner Affordability and Stability Plan directs the modification efforts through mortgage servicers and not direct lending. Bank of America, Wells Fargo, JP Morgan and Citigroup, accounted for 66% of the mortgages services for 2007 (Source: Danielson Capital, LLC). The approach to leverage the largest banks that provide mortgage servicing for 2/3rds of the mortgages makes sense. However, while this strategy may indirectly help FIs' investment portfolios, it will not generate new loans.

At the end of the proverbial day, the affected mortgages are currently guaranteed by Fannie Mae or Freddie Mac against loss. Now is an excellent time for FIs, in conjunction with the federal regulatory agencies and/or their state governments to create new loan programs that will achieve success in leveraging the strength and talents of all of our bankers in addressing this challenge.

At the risk of mixing any more metaphors, the Homeowner Affordability and Stability Plan has hit a solid single. With the involvement of our nation's financial institutions, we can turn this into a winner for everyone.

FIRSINC and Bank Resources and Solutions

Sue Riley and I co-founded Financial Institutions Resources and Solutions, Inc. (FIRSINC) to assist financial institutions with improving their performance. FIRSINC, through its principal division, Bank Resources and Solutions, has resources to address all areas of your organization, including Strategic Planning, Budgeting, Operating Efficiencies, IT and Risk Management. In addition, we produce articles and research papers for thoughtful discussion. Our focus is on providing concrete ideas and strategies to raise performance levels in banks.

For more information on how we can assist your bank, please email me at mriley@bankresourcesandsolutions.com.

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