

November 3, 2008

## Community Banks still have money to lend

Contrary to the media, Community Banks are still making loans to creditworthy borrowers. Most Community Banks have not changed their lending guidelines. As in the past, we are still using sound judgment when making our loan decisions. We work with our customers to help them purchase homes that they can afford.

Unfortunately, the multibillion-dollar mortgage companies and banks made it too easy to get a home loan. In essence, approving borrowers for more than they could handle, actually put homebuyers in situations where they could not afford their payments. Community bankers build relationships that last a lifetime. We give sound financial advice that is invaluable to help our customers succeed.

How did we get into this mortgage mess? I ran across an article from The New York Times dated Sept. 30, 1999. The article was titled "Fannie Mae Eases Credit To Aid Mortgage Lending." The first sentence summarizes the article: "In a move that could help increase home ownership rates among minorities and low-income consumers, the Fannie Mae Corporation is easing the credit requirements on loans that it will purchase from banks and other lenders." This was the start of the end.

As the housing prices continued to soar (especially in the larger markets), it became easier and easier to obtain loans to purchase homes. It also became easier to get home equity loans to purchase those "wants" that all Americans like to have. Many of these special loan programs were solely based on credit score and did not verify income. The borrower would simply state what they made on a monthly basis and that was good enough. This stated income program has gone away, but the fraud cases remain. Many borrowers overstated their income on applications and were allowed to purchase homes that they could not afford.

Unscrupulous mortgage brokers also changed incomes on borrower applications to get loans approved. Most mortgage brokers are paid on commission based on loan volume. This pay schedule encouraged brokers to find ways to get more deals done to increase their income, regardless of what happened to the borrowers.

In summary, despite all the negative media coverage concerning the national mortgage debacle, our local economy has held up quite well. We have not seen a large increase in foreclosures and the prices of homes have held up well as compared to many parts of the country. The main thing to remember is that everything is cyclical and things will turn around. Our economy is a lot like Wisconsin weather -- it changes quickly and sometimes for no reason.

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