

HAPPY NEW YEAR

by [Steve Brown](#)

This past year was one many bankers would like to soon forget. Volatility, the credit crunch, bank failures and a redesign of the entire financial system were but a few things bankers had to address throughout the year. To keep those entertained that drew the short straw and are still in the office working today, we thought we might take a look back to try and gain some perspective, as we prepare to usher in 2009.

In banking, we endured the worst global financial crisis in a hundred years, as subprime mortgages, free lending and loose regulation led to the downfall of many major financial institutions worldwide. FNMA and FHLMC were taken over by the US Gov't; Lehman went bankrupt; Bear Stearns collapsed; Merrill Lynch agreed to be taken over by Bank of America; insurer American International Group was propped up by the FRB; the oldest money market mutual fund collapsed; both Morgan Stanley and Goldman Sachs became banks; Washington Mutual and IndyMac collapsed; Citigroup was bailed out by the FRB; Wachovia was acquired; oil hits a record high, then collapses as the financial crisis picks up steam; yields were pushed to zero; stock markets worldwide collapsed; Bernie Madoff was busted for the biggest Ponzi scheme in history (\$50B) and the year closed with Chrysler, GM and Ford being bailed out by the government. All told, financial firms posted \$1 trillion in credit related losses during the year.

Historical events included the election of Barack Obama (elected as the 44th and 1st African American President), the resignation of Fidel Castro as President of Cuba; the resignation of New York Governor Eliot Spitzer (soliciting prostitution) and a brutal terrorist attack in Mumbai, India killed 200.

Science and technology continued to advance, as NASA's Phoenix spacecraft became the 1st to land on the northern polar-region of Mars; the Gamma-ray Large Area Space Telescope was launched; the proton beam was circulated for the 1st time in the world's largest particle accelerator (Large Hadron Collider); the SpaceX Falcon 1 became the world's 1st privately developed space vehicle successfully to make orbit; surgeons at London's Moorfields Eye Hospital perform the first operation using bionic eyes and the space shuttle was launched on its 124th mission.

On the big screen, the year went to Batman "The Dark Knight," which shattered box office records to become the year's highest grossing film. Meanwhile, on the small screen, the year was dominated by Tina Fey. Her show "30 Rock" won the Emmy for Outstanding Comedy and she also showed her acting prowess with a spot-on portrayal of VP candidate Sarah Palin on "Saturday Night Live."

When it came to pop culture, we bid a sad but fond farewell to famous people including Paul Newman (actor), Heath Ledger (actor), Isaac Hayes (musician), Bernie Mac (comedian), Sir Edmond Hillary (mountaineer), Bobby Fischer (chess master), Charlton Heston (actor), Sydney Pollack (director), Yves Saint Laurent (fashion designer), Bo Diddley (musician), Jim McKay (sports caster), Tim Russert (political journalist), George Carlin (comedian) and Michael Crichton (writer).

In sports, China held a spectacular summer Olympics that will be difficult to beat; Danica Patrick became the first woman to win an IndyCar race; the New York Giants upset the previously unbeaten New England Patriots; track star Marion Jones was stripped of her 2000 Olympics gold medals (after

admitting to using steroids) and swimmer Michael Phelps won a record 8 Olympic gold medals (passing Mark Spitz with the most gold medals ever won in the Olympics).

As we prepare for 2009, we have no idea what it will bring, but we know community bankers will continue to thrive. We thank you all for your readership and support in 2008 and wish you a happy, healthy and prosperous New Year. Let the party begin.

BANK NEWS

Compliance

As bank examinations intensify, more community banks are adding senior compliance executives. 85% of banks have a CCO compared to 70% just last year. In the previous 5Y, over 90% of banks have increased spending on compliance, of which 64% considered the increase significant.

MBS

The FRB plans to purchase \$500B in Mortgage-backed securities beginning next month in an effort to push down mortgage costs.

Hire Hold Off

Nearly 15% of employers intend to expand their full time work force in 2009, down from the 32% in 2008. Meanwhile, 16% expect to reduce hiring in the coming year.

Unemployment Pain

In 1975, the unemployment rate reached 9%, while in 1982 it surged to 10.8%. Economists currently predict unemployment could reach 9% in 2009. That isn't surprising when you consider 21% of all unemployed people have been out of work for 27 weeks or more, unemployment is already at a 5Y high and people who have stopped looking for work has risen to the highest level in 15Ys.

Consumer Debt

According to a survey on consumer finances, families holding debt grew 4.1% from 1989 to 2004. Of these families, the average level of debt grew 2x from \$22K to \$55.3K in 2004 \$dollar terms. Personal bankruptcies grew 5.4x from 1980 to 2004.

Healthcare

A study by the Kaiser Family Foundation shows the amount employees with family coverage are paying out of their own pockets for medical care before insurance coverage kicks in has climbed 29% (to \$1,344), while deductibles for single workers has climbed 21% (to \$560).

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