

*By Pat Cutler***One Wedding and a Funeral**

Southern weddings tend to be large affairs. The guest list is huge and includes cousins, friends of cousins, cousins of cousins, all members of the bride's church, and every former classmate of both the bride and groom from elementary school through college. The wedding party is almost as big. Armies of bridesmaids and groomsmen make their way down the aisle, the brightly colored dresses of the bridesmaids resembling a long line of Skittles.

The Mother of the Bride (MOB) starts planning the wedding as soon as she brings her daughter home from the hospital. The Mother of the Groom (MOG) begins planning the rehearsal party as soon as the first child of a friend gets married. As a new FOG (Father of the Groom) I had no idea that all the wedding details must be finalized within 30 days of the bride saying yes. When my son proposed to his lovely fiancé, my life changed immediately. I was bombarded with wedding questions at all hours of the day. I began whimpering every time the phone rang or my Blackberry chirped. I did not realize that the questions were merely rhetorical and a response from me was neither required nor appreciated. At first, the ladies were sweet and respectful when I spoke. After some ill advised humor on my part, sweetness left the building.

Since theme weddings are very popular in the South, I suggested getting married at halftime of the South Carolina-Georgia game with a tailgating party for the reception. The groomsmen could wear tuxedos sporting a Gamecock cummerbund and the groom's cake would be in the shape of a football helmet.

I have not been asked again for my opinion nor allowed back into the house. I have also been threatened with imminent death if I do anything wedding related other than write checks and nod in agreement.

**The Book**

All decisions concerning wedding and rehearsal party responsibilities and obligations are made based on a mysterious wedding resource called "The Book". Every Southern woman over the age of 14 has read and memorized "The Book". If a woman quotes something from "The Book", all other women present will immediately concur. I cannot overstate the impact this book has on thousands of weddings every year. If you are a guy, it is unlikely you will ever see "The Book". If a woman you are living with or about to live with says something is in "The Book", it is so. Do not argue. Just write checks and nod your head in agreement.

Unfortunately, there is not a book of solutions to guide us through the current financial crisis. Private and public leaders have resorted to using trial and error to slow the economic downturn, jump start the economy and restore consumer confidence. On the positive side, investment banks becoming depositories, the availability of TARP funds, and the economic stimulus package have stabilized the stock market and reduced bank lending rates. Consumer confidence has found a toehold, preventing a fall into an economic abyss.

As for the negatives, higher taxes and inflation loom on the horizon. The housing and auto industries have been severely crippled. Confidence aside, consumers are still not spending money. Unlike disciples of "The Book", market pundits, government officials and industry leaders have not reached agreement on where we head from here.

**Shotgun Wedding**

The Fed and Treasury have spent the past 10 months discussing a plan for removing toxic mortgage assets from large banks' balance sheets. Since we are using initials for everything (TARP, PPIP, CAP, and TALF), I would change the name from "toxic assets" to something catchy like TGIFS - taxpayer guaranteed investments for sale. The Treasury plans to form partnerships with investment companies to buy TGIFS, freeing up capital for new loans. At hearings before Congress, automakers, bankers, and the CEO of AIG were blamed by "fiddle carrying" Congressman for burning down Rome. They were told to leave their jets at home and thumb to the next Congressional hearings. This has made potential investors wary. Who wants to invest in risky assets and make a lot of money, only to appear before a Congressional committee to explain how you made so much money and give 90% of your profits back to the government in taxes?

So far, investors have a severe case of cold feet. The tepid response by bankers, along with improved market conditions allowing banks to raise capital, has caused the government to delay the program. At this point it appears that the only way the program can be resurrected is for the government to force the large banks to participate. Looks like a shotgun wedding to me!

### Give and take – a time for adjustments

Like marriage, the way forward will require adjustments. Major change is on the way. The extent of the damage and the magnitude of the systemic problems we have experienced over the last 18 months make it clear that our rules and regulations must be overhauled. The mortgage business will be much more strongly regulated. We can expect new regulations standardizing products, improving customer disclosures, and clarifying lender responsibilities.

The economic crisis has caused the government to become heavily involved in the private sector. Political agendas will not serve us well. Instead, reform must be based on a thoughtful analysis of what happened and what we need to do about it. The temptation for Congress to micromanage our banks and auto companies is great. This must be avoided at all cost. It will guarantee failure, resulting in billions of our tax dollars being flushed down the toilet. As with any marriage, the question becomes whether the government's partnership with the private sector will continue for many years, dissolve peacefully, or go down in flames.

### Mortgage Market Trends

- **Companies will continue to exit wholesale.** A combination of poorly originated broker loans, new appraisal requirements, and tighter investor and insurance requirements for wholesale loans has resulted in a large number of national lenders exiting wholesale lending. If you are selling your loans under a wholesale structure, consider closing loans in your name.
- **Mortgage insurance guidelines will continue to tighten.** Mortgage Insurers must preserve capital to protect against losses. Further tightening of guidelines and increased pricing will continue on newly originated purchase mortgages. High LTV loans should be slotted to FHA or Rural Housing programs.
- **Regulatory guidance and oversight will increase.** The FDIC, OTS and OCC examiners will focus on your mortgage originations during their next scheduled exam. Make sure your risk management, policies and procedures, exception reporting, and internal controls are up to date and working.
- **State Housing Authority programs have become uncompetitive due to recent rating agency downgrades as a result of the credit crunch.** Many State Housing agencies are exploring using agency securitization programs to offer competitive rates for their products and programs. This is a positive development. It positions them to better serve their constituents now and in the future, regardless of market conditions.
- **Small banks that broker their loans out to regional lenders are experiencing long delays in underwriting. The pricing these banks are receiving is way below market.** These banks should consider forming a cooperative that would allow them to process, underwrite and close loans in their name.

When the refinances go away, where are you going? Call us today to set up a consultative meeting.

*You've got to be very careful if you don't know where you are going, because you might not get there - **Yogi Berra***

*This article contains information gathered from numerous sources. The information is considered reliable but is not guaranteed as accurate. The opinions are my own and not deemed appropriate for any purpose other than to provide information to customers and potential customers.*

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