



*By Pat Cutler*

### **Cradle to Grave**

I always thought that when the time came, I would take my rightful place in the hospital lounge to await word on the birth of my children. I could not have been more wrong. Birthing a baby became a team sport in the mid to late 70s, and it has remained that way ever since.

When my wife was pregnant with our first child, I became a disciple of Lamaze breathing techniques and massage therapy. I was introduced to the finer points of gestation, dilation, and lactation. I regret, not really, I never got to use my finely honed birthing skills. My wife had an epidural with our first child, thankfully freeing me from all responsibility. My second child was born within a few minutes of our arrival at the hospital, in an operating room auditorium with 50 nursing students looking on. I will never forget walking into the room and seeing all the faces staring through the glass. I heard the doctor saying, "push, breathe, ok, push again." Nothing makes a man's knees buckle quite like those words. Several moments later, my little girl arrived. Everyone clapped. I thought they were clapping because I was still standing.

### **To Push or Not to Push**

If you are delivering a baby, knowing when to push is important. Too much or too little pushing leads to unintended consequences. When trying to deliver an economic recovery, knowing when to push is equally important. Too little stimulus and the country heads back into a recession. Too much stimulus and the deficit explodes.

The president, Democratic leaders and numerous economists believe more stimulus spending is needed to provide additional momentum to the stalled economy. Once the recovery is on solid ground, we can address the deficit. The Republicans and another group of economists believe the \$787 billion in stimulus spending approved to date has resulted in huge increases in the federal deficit without any meaningful job creation. We cannot afford to spend money we do not have for results that are questionable at best.

### **Trillion Dollar Baby**

The federal deficit is estimated to reach 1.47 trillion dollars this year. Consumers, towns, cities and states have reached their debt limits. Investors took on large amounts of debt to acquire land for development, shopping centers and investment properties that are no longer viable. Many no longer have the resources or inclination to continue to make their payments. Using credit to buy things we cannot afford is no longer in vogue. Consumers are paying down debt and increasing savings.

We have spent or allocated almost \$800 billion in stimulus funds on a recovery that now appears to be in doubt. Projected economic growth has been revised downward by many market observers in the last week. When the stimulus package was passed in February 2009, unemployment was projected to be less than 8% at the end of 2010. Today, unemployment is at 9.5% and could climb even higher.

The expiration of the Bush tax cuts is expected to result in a tax increase of \$1.5 trillion over the next 10 years. Health care reform will further raise taxes, while adding to the budget deficit at the same time. Hopefully, the tax cuts will be extended. A sputtering economy will not be able to absorb higher taxes easily.

The economy is in trouble. Despite overwhelming negative public opinion, the president may still seek additional stimulus spending. The clock is ticking and he is running short on options, deficits be damned. The president and the Democrats must deliver an economic recovery or suffer dire consequences in November.

### **Dearlly Departed**

In the South, the oldest living member of the family living in the ancestral hometown is responsible for making sure flowers are placed and maintained on graves of family members who have passed. Plastic flowers held in place by jamming the wire stems into a vase filled with Styrofoam are the overwhelming headress of choice. Flowers must be replaced at the end of the appropriate season or the cemetery will

remove them and toss them in a big pile. Rummaging through the pile for “fresh” plastic flowers is encouraged provided it is done quietly and with dignity. Shouting and hair pulling over a bouquet of plastic Black Eyed Susans is strictly forbidden. When caring for the departed’s gravesite, one should observe cemetery etiquette. Hats should be removed when you have arrived at your intended grave site. Dress should be respectable, bare midriffs and thong sightings are not appropriate for graveyard visits. Keep your voice down, just in case someone is sleeping and not really dead.

Lehman, Bear Stearns, Countrywide and Washington Mutual occupy newly dug graves in the cemetery. Sitting on a concrete bench on a sunny day in the middle of a field of plastic flowers, it is hard to believe they are all gone, wiped out by the financial meltdown and resulting recession caused by a crash in real estate values.

Property values increasing exponentially fueled speculation and overreaching by otherwise sane borrowers. Large increases in purchases of investment properties added to price escalation. Boomers buying vacation homes at the coast added more. Low doc loans and Option ARMs put another log on the fire. There is enough blame to go around. Sound judgment was missing. No doubt the departed are partially responsible for their demise. Joe Six Pack and a number of our present Congressman stood by while the fire burned too. Does it really matter? My mama told me you should not speak ill of the dead. It is time to focus on the future and leave the past behind.

### **One Foot in the Grave**

For any number of reasons, many companies do not employ best practices in their mortgage operations. They may lack the resources to effectively execute a more complex strategy. If bank owned, executives may lack in-depth mortgage banking experience. These lenders often find themselves at a distinct disadvantage when times are tough:

- Out of the Box Thinkers – Senior managers who do not know how to get INSIDE THE BOX and fix mortgage operations problems. Many have never read the agency seller servicer guides and do not understand the consequences of violating an investor’s reps and warranties.
- All Hat, No Cattle - Lenders who believe they are conservative. In reality, they do not take advantage of the opportunities available to them to make more money without assuming additional risks.
- Roller Coaster Riders – Lenders with up and down earnings, regardless of market conditions. They routinely make less than their targeted gain on sale due to lack of discipline and proper controls.
- Local Yokels – Companies dependent on local knowledge and experience of several key employees to run their mortgage operations. They lack proper policies and procedures and reporting to effectively manage their operations.
- Barn Door Closers – Lenders who lack critical information to prevent problems before they occur.
- Throw It Over The Fencers - Originators who lack skills or refuse to take a complete loan application.

If you find a description of your company here, take action today to align yourself with industry best practices. The mortgage business is a hard business. It is imperative you give your company every opportunity to be successful.

*I can't tell you his age, but when he was born the wonder drug was Mercurochrome. - Milton Berle*

*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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