



*Jay Davidson
Chairman and CEO
First American State Bank*



*Rich Sokol
Lakeview Investment Group*

“If you can keep your head when all about you are losing theirs, it’s just possible you haven’t grasped the situation.” –Councilman Brown at the October 13 Denver City Council meeting announcing the guests who will be speaking about the economic crisis.

Where we Stand: “We are in a recession” analysts tell Economic Development Committee. (Wednesday, October 15, 2008)

The unprecedented events in our country’s financial markets prompted Councilman Brown as chairman of the Council’s Economic Development Committee to invite Jay Davidson, Chairman and CEO of First American State Bank and Rich Sokol, Principal of Lakeview Investment Group to speak to the Committee.

- Financial crisis caused by reduced underwriting standards by Fannie Mae and Freddie Mac.
 - Borrowers, underwriters, lenders and bond houses are culpable and have responsibility for proper underwriting.
 - a. The subprime problem is solved – nobody is writing these subprime loans today.
 - b. We are moving through a slow, painful, period of reconciliation.
 - Expect a rather serious recession now, much higher unemployment, and lower tax revenues.
 - There is some very good news going forward:
 - a. Most recessions last for six to nine months, so we should be out of this by late 2009.
 - b. Independent Colorado banks did not engage in sub prime lending and are quite safe.
 - c. The Colorado housing market is in much better shape than the rest of the country and should emerge sooner
 - This is a very serious crisis that could spiral down into an extremely severe recession or depression. However, chances of that happening are decreasing due to recent government actions.
 - Again, Davidson and Sokol believe the economy will suffer a recession, but not a disastrous one. With that said, as in all recessions, people need to prepare, watch their spending and try to set aside money to protect from unforeseen circumstances.
 - Councilman Brown said that the next meltdown for the already beaten-down financial firms could be credit card debt. “We currently have \$950 billion worth of outstanding credit-card debt, most of which is unsecured. It will be harder for banks to find buyers for that debt.”
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