



*Preparing
the next generation
of community bank
Leaders*

GSBC COMMUNITY BANKER

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The primary purpose of providing benefits to unemployed workers is to allow them to maintain at least a portion of their spending, and thus avoid the hardships associated with no income, until they find new jobs. Qualifying individuals who are actively looking for work now qualify for up to 26 weeks of benefits when they lose their jobs. Part-time, temporary and self-employed workers do not qualify. Congress previously approved extending benefits out as much as 99 weeks depending on a state's unemployment rate, but the extension expired. Congress is currently debating whether to again extend unemployment benefits to 99 weeks. In June, almost 9 million people in the U.S. received some unemployment benefits, with 45% unemployed for more than 26 weeks. If the extension is not approved, the Labor Department estimates that 3.3 million unemployed will lose benefits.

Does the extension of unemployment benefits provide a disincentive for someone finding work? Bruce Meyer, who conducts research at the University of Chicago on unemployment, has studies showing that for each week of extended benefits, an unemployed worker stays unemployed for 1.5 - 2 days more. The unemployed search for work more diligently as the expiration date for benefits approaches, and most find work fairly quickly after benefits expire. Gary Burtless of the Brookings Institute counters that these results don't apply during periods of extremely high unemployment. In normal times, extending benefit payments works because each \$1 of jobless benefit payments generates \$1.60 of economic benefits. Opponents argue that these estimates do not take into account the drag on the economy associated with increased borrowing needed to finance the benefits extension.

Compared with European countries, unemployment benefits in the U.S. are relatively sparse. Workers in France get up to 3 years of unemployment benefits and those in Germany up to 18 months. While U.S. workers lose employer-paid health benefits when they are laid off, European workers generally do not. Question: If you served in the U.S. House or Senate, would you vote to extend unemployment benefits to 99 weeks?

Breaking News

- **Scott Brown, Republican Senator from Massachusetts, and Olympia Snowe, Republican Senator from Maine, announced that they would vote for the financial regulatory reform bill. Obama administration officials believe that these votes will allow the Senate to avoid a filibuster and approve the legislation. A vote may take place this week.**
- **Alcoa started the second quarter earnings season by reporting higher than expected earnings-per-share of \$0.13 versus the \$0.11 expected. Many market participants are hoping that earnings announcements will surprise on the upside and stimulate additional consumer interest in equities.**

- The 10-year Treasury rate closed at 3.06% on Monday with the 30-year Treasury rate at 4.07%. Analysts and economists who predict a double-dip recession believe that the 10-year rate will fall as low as 2.50%. Fixed-rates on 15-year and 30-year conventional mortgages are at 4.24% and 4.77%, respectively.
- Scott Hein reported that 93% of the first year GSBC students recommended that government policymakers focus on cutting the deficit with 7% supporting additional federal stimulus spending as the priority.

Deal of the Day

Fannie and Freddie are trying to rescind some purchases of private-label mortgage backed securities that plummeted in value when the underlying mortgages defaulted. The securities backed primarily of sub-prime and Alt-A (no doc or low doc) mortgages, were rated Aaa or AAA at the time of purchase. If these government sponsored enterprises find that the terms of the underlying mortgages do not adequately match the terms stated in documents used to market the securities, it may be able to force the issuers (typically, the largest investment banks) to buy them back at par.

Economic News

The BP oil spill is having an enormous impact on the economies of the Gulf States from Louisiana to Florida. It is widely recognized that fishing, shipping and energy industries have already suffered and may suffer permanent damage. Tourism spending is also dramatically lower and expected to fall more. While real estate values have also suffered in recent years, the oil spill has slowed transactions and likely added impetus to additional downward pressure on values.

Yesterday, the Florida Bankers Association submitted a letter to Ben Bernanke, Federal Reserve Chairman, and Sheila Bair, FDIC Chairman, requesting a one year moratorium on certain regulatory requirements to allow local banks to operate through the economic crisis caused by the oil spill. The letter specifically requested forbearance from higher capital requirements associated with regulatory enforcement actions and a waiver from new loan appraisals. It was also requested that new regulatory actions be deferred.

As of March 30, 2010, there were 278 FDIC-insured institutions in Florida. This is lower than in previous years as 12 Florida banks failed in 2009 with another 14 failures thus far in 2010. Even before the oil spill, many Florida banks were operating under consent orders and MOUs. Regulators have a history of easing restrictions on banks adversely affected by natural disasters, such as when Hurricane Katrina hurt banking activity in Louisiana, Alabama, Mississippi and Texas.

Upcoming Events

- Tomorrow, the U.S. Treasury will offer \$21 billion in 10-year notes with another \$13 billion in 30-year bonds sold on Wednesday. These securities do not replace maturing debt and thus are 'add-ons' to the federal debt outstanding.
- European governments, including Greece and Spain, are expected to issue \$30 billion in euro-denominated debt later this week. Given the budget woes of many countries, market participants are concerned about the rates these governments will have to pay.