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## **Confidence is the cure**

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There are many reasons for the current economic downturn - recognized as a recession by many. In my opinion, one of the major reasons for the current economic situation is a crisis of confidence. This crisis of confidence ranges from elected officials to candidates for office and most importantly, from a real estate perspective, the financial system.

As we approach the one year anniversary of the realization and impact of the subprime mortgage mess, this crisis of confidence in our financial system becomes even clearer. This lack of confidence affects investors, depositors and the secondary mortgage market. All of these factors have contributed to the current financial meltdown.

As demonstrated a year ago, investors in our financial system and financial institutions have lost confidence. The lack of an ability to accurately price financial instruments is a direct result of this lack of confidence. One only needs to read the headlines to see how depositors are reacting to this lack of confidence as shown by the lines of depositors at IndyMac Bank wanting to withdraw all their funds

The secondary mortgage market meltdown has had substantial effects that have made worse the housing crisis and brought the CMBS market to a near standstill. The lack of ability to accurately price the risk in these mortgage-backed securities is a direct result of a lack of confidence in underwriting, asset valuation and borrower credit.

The solution to this crisis of confidence lies in a heightened awareness of ethics, both on a personal and professional level, greater transparency in financial reporting and enforcement of our existing rules, regulations and laws.

Ethics has, I am afraid, not received the emphasis in our society of late that it needs. On a personal level, that "little white lie" on the mortgage application multiplied by millions of occurrences has caused great concern about the viability of independently originated mortgage instruments sold into the secondary market. On a professional level, it appears that ethics took a backseat to greed. This is not a long-term viable policy in our economy.

Enforcement of our existing laws and regulations is the way out of this crisis. We have, as a society, established a legal expectation of performance and truth that needs to be reinforced. There is no doubt we will survive the current crisis, but it should encourage everyone to review how they do business and review their ethical standards and transparency of information.

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