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University of Dayton, Ohio (url: <http://www.udayton.edu/index.php>)



Experts Offer Comment on Crisis

09.25.2008 | Faculty, Culture and Society

Finance, business and law experts at the University of Dayton share their perspectives on the historic financial crisis affecting the U.S. and global economies, the retirement plans of millions and the education of tomorrow's financial analysts.

The University of Dayton is Ohio's largest private university and one of the top-10 Catholic universities in the U.S. Find bios and more information about the faculty experts at <http://news.udayton.edu>.

1. Taxpayers are not well represented in bailout

"I oppose the bailout. The Treasury and the Federal Reserve have decided to play it safe. They figure it's much safer to distribute bad debts across tens of millions of taxpayers rather than leave them concentrated among a few thousand institutions. The plan is to use taxpayer money to buy the bad debts from the banks. The Treasury and Fed favor this route for three reasons. First, they don't want to be blamed for an economic collapse, even if the likelihood is remote. Better safe than sorry. Second, the money they are spending is not their own. That makes it much easier to spend freely. Third, they are inclined for professional reasons to favor the interests of the financial industry.

"The bureaucrats who decide are employed by the taxpayers, but their jobs are secure and their pay fixed. The taxpayers have no leverage over them. Meanwhile, the bureaucrats can always hope to someday leave government service for a much more lucrative position in the financial industry. With this hope in mind, guess whose side the bureaucrats will come down on? It would seem that the interest of the taxpayer is not very well represented. But that, after all, is a normal state of affairs." -- Marc Poitras, associate professor of economics, has expertise in public finance and macroeconomics. He's been quoted in the *Associated Press*, *USA Today*, *Chicago Tribune*, *The New York Times* and the *Minneapolis Star-Tribune*. Contact: 937-229-2419 or marc.poitras@notes.udayton.edu.

2. Plan should help homeowners avoid default

"The Paulson plan would give a bankruptcy judge the ability to modify terms of the mortgage on a person's principal residence, and that's a start. Homeowners need something more than that. That would only help out homeowners once they've filed for bankruptcy. We need something that is proactive: that gives assistance before there is a default on the loan and certainly before there is a notice of foreclosure.

"The plan should allow for mortgage renegotiation when people are close to defaulting so they can deal with it pre-foreclosure. Otherwise a lot of people are just going to walk away from the home rather than declare bankruptcy and give up their assets.

"The question then becomes, who will qualify for this? Certainly not just anyone who wants to reduce their mortgage, but the government should take into consideration hardships such as medical emergencies, loss of a job, and homeowners who have adjustable rate mortgages about to reset." -- **James Durham**, law professor and property law expert, is author of a three-volume treatise on Ohio real property law. Durham has been interviewed by *The Associated Press*, *Detroit Free Press*, *The Detroit News*, *The Miami Herald*, *The Kansas City Star* and *WLW-AM* (Cincinnati). Contact: 937-229-3228 or durham@udayton.edu

3. An historic learning opportunity

"From an educational perspective, these are phenomenal times. The students can see the impact of all the principles they're learning such as the importance of diversification, risk management, and doing things in a thoughtful, deliberate manner. It's a period of time that's going to be talked about for years and years and years." -- **David A. Sauer**, founding director of the Davis Center for Portfolio Management at the university and associate professor of finance, teaches a hands-on investment class in which the students invest a portion of the University's endowment. He's talked to the *Chronicle of Higher Education* and *Newsday* about student portfolios and finance education. Contact: 937-229-2757 or sauer@udayton.edu.

4. Lack of oversight risks corruption

"There is a lot of risk in giving that much discretion to a cabinet member without judicial review. Anytime a significant amount of authority is given to a small group of people without checks and balances, there is risk of corruption or unethical practices. And it leaves the door wide open for criticism and second-guessing in the future." -- Eric Chaffee, law professor, has focused his research focuses on business law, criminal law and securities regulation. He currently chairs the Project for Law and Business Ethics at the UD School of Law. Contact: 216-225-3925 or Eric.Chaffee@notes.udayton.edu

5. Effective regulation must not be blocked

"For 12 years, community groups, local governments and consumer groups in Ohio and across the nation pleaded for and lobbied for effective regulation of the sub-prime mortgage market. The financial service industry stymied all attempts at effective regulation in Ohio at both the local and state level through their control of the Ohio State Legislature. Any bail out of the financial industry must include these additional provisions:

*** Loan Modification:** Foreclosure prevention efforts should take the form of broad scale loan modifications styled after the Home Owners Loan Corporation of the 1930s, such as NCRC's proposed Homeowners Emergency Loan Program or HELP Now.

*** Anti-Predatory Lending Provisions:** Sen. Christopher Dodd's Homeownership Preservation and Protection Act of 2007 should be added to the current proposals.

*** Bankruptcy Reform:** Congress should amend bankruptcy law to allow judges to modify the terms of primary mortgages, as is currently allowed for investment properties." -- Richard Stock, director of UD's Business Research Group, has conducted economic impact studies in the public sector and studies to predict the behavior of customers for clients in the private sector. Local and regional media have turned to Stock for evaluations on the Ohio and Dayton economies on multiple occasions. Contact at 937-229-2453 or richard.stock@notes.udayton.edu

6. It's our money

"Nobody is sure what is going to happen. There could be a huge amount of taxes for a bailout if the government can't recoup its costs. Most taxes hurt spending in the economy. Or, the government could recoup its costs and banking institutions are able to make loans and stabilize the housing market. This is the best case scenario." What can the average person do about it? "If they think the bailout is a bad deal, contact your Congressman. Let's face it, it's our money." -- Tony Caporale, economics professor, specializes in business and economic forecasting. Contact: 937-229-2403.

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