Over the Pass

TRINIDAD-RATON CONNECTION

"Who do you miss the most?"

By Tim Keller
Correspondent
The Chronicle-News

Photos by Tim Keller / The Chronicle-News

"I miss having my kids here in town. My oldest daughter was ten when we moved here. The other three were born here. My youngest graduated from Raton High School in 2010. She was the last to move away."

– Lindé Schuster, Raton city commission and MCMC speech-language pathologist (Raton)

"My mother. She's been dead for quite a few years but when you lose your mom you lose the one who loves you the way you are."

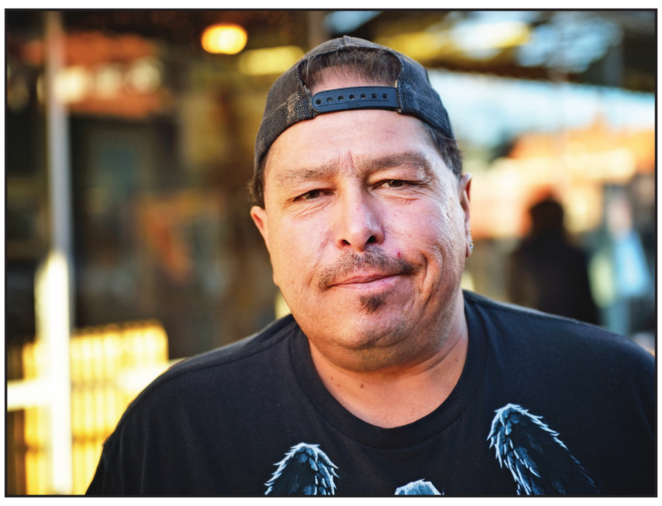
– Anita Montoya, retired RN (Trinidad)

"I miss seeing my father. He's lived in Arizona all of my life. The last time I saw him was for my Raton High School graduation in May."

– Austin Johnson, crew member, McDonald's (Raton)

"Just family in general, the good times with family. I don't got much family here. Some, but not a lot. I wish they'd come by more often."

– Joey Apodaca, nursing home dietician aide (Trinidad)



"My mom and my sister. My mom passed away five years ago, my sister two years ago. I miss their presence, their caring, their giving, their love."

– Ralph Barela (Trinidad)

"I really miss my father, Robert Earl Goodyear. He died 48 years ago today. He was a rancher and farmer and a fantastic auctioneer. He made a good living at it all."

– Patricia Kuhlman, cabinetry & furniture-making instructor, Luna Community College, Springer (Raton)

WALL STREET & US ECONOMY

Memories of financial crisis fading as risks rise once again

By PAUL WISEMAN
AP Economics Writer

WASHINGTON (AP) — Six years after the collapse of Lehman Brothers, the lessons of the financial crisis may already be fading from collective memory.

Just last week:

— Congress acted to loosen the regulation of the high-risk investments that ignited the 2008 crisis.

— Housing regulators cut minimum down payments on home loans.

— The Institute of International Finance declared it "worrisome" that global indebtedness, as a share of world economic output, has reached record levels.

All this comes as subprime auto loans for financially stretched buyers are surging. And the so-called too-big-to-fail banks that needed a taxpayer bailout in 2008 now loom even larger than before the crisis: America's five biggest banks account for 44 percent of bank assets, up from 38 percent in 2007, according to SNL Financial.

The trend toward pre-crisis lending practices worries analysts who favored far-reaching reforms to safeguard the system.

"We're on a very dangerous trajectory," said Simon Johnson, professor of global economics at the Massachusetts Institute of Technology.

Johnson said he fears that last week's congressional vote shows that bank lobbyists still carry the political clout to dilute financial regulations.

By all accounts, the system isn't as vulnerable as it was before the crisis. The Treasury Department's Office of Financial Research, set up after the crisis to monitor risks, said this month that "threats to financial stability are moderate."

U.S. banks have increased their capital defenses against loan losses by over 27 percent since 2007.

Richard Hunt, president of the Consumer Bankers Association lobbying group, rejects any notion that banks are weakening credit standards.

"If you're a banker who survived over the last five years," Hunt said, "the last thing you're going to do is return to that period of time. We're nowhere close to returning to the type of loans" issued just before the crisis.

Still, watchdogs fear the risks are accumulating. Despite its overall finding that threats are moderate, Treasury's research office warned of "excessive risk-taking during an extended period of low interest rates."

The Treasury office also worries that more lending and trading are occurring beyond the reach of regulators in the so-called shadow banking sector of hedge funds and other investment firms, "where threats could be significant, but are more difficult to assess."

Recent developments have compounded the worries:

RISKY BETS

Congress voted last week to weaken a rule intended to reduce risks to taxpayers. Under the 2010 Dodd-Frank financial regulation bill, banks had to separate their federally insured banks from their riskiest trading operations — the ones that deal in derivatives.

Derivatives are used by farmers and companies to hedge financial risks. But they also let traders speculate on bonds, currencies and commodities such as oil. Bad bets in the derivatives market sank American International Group, an insurer that needed a $185 billion taxpayer bailout. The Dodd-Frank provision was meant to limit the risk that banks would use federally insured deposits to gamble on derivatives.

But last week, at the behest of bank lobbyists, the House slipped into a must-pass spending bill a repeal of the divide between traditional banks and derivatives trading. Banks say the move will preserve their ability to help farmers and businesses hedge against risks.

Sen. Elizabeth Warren, D-Mass., fought unsuccessfully to block the move.

"Wall Street has been working behind the scenes to open another loophole so they could gamble with taxpayer money," Warren said. "Congress should not put taxpayers on the hook for another bailout."

Thomas Hoenig, vice chairman of the Federal Deposit Insurance Corp., called the repeal "illogical." He noted that Dodd-Frank didn't prevent banks from trading derivatives and servicing farmers and businesses in operations not backed by federal deposit insurance. The 2008 crisis, Hoenig said, exposed "the economic consequences of conducting derivatives trading in taxpayer-insured banks."

LOWER DOWN PAYMENTS

Mortgage giants Fannie Mae and Freddie Mac issued guidelines last week allowing Americans to buy homes with down payments as low as 3 percent, down from the current 5 percent minimum. The new guidelines are meant to make houses more affordable for low-income families and first-time buyers.

But critics worry about a repeat of what happened in the early and mid-2000s: Families were encouraged, through low down payment requirements and loose credit standards, to buy homes they couldn't afford. Millions wound up in foreclosure.

"It is dubious housing policy to encourage moderate-income people to take out mortgages on which they are likely to default," Dean Baker, co-director of the liberal Center for Economic and Policy Research, wrote last week.

RISING GLOBAL DEBT

The Institute of International Finance, an industry research group, warned last week that global debt, excluding debt held by banks, had reached a record 244 percent of worldwide economic output.

Companies in emerging markets such as China and India have been issuing bonds in record amounts, many of which must be repaid in U.S. dollars. If interest rates and the U.S. currency rise — and the dollar has surged over 10 percent against major currencies since the end of June — those companies may struggle to meet payments or refinance their debt.

RISKY AUTO LENDING

U.S. regulators are warning about slipping credit standards for auto loans. The rating agency Standard & Poor's expects lenders to make $21 billion in subprime auto loans this year, up from $20 billion this year and $18 billion in 2013.

Darrin Benhart of the Office of the Comptroller of the Currency, a bank regulator, blamed intensifying "competitive pressure" for deteriorating credit standards.

S&P analysts concluded this year that "caution is warranted." It fears "even looser credit standards" and riskier subprime car loans being packaged into bonds and sold to investors.

Repeating what they did before encountering trouble in 2008, automakers and finance companies are offering six- and seven-year loans to ease buyers into cars they otherwise couldn't afford.

"We tend to forget financial history," said Frank Partnoy, a finance professor at the University of San Diego.

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AP Business Writer Marcy Gordon contributed to this report.