



## State of Employment in the Banking and Finance Sector

Employment in the banking and finance sector of the economy has taken a dramatic downturn in the last few months. While the news has highlighted layoffs from financial institutions, the layoffs have not been confined to the banking industry. Last week's unemployment claims jumped to over 400,000.



Many jobs are still being cut as a result of a slumped economy, a shambled housing market, and overall lower consumer confidence. A major factor in the layoffs in banking have stemmed from failing mortgages. Most financial

institutions were allowing people with a good credit history to do what they called "stated income mortgages." This allowed someone who typically could only show enough income to afford a home valued at \$150,000 to buy a home valued at twice that amount. Common sense tells us that at some point that will catch up. And guess what, it has. Banks now refer to these loans as "liar loans."

As banks continue to write off "liar loans" that are going bad, they are forced to shorten their staffing to make up for billions of dollars in empty foreclosed homes. The downward spiral somewhat continues from housing to every other sector because families struggling to make high mortgage payments cut back in other areas. For example, a family trying to protect their most prized possession—their home—is much less likely to buy a new car, go out to eat, or even take vacations.

With all this being said, it is not all gloom and doom. The upside comes from banks reporting overall better than expected earnings for the second quarter of 2008. They have tightened credit criteria and discontinued the use of "stated income" lending. More good news has come in the fact that fuel prices have continued to drop over the past week. This means that people can actually afford to put gas in their car and drive around to all the open houses being held by banks on their foreclosed properties.

Overall, the economy and the job market continue to struggle. It is highly unlikely that we will see a drastic overnight change. We all wonder what will happen next. Will more banks look to be bailed out by larger competitors? Will more financial institutions close their doors? Will we see more layoffs in banking? These are all definite possibilities, but many measures are being taken to prevent this from happening. History, however, tells us that the United States economy likes to bounce back, so take heart. Things may be looking up soon!

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