

With bailout package in doubt, consumers, businesses could feel a pinch

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 Comments (No comments posted.)

For Steven McCormick, Monday's vote did not mark the end of the world.

But the decision by the U.S. House of Representatives to reject the proposed \$700 billion deal to rescue the finance system did leave him frustrated.

"This is certainly not an ideal situation," said McCormick, president of First Centennial Mortgage in Aurora. "But I think something needs to be done – and quickly."

For McCormick, the last few months have been rough ones to be in business.

For years, lenders had made it easy to dole out mortgages to home buyers of varying economic levels. But after the financial markets began weakening, lending guidelines quickly changed, gradually making it more difficult for consumers to acquire loans.

Now, only those with sterling credit, solid employment history and a sizable down payment should even think of applying for a loan, McCormick said.

"Credit has come to a screeching halt," he said.

So Monday, McCormick was among those smarting after the House narrowly voted down a package, negotiated by the White House and congressional leaders, that supporters say will allow lenders to unload bad debts, thus allowing those lenders to make credit more available to businesses and consumers.

The measure failed 228-205. U.S. Rep. Bill Foster, D-Batavia, voted in favor of the measure. He pinned the blame for the rejection on "political gamesmanship" and said the measure represented "the tough medicine we needed to get the economy back on solid footing."

Jim Oberweis, the Republican candidate for Congress seeking to unseat Foster, said he would have opposed the measure in Congress.

He said the package was "flawed," and he called upon Congress to "take the time necessary to strengthen the legislation" and reduce the risk to taxpayers that the measure would not work.

The package was backed by a coalition of 14 industry lobbying groups, including those from the financial, automotive, mortgage, and manufacturing sectors.

The National Automobile Dealers Association, for instance, said current market conditions are "constraining the availability of auto credit," thus reducing the ability of consumers to purchase cars.

Locally, however, some car dealers said the problems have not put a strain on their sales.

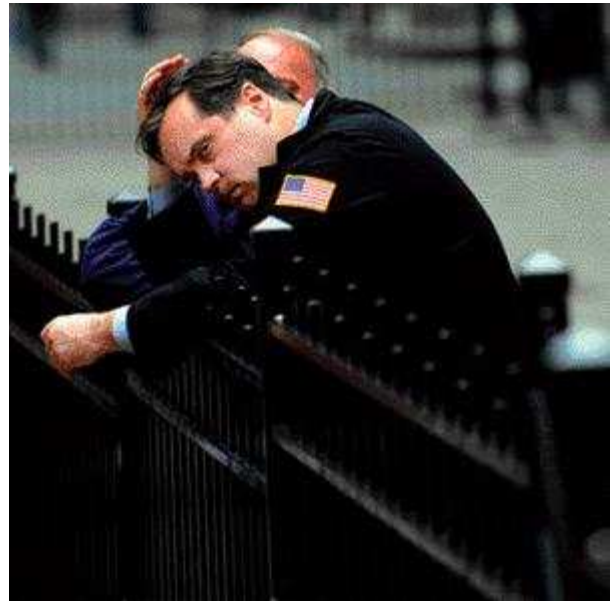
Jack Zimmerman of Zimmerman Ford in St. Charles said sales are weak now. But he said that is more related to the generally weak economy and consumer perceptions of the economy, than to a real lack of available credit.

"It is not prohibiting my customers from getting loans," Zimmerman said.

He said he is more interested to see what the effects of the rescue package – or perhaps the lack thereof – might be.

"It will be interesting to see how this plays out in the long term, Zimmerman said.

NADA estimates that about 600 car dealerships will close this year. And if the federal government takes no action to



A trader takes a break as the Dow Jones Industrial Average plummets Monday in front of the New York Stock Exchange in New York. (AP photo)

rescue the finance industry, the situation would likely worsen, making it more and more difficult for consumers to get credit, said Paul Taylor, NADA chief economist.

“Some version of the package needs to eventually pass to settle the markets and narrow spreads in the credit market,” Taylor said.

Ron Bullock, president of the Illinois Manufacturers’ Association and owner of Bison Gear and Engineering in St. Charles, agreed that “something needs to be done.”

But he said the package agreed upon by President Bush and congressional leaders might not be the best plan.

“Our customers in construction-related industries are hurting right now,” Bullock said. “So we need to see something worked out.”

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