

Peeling Back The Credit Crunch Onion: What Lies Ahead?

The FWA Silicon Valley Group's November 13th panel was extremely timely and represented a wide range of expertise:

- **Dr. Stephen Levy**, Co- Founder and Chief Economist of the Center for the Continuing Study of the California Economy
- **Ms. Susan McHan**, CEO/President and Co-Founder of Opes Advisors, Inc.
- **Sharon Simonson**, lead real estate reporter for the Silicon Valley/San Jose Business Journal

Stephen Levy recapped what macroeconomic trends led to the credit crunch and discussed its impact on Silicon Valley economic growth. Dr. Levy suggested that current trends ultimately will lead to more affordable housing, enabling Silicon Valley companies to be more hospitable to growth.

Susan McHan discussed the consumer impact of the credit crunch. She identified the mortgage securitization process as broken and laid much of the blame on the rating and regulatory bodies. The major financial houses were guilty as well of buying into these securities due to the insatiable appetite of Wall Street.



Susan McHan, CEO of Opus and Dr. Stephen Levy, Co-Founder and Chief Economist for the Center for Continuing Study of the CA Economy

Sharon Simonson quizzed Dr. Levy and Ms. McHan about the importance of “clearing the market” of unsupportable loans and the re-emergence of loans based on income/asset guidelines. Until people regain confidence, however, transactions will remain scarce even if loans are good.

The panel concluded that there would continue to be fall-out from the credit crunch through mid/late 2008, but the issue was separate from the fundamental structure of the economy. There would continue to be problems, but the longer-term outlook remains for more affordable housing, more realistic loans in the marketplace and better impetus to overall economic growth. ✨