

## 12. Finance & Banking

In *Vital Signs 2008*, discussions included weakening financial markets and tightening credit conditions. No one could have predicted the series of events that would follow. The year 2008 started with global financial apprehension. The financial crisis hit tsunami proportions by September as global credit markets lost liquidity and investment banks were threatened with insolvency. Multiple large mortgage, insurance, and investment firms faced liquidity problems, bankruptcy, takeovers, or were either seized or placed in conservatorship of government agencies. As a result, several recovery packages were enacted overseas and a \$700 billion U.S. government bailout of American financial markets was signed into law in early October 2008.

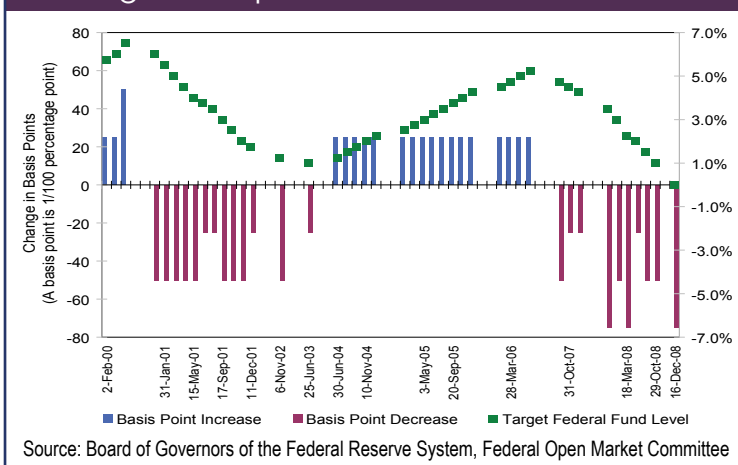
In response to these volatile markets throughout 2008, the Federal Reserve System's Federal Open Market Committee (FOMC) decreased its target federal funds rate seven times, down to 0.0 to 0.25 percent by the end of the year. Additionally, primary and secondary interest rates were lowered eight times during the year.

For the American public, one of the biggest points of confusion about the economic crisis was the link between "Wall Street" and "Main Street." It seemed to be a familiar concept for legislators and financial gurus, but John Q. Public, the taxpayer, did not have a clear understanding of the issues. In the fear and rush to get the rescue package legislation passed, an explanation of why this action was necessary was left missing until later.

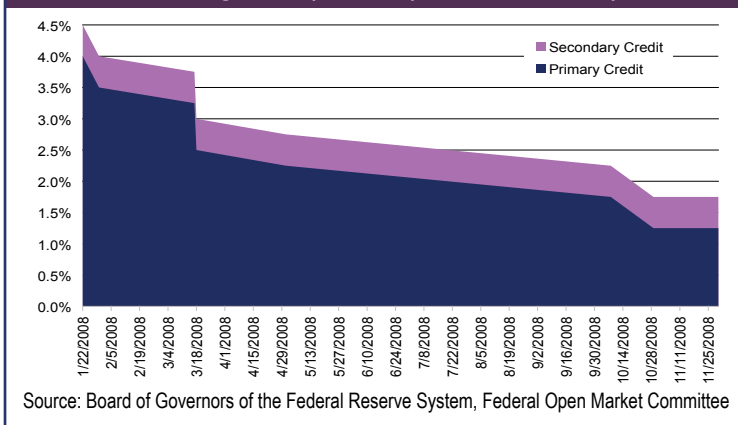
The panic that spread down Main Street was exemplified by the case of Sovereign Bank. On September 29, 2008, Sovereign Bank, which has multiple branches in New Hampshire, was in distress. In the midst of financial market failures, Sovereign's stock price dropped below \$3 a share by mid-afternoon. Simultaneously, large account holders began to withdraw millions of dollars in deposits. This was the beginning of the run on the bank. As a result of the day's financial activity, the company's chief executive was fired, and the bank was sold for a fraction of its worth to the Spanish bank, Banco



Federal Open Market Committee (FOMC) rate changes in response to economic conditions



FOMC changes in primary & secondary credit



## 12. Finance & Banking

Santander. Sovereign's customers had withdrawn nearly nine percent of the bank's deposits in the quarter ending September 30, 2008.<sup>1</sup>

Amid all the financial chaos of autumn 2008, New Hampshire's financial sector seemed to be holding its own. Even as national banks struggled with liquidity problems, local banks in the state had been relatively unaffected. Most of New Hampshire's banks are owned by depositors, and not shareholders. For the most part, these financial institutions have maintained traditional lending practices, prudently protecting the assets of depositors. That methodology helped insulate them from the effects of sub-prime lending practices and the Wall Street fallout.<sup>2</sup>

Even so, there is a realization that there has been some negative impact on loan holders in the state. Two nonprofit organizations, New Hampshire Housing and New Hampshire Bankers Association, organized a campaign to bring awareness of an initiative for citizens facing foreclosure, the HOPE Hotline. The hotline provides free, confidential services to teach loan holders on how to work and communicate effectively with lenders to avoid foreclosure.

Alternative methods are also being used by bank management, to improve efficiency, including mergers and selling branches.<sup>3</sup> Some banks find themselves being a little more lenient with automobile and recreational vehicle repossessions as well.<sup>4</sup>

<sup>1</sup> Healy, Beth and Syre, Steven. "Cautionary tale in Sovereign's sudden decline." *The Boston Globe*. October 15, 2008. Accessed October 30, 2008. <[www.boston.com](http://www.boston.com)>.

<sup>2</sup> Mullen, Shannon. "New Hampshire Community Banks are Still Pretty Healthy." *New Hampshire Public Radio*. October 3, 2008. Accessed October 30, 2008. <[www.nhpr.org/node/17982](http://www.nhpr.org/node/17982)>.

<sup>3</sup> Sanders, Bob. "Laconia Savings buys two Ocean branches." *New Hampshire Business Review*. October 16, 2008. Accessed October 30, 2008. <[www.nhbr.com](http://www.nhbr.com)>.

<sup>4</sup> Carey, Meghan. "New Hampshire sees increase in repossessions, but also in leniency." *The Eagle-Tribune*. October 20, 2008. <[www.eagletribune.com/punewsnh/local\\_story\\_294030552.html/resources\\_printstory](http://www.eagletribune.com/punewsnh/local_story_294030552.html/resources_printstory)>. Accessed October 30, 2008.

| <b>Bankruptcy Filings<sup>a</sup></b> | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> | <b>Source</b> |
|---------------------------------------|-------------|-------------|-------------|-------------|---------------|
| Total New Hampshire Filings           | 4,651       | 6,097       | 1,925       | 2,983       | BKRNH         |
| Percent change from previous year     |             |             |             |             |               |
| New Hampshire                         | 5.1%        | 31.1%       | -68.4%      | 55.0%       | ABI/NHES      |
| Connecticut                           | -6.7%       | 33.7%       | -67.1%      | 17.2%       | ABI/NHES      |
| Maine                                 | -3.3%       | 46.7%       | -80.0%      | 74.1%       | ABI/NHES      |
| Massachusetts                         | 1.0%        | 44.8%       | -68.6%      | 63.2%       | ABI/NHES      |
| Rhode Island                          | -9.1%       | 40.9%       | -72.2%      | 73.8%       | ABI/NHES      |
| Vermont                               | -10.8%      | 54.4%       | -75.0%      | 36.6%       | ABI/NHES      |
| New England                           | -2.6%       | 40.8%       | -70.0%      | 50.9%       | ABI/NHES      |
| United States                         | -3.3%       | 29.7%       | -71.0%      | 40.3%       | ABI/NHES      |

<sup>a</sup> Enactment of the Bankruptcy Abuse Prevention and Consumer Protection Act in 2005 caused a sharp drop in the number of bankruptcies declared in 2006.

| <b>Delinquency Rates (FDIC Insured Institutions)</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> | <b>Source</b> |
|--|-------------|-------------|-------------|-------------|---------------|
| Mortgage delinquency rate (1-4 family residential)   | 0.61%       | 0.69%       | 0.77%       | 1.53%       | FDIC/NHES     |
| Consumer loan delinquency rate <sup>a</sup>          | 4.25%       | 1.31%       | 1.53%       | 1.91%       | FDIC/NHES     |
| Credit card delinquency rate <sup>a</sup>            | 4.87%       | 1.16%       | 1.72%       | 4.56%       | FDIC          |

<sup>a</sup> Prior to 2005 rates for NH were inflated by the presence of Provident's credit card operations.

## 12. Finance & Banking

It remains unknown how long New Hampshire's financial profile can remain healthy in the middle of the turmoil.

The connection between Wall Street and Main Street has become a little more transparent. New Hampshire's banks are primarily community based banks, so even though lending standards may be tighter, credit is still flowing.<sup>5</sup>

### Personal Debt

New Hampshire ranked second among the fifty states (and the District of Columbia). That's not a good thing, because the ranking was for the state's median credit card debt per borrower. This ranking was based on the volume of revolving debt, a type of credit which typically comes with higher interest rates. In many cases it has been easy to obtain this type of credit and over use of revolving credit can limit the ability to build assets. Results were published

in the 2007 - 2008 Assets and Opportunity Scorecard which used fourth quarter 2006 data from TransUnion. These data showed New Hampshire's median credit card debt per borrower was \$2,109.<sup>6</sup> Additional data reported on the scorecard included: New Hampshire's installment debt of \$14,687 ranked 33 among the states. Ranking 36, the median mortgage debt in New Hampshire was \$140,109.

Another type of debt commonly incurred by younger people is student loan debt. Seventy-four percent of New Hampshire's graduating class of 2007 had student loan debt. This was the second highest share of federal student loan debt in the nation, averaging \$25,211. This does not include any private loans, Pell Grants or loans taken out by parents to help pay for tuition.<sup>7</sup>

<sup>5</sup> Smith, Ashley. "Amid crisis, NH economy stays sturdy." *Nashua Telegraph*. October 27, 2008. Accessed October 30, 2008. <[www.nashuatelegraph.com/apps/pbcs.dll/article?AID=/20081027/BUSINESS/310279926](http://www.nashuatelegraph.com/apps/pbcs.dll/article?AID=/20081027/BUSINESS/310279926)>.

<sup>6</sup> "2007 - 2008 Assets & Opportunity Scorecard." *Corporation for Enterprise Development*. Accessed October 31, 2008. <[www.cfed.org/focus.m?parentid=31&siteid=2471&id=2471](http://www.cfed.org/focus.m?parentid=31&siteid=2471&id=2471)>.

<sup>7</sup> "Student Debt and the Class of 2007." *Project on Student Debt: New Hampshire*. The Institute for College Access & Success. October 2008. Accessed November 5, 2008. <[projectonstudentdebt.org](http://projectonstudentdebt.org)>.

| <b>Credit Unions</b>  | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> | <b>Source</b> |
|---|-------------|-------------|-------------|-------------|---------------|
| Assets (millions)   | \$3,213     | \$3,438     | \$3,571     | \$3,785     | NCUA          |
| Annual percent change   | 5.7%        | 7.0%        | 3.9%        | 6.0%        | NCUA/NHES     |
| Shares and Deposits (millions)  | \$2,625     | \$2,745     | \$2,900     | \$3,046     | NCUA          |
| Annual percent change   | 4.0%        | 4.6%        | 5.6%        | 5.0%        | NCUA/NHES     |
| Number of Credit Unions   | 27          | 26          | 25          | 24          | NCUA          |
| <b>Non-Current Loans and Leases</b>                                   | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> | <b>Source</b> |
| FDIC commercial banks, Dec. 31st totals (millions)                    | \$210.0     | \$24.2      | \$39.7      | \$53.0      | FDIC          |
| Percent change from previous year                                     | -16.8%      | -88.5%      | 64.0%       | 33.5%       | FDIC          |
| Rank by non-current/net loans and leases (from smallest) <sup>a</sup> | 49          | 49          | 45          | 41          | FDIC          |

<sup>a</sup> Includes the fifty states and D.C. Prior to Washington Mutual Bank absorbing Provident during 2005 ranks for NH was inflated by the presence of large credit card operations.

## 12. Finance & Banking

Credit card debt is frequently acquired by young adults. While state specific data is not available, on average nationally, 41 percent of students have a credit card. Of the students with cards, about 65 percent pay their bills in full every month. Among the 35 percent that do not pay their balance in full every month, the average balance is \$452. This is down 19 percent from 2007.<sup>8</sup>

A presentation for the younger generation, titled “Campaign for Financial Literacy” specifically addressed the volume of credit card debt as well as student loan debt accumulated by New Hampshire students.<sup>9</sup>

### Banking data

Reported assets and deposits for savings banks in New Hampshire dropped from 2006 to 2007. This is less worrisome than it sounds. All data are collected and reported based on the location of each reporting institution’s main office. Reported data may include assets and liabilities located outside of the reporting institution’s home state. Because of mergers and acquisitions, some familiar New Hampshire banks now have a home office located in another state. So some bank deposits in New Hampshire are now officially counted in another state (where the home office is located).<sup>10</sup>

---

<sup>8</sup> Woolsey, Ben and Schulz, Matt. “Credit card industry facts, 2006-2008.” [CreditCards.com](http://CreditCards.com). Accessed November 5, 2008. <[www.creditcards.com/credit-card-news/credit-card-industry-facts-personal-debt-statistics-1276.php#demographics](http://www.creditcards.com/credit-card-news/credit-card-industry-facts-personal-debt-statistics-1276.php#demographics)>.

<sup>9</sup> Berube, Tori and Palmer, Rebecca. “The NHHEAF Network Organizations’ Campaign for Financial Literacy Presented for EASFAA.” [Conference 2009](#). Eastern Association of Student Financial Aid Administrators. May 20, 2008. Accessed November 4, 2008. <[www.easfaa.org/docs/toc\\_conference.html](http://www.easfaa.org/docs/toc_conference.html)>.

---

<sup>10</sup> “Disclaimer and Notes, Reporting Basis.” [Banking Statistics](#). Federal Deposit Insurance Corporation. Accessed December 30, 2008. <[www2.fdic.gov/SDI/main4.asp](http://www2.fdic.gov/SDI/main4.asp)>.

## 12. Finance & Banking

| <b>Banking Data - FDIC Insured Banks</b>       | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> | <b>Source</b> |
|--|-------------|-------------|-------------|-------------|---------------|
| Bank Assets - Total All Banks (millions)       | \$31,162    | \$19,396    | \$19,661    | \$9,870     | FDIC          |
| Commercial Banks and Trust Companies           | \$17,615    | \$4,266     | \$3,943     | \$3,974     | FDIC          |
| Savings Institutions                           | \$13,547    | \$15,130    | \$15,718    | \$5,923     | FDIC          |
| Annual percent change:                         |             |             |             |             |               |
| Total  | 5.1%        | -37.8%      | 1.4%        | -49.8%      | FDIC/NHES     |
| Commercial Banks and Trust Companies           | 2.9%        | -75.8%      | -7.6%       | 0.8%        | FDIC/NHES     |
| Savings Institutions                           | 8.0%        | 11.7%       | 3.9%        | -62.3%      | FDIC/NHES     |
| Bank Deposits - Total All Banks (millions)     |             |             |             |             |               |
| Commercial Banks and Trust Companies           | \$23,061    | \$13,347    | \$13,411    | \$7,446     | FDIC          |
| Savings Institutions                           | \$13,049    | \$3,424     | \$3,108     | \$3,034     | FDIC          |
| Savings Institutions                           | \$10,013    | \$9,923     | \$10,302    | \$4,412     | FDIC          |
| Annual percent change:                         |             |             |             |             |               |
| Total  | 4.8%        | -42.1%      | 0.5%        | -44.5%      | FDIC/NHES     |
| Commercial Banks and Trust Companies           | 1.9%        | -73.8%      | -9.2%       | -2.4%       | FDIC/NHES     |
| Savings Institutions                           | 8.8%        | -0.9%       | 3.8%        | -57.2%      | FDIC/NHES     |
| Equity Capital (millions)                      |             |             |             |             |               |
| Total  | \$4,871     | \$1,872     | \$2,036     | \$1,307     | FDIC          |
| Commercial Banks and Trust Companies           | \$3,666     | \$548       | \$546       | \$632       | FDIC          |
| Savings Institutions                           | \$1,205     | \$1,323     | \$1,490     | \$675       | FDIC          |
| Equity Capital to Asset Ratio                  |             |             |             |             |               |
| Total  | 15.63%      | 9.65%       | 10.36%      | 13.24%      | FDIC/NHES     |
| Commercial Banks and Trusts                    | 20.81%      | 12.85%      | 13.85%      | 15.90%      | FDIC/NHES     |
| Savings Institutions                           | 8.89%       | 8.75%       | 9.48%       | 11.40%      | FDIC/NHES     |
| Number of Banking Institutions                 |             |             |             |             |               |
| Total  | 30          | 27          | 26          | 24          | FDIC          |
| Commercial Banks and Trusts                    | 13          | 10          | 10          | 9           | FDIC          |
| Savings Institutions                           | 17          | 17          | 16          | 15          | FDIC          |
| Number of Banking Offices (Including branches) |             |             |             |             |               |
| Total  | 421         | 427         | n/a         | 344         | FDIC          |
| Commercial Banks and Trusts                    | 224         | 219         | n/a         | n/a         | FDIC          |
| Savings Institutions                           | 197         | 208         | n/a         | n/a         | FDIC          |

| <b>Industrial Financing (\$ millions)</b>           | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> | <b>Source</b> |
|---|-------------|-------------|-------------|-------------|---------------|
| Total bond issues (millions)                        | \$64.5      | \$124.3     | \$42.9      | \$123.2     | BFA           |
| Industrial revenue bonds, initial issues (millions) | \$0.0       | \$6.8       | \$2.0       | \$5.8       | BFA           |