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Statement on Sub-Prime Mortgages from Herb White, President, Life Certain Wealth Strategies in Greenwood Village, CO,

Former Federal Reserve Chairman Alan Greenspan recently acknowledged that he failed to recognize early on that an explosion of mortgages to people with questionable credit histories could pose a danger to the economy. As most financial pundits, Greenspan did not anticipate how significant sub-prime mortgages would become until it was too late.

Herb White, founder and president of Life Certain Wealth Strategies in Greenwood Village, Colorado, has seen it before.

“It is not too dissimilar to the technology boom and bust,” he says. “There were no fundamentals in place as stocks exploded to astronomical price levels for many of the dotcoms that had no earnings. Greenspan said it best with irrational exuberance; but this time, the impact of boom/bust is on the housing market.”

Borrowers who lacked the sound credit fundamentals were using adjustable rate mortgages to buy homes that they really could not afford. Now that many of the adjustable rate mortgages are adjusting upwards, many sub-prime borrowers are seeing their homes go into foreclosure.

The Fed rate cut of 50 basis points is quite aggressive and will help some homeowners with adjustable rate mortgages. When the mortgages adjust they adjust based on indices that are influenced by the Fed Funds rate. This action will not prevent mortgage payments from increasing on adjustable rate mortgages; they just won't go up as much.

White expects the sub-prime lending contagion to continue into 2008-2009. In the interim, White sees many more clients seeking debt management counseling.

More information on Herb White and Life Certain Wealth Strategies is available at:
www.lifecertain.com

Herb White is a credible and authoritative resource on savings, investment and debt management. He is available to discuss the sub-prime mortgage issue, as well as other current financial topics.

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