

Seacoast financial experts agree U.S. debt is too high

Local bankers expect solution

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Seacoast banking officials believe the U.S. Congress is playing a game of chicken with federal debt ceiling talks and one side will eventually cave.

But, they agree, the crisis is unprecedented, and so theories abound about what might happen to consumer interest rates on loans and credit cards if the Aug. 2 deadline comes and goes without a solution. If there is no deal, the federal government could default on its loans, which could lead to a downgrading of the country's credit rating, in turn triggering interest rate increases.

"If the federal government is downgraded, the concern would be they would have to pay a higher interest rate for government debt," said William Saufley, chief risk officer at Kennebunk Savings Bank, "and many consumers may have their life tied up in government debt — like mortgages, equity loans and student loans."

Saufley said Tuesday that people with variable-rate loans have no need to be concerned — at least initially. Variable rate loans can't go up more than 2 percent on the anniversary date of the loan annually, and there's typically a cap of 6 percent over the life of the loan.

"I'm not saying people can absorb a 6 percent increase, but it's not going to skyrocket up immediately," he said. "I think most people with an adjustable rate mortgage can withstand this."

Deposits are fully insured, so customers do not have to worry about them, he said.

"Quite possibly, the impact would be zero. We just don't know. I wouldn't want to alarm people," he said.

However, investment in treasury bonds could be on shaky ground, as well, said William Simpson, an independent financial planner with Azimuth Financial Planning in Portsmouth. He suggested people with investment portfolios review them with their advisers and diversify as much as possible.

But Simpson joins a chorus of people who say the country's debt is simply too high — and that is the crux of the issue.

"They might come up with a temporary solution that puts this off for six months, but these things don't go away," he said. "We have to decrease the debt."

Dan Morrison, president and chief executive officer of Optima Bank and Trust, said he's convinced "someone will blink" and the debt ceiling will be raised.

"But we are facing an unprecedented level of debt as a nation," he said. "Much of the financial crisis (in 2008) was caused by too much debt by consumers, business and government. In the last couple of years, consumers and businesses have worked hard to pay off their debt, but the government has not. It has a higher level of debt than any other government in the history of the world."

Having said that, he's convinced the country will find a solution.

"I tend to be a voice of calm, and we are going to figure this out," he said. "In the past several years, we've seen worst crises than this, and we've gotten through them."

Doug Bates, president of the Greater Portsmouth Chamber of Commerce, isn't so sure. He said he's frustrated with the "political brinkmanship" of Washington that seems to have no basis in the average American's reality.

"I don't think they're that stupid to put the economy in jeopardy, but look at them — they're still arguing about this stuff," he said. "The extremes keep pounding away and what's in the balance for the average person is that things are going to be more expensive."