



President's Corner

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President's letter

In earlier missives, we have noted our concern with the apparently growing tendency of the American homeowner to fuel an upscale lifestyle (read increased consumer spending) with creative home equity financing. In the parlance of one pundit, "consumers have turned their homes into ATM's."

Presently, there are signs of "topping" housing market, including but not necessarily limited to increasing delinquency rebates, refinancing to avoid default, unsold or more slowly selling inventories in most markets.

A full blown crisis in real estate (housing) would probably have many far reaching financial implications for each of us personally. Just to cite one example, it could mean a "run" on retirement accounts. Actually, the negative financial scenarios are almost endless.

Investigations into Freddie Mac and Fannie Mae have prompted some to say that these institutions could become a crisis comparable to the long term capital management crisis of 1998. Actually, we believe it would be far worse. However, whatever the outcome, clearly Freddie and Fannie, together with "easy AI" are complicit in generating the largest housing bubble in U.S. history.

Does anyone remember that as regulators slept and ate donuts in the late 1990's, a huge bubble in the securities markets was allowed to develop?

Happy Holidays

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