

1 failure could set off chain reaction

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-- Your employer won't be able to make payroll because the company's bank account has been frozen in a bank failure.

-- Your credit card will be rejected when you try to pay for groceries or fill your gas tank. As lawmakers hash out the details of a \$700 billion bailout plan, m
'The financial markets and banking system are based on confidence,' Krishnan Dandapani, a Florida International University finance professor, said. 'The
would be almost like the Great Depression happening all over again.' For months, the credit markets that provide the lifeblood of the U.S. economic syste
uncertainty about soured mortgage loans.

Home mortgages are sliced into a variety of complex packages that have made it difficult for investors to value them now that the real estate market has tt
trading these securities.

In turn, bankers, stung by bad loans, have tightened lending standards so that it's now hard for the average consumer to get a mortgage, a car loan, or a li
Similarly, businesses that need to borrow cash to expand operations, buy new equipment or carry on normal operations face tougher hurdles.

With mounting bank failures, banks have gotten increasingly fearful of even lending money to one another overnight an essential element to providing the f
'Continuing failures of financial institutions and frozen credit threaten American families' financial well-being, the viability of businesses both small and larg
Secretary Henry Paulson testified Tuesday before the Senate.

And Federal Reserve Chairman Ben Bernanke added bluntly that without a rescue plan, the country faces a certain recession and rising unemployment. 'E
be more bank failures and an exacerbation of the recent reluctance of banks to lend to one another and to their customers,' said Mark J. Flannery, a financ

The hope of the Bush administration and at this point it is only a hope is that the government stepping in as the buyer of last resort for the toxic mortgage s

Once the banks sell off the bad mortgage securities and find ways to rebuild their capital base, they could go forward on steady footing and resume more
going to bail out other people, but we have no choice,' said Ken Thomas, a Miami banking consultant.