

S. & P. 500	1,065.48	↗	7.90
Dow industrials	9,786.87	↗	61.29
Nasdaq composite	2,123.93	↗	13.60
10-yr. Treasury yield	3.25%	↗	0.07
The euro	\$1.4778	↗	0.0107

Advertising Giving to Gain

Milk-Bone joins companies hoping to do well by doing good for a cause. **B3**



A move grows in Congress to hasten credit card restrictions. **B6**

A glimmer of hope from retail sales and jobless data lifts stocks. **B7**

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Humble Beginnings
Youngest of 13, the Jets' Cotchery is no diva. **B10**



Business Day

The New York Times

FRIDAY, OCTOBER 9, 2009

When Law Obscures The Facts

The collapse of the auction-rate securities market is a largely forgotten part of the financial crisis, a disaster that was soon overwhelmed by bigger ones — except for the investors who were caught up in it.

FLOYD NORRIS

HIGH & LOW FINANCE

sort of like a money market fund but with an expectation of a slightly higher return. The securities were supposed to be easy to sell for face value.

Now many of the investors are stuck with securities that pay ridiculously low yields. In some cases, the securities will never mature, so the investors will never get their money back unless they sell them for a fraction of what they paid. Those who thought they were being safe and cautious in fact were taking huge risks.

The biggest losers so far are corporations that bought the paper but now find they are not covered by settlements some Wall Street firms made to reimburse individual investors. But there are still individuals who are stuck with the securities, either because their brokerage firm refused to settle or because they moved from one firm to another and found that neither firm was willing to reimburse them.

In Trial Phase, Mortgage Bills Fall for 500,000

By **PETER S. GOODMAN**

For months, troubled homeowners seeking to lower their mortgage payments under a federal plan have complained about bureaucratic bungling, ceaseless frustration and confusion. On Thursday, the Obama administration declared that the \$75 billion program is finally providing broad relief after it pressured mortgage companies to move faster to modify more loans.

Five hundred thousand troubled homeowners have had their loan payments lowered on a trial basis under the Making Home Affordable Program, said Treasury Secretary Timothy F. Geithner in a morning telephone briefing with reporters. Mortgage payments are now being lowered faster than homes are being sold in foreclosure proceedings, he added, and roughly 40 percent of the 1.2 million homeowners deemed eligible have been helped.

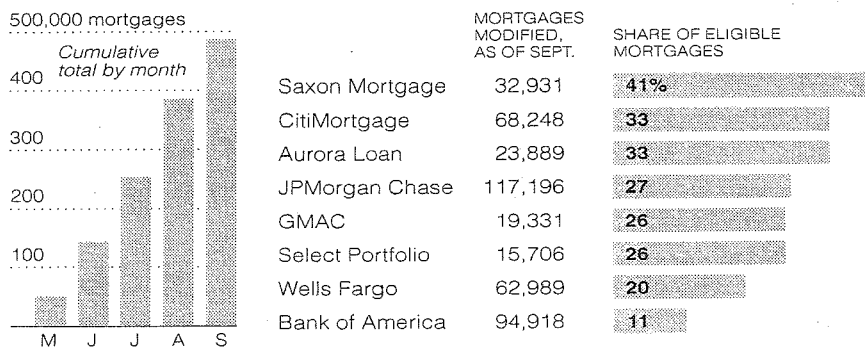
"That's an important shift," Mr. Geithner said. "Half a million families are participating in loan modifications that are substantially decreasing their housing costs."

But economists said the program was still not big enough to prevent many millions of Americans from losing their homes before the books are closed on the Great Recession and its painful aftermath.

"It's a help on the margin," said Mark Zandi, chief economist at Moody's

More home loans are being renegotiated under the Home Affordable Modification Program, though the participation rates vary among large lenders.

Mortgages past due 60 days or more that have been modified



Source: Treasury Department

THE NEW YORK TIMES

Economy.com. "But it's not going to end the foreclosure crisis."

By Mr. Zandi's reckoning, from this year to next, more than four million households will surrender homes to foreclosure or through so-called short sales, where the property is sold for less than the bank is owed.

The half-million mortgages that have

been adjusted to create lower payments for borrowers have been modified only on a trial basis.

After three months of successfully making new payments — no sure thing — borrowers must then submit additional paperwork to turn the trial terms into a permanent modification, creating more room

Continued on Page 4

Fed Is Split Over Timing Of Rate Rise

By **EDMUND L. ANDREWS**

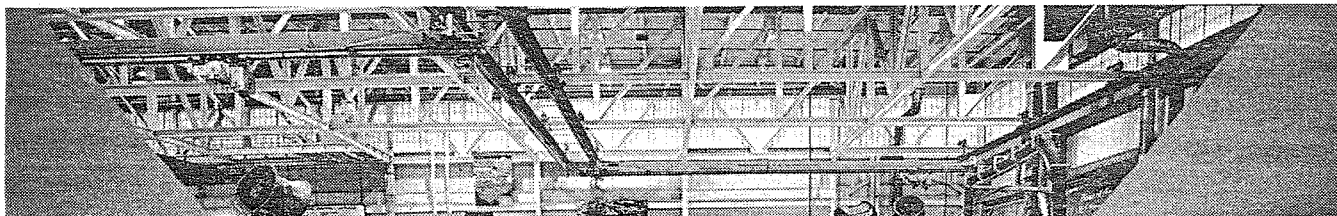
WASHINGTON — Fissures are developing among policy makers at the Federal Reserve as they debate how and when to start raising the benchmark interest rate from its current level just above zero.

With Fed officials forecasting that unemployment will average 9.8 percent in 2010, nobody appears to be arguing that monetary policy should be tightened anytime soon. The central bank's official mantra continues to be that the overnight federal funds rate will remain "exceptionally low" for "an extended period."

But Fed officials have hinted at new disagreement in recent weeks. The arguments go beyond the traditional split between hawks, who worry that easy money will stoke inflation, and doves, who contend that unemployment is the top problem.

The more devilish debates are about how fast to act once the decision has been made, and how to carry it out. Beyond raising the overnight federal funds rate, the Fed also has to unwind \$2 trillion in special programs that prop up paralyzed banks and credit markets.

Where Ben S. Bernanke, the Fed chairman, stands in the emerging argument is a question mark. At a conference held by the Fed on Thursday evening, he as-



Intrepid Shoe Executive Casts Lot With Albania

Entrepreneur Sees Nation at Crossroads

By DAN BILEFSKY

TIRANA, Albania — Donika Mici has braved decades of dictatorship, the burning down of one of her factories, a near civil war and a mother-in-law who thought she would be better off cooking in the kitchen than running a fashion empire.

Now, however, Ms. Mici, 47, chief executive of DoniAnna, the largest shoe manufacturing business in Albania, says the time has come for Albania Inc. to shed its outmoded image and overcome the hurdles of the past.

While other shoe exporters produce at least some of their shoes in nearby Italy for the cachet of a Made in Italy label, Ms. Mici makes shoes only in Albania and proudly insists that a Made in Albania label is no longer an impediment to success.

DoniAnna has an enviable client list of retailers, from mass-market chains like Macy's and Bata to specialty chains like Aldo and Kenneth Cole. The company had sales of more than 14 million euros, or \$20.4 million, in the first half of this year. It employs 1,400

'Albania is heading in the right direction to become a modern European country.'

workers and exports to more than a dozen countries, including Italy, the United States and France.

"You have to be very, very tough to succeed in this country, because we started with nothing after Communism fell in 1990," said Ms. Mici, a down-to-earth mother of one, whose main concessions to fashion are Versace glasses and a train of Chihuahuas following her on DoniAnna's sprawling factory floor.

"Now, Albania is heading in the right direction to become a modern European country, and there is no turning back," she said.

Yet that transformation will not be easy. While Albania, a poor southern Balkan country of 3.6 million people, joined NATO in April and aspires to join the European Union, its economy is still struggling to heal the scars left by 40 years of brutal authoritarianism under Enver Hoxha, a Stalinist dictator who fostered a

crude socialism that demonized Western capitalism as the enemy.

It is a sign of Albania's progress that today, Tirana, the capital, overflows with young people loitering at dozens of hip new cafes. Edi Rama, the tall, charismatic former artist who has been mayor for the last eight years, has splashed bright paint on the city's once-squalid facades, removed 90 tons of garbage and invested heavily in education and health care.

Yet much of the countryside remains in a third world time warp, and the national economy is so underdeveloped that Albania still imports staples like milk and sugar. Transparency International, the Berlin-based anticorruption monitor, ranked Albania among Europe's 10 most corrupt countries last year. More than 18 percent of the population is estimated to live below the poverty line of \$2 a day, according to Amnesty International.

Whether Albania can build a successful economy will help determine whether it can stabilize the Balkans or remain an impoverished backwater.

Prime Minister Sali Berisha, a former heart surgeon who has dominated Albanian politics for decades, argued in an interview that the country was on the right course and had weathered the global financial crisis. Gross domestic product grew 6 percent in the first quarter of the year, and, unlike some of its neighbors, Albania has not needed a bailout.

"The effects of world financial crisis have influenced the Albanian economy, but there is no economic crisis here," Mr. Berisha said.

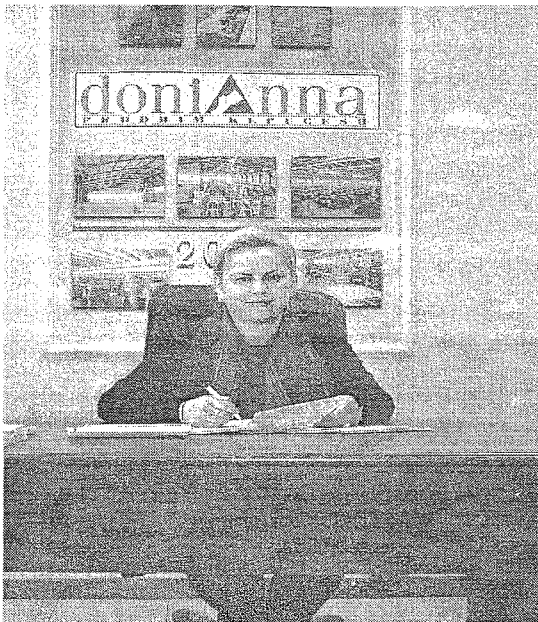
Still the governor of Albania's central bank, Ardian Fullani, warned in August that excessive government spending was threatening the country's macroeconomic stability. Albania had a run on its banks last October, when the onset of the global economic downturn prompted thousands of Albanians to withdraw their savings. That aggravated a liquidity shortage that some economists fear could, combined with a spiraling budget deficit, unhinge the economy.

Assuming the economy remains relatively stable, Ms. Mici says Albania's potential resides in a low-cost and hardworking work force that, she argues, makes it an attractive manufacturing center. She added that Albania had the potential to become an outsourcing alternative to Chi-



PHOTOGRAPHS BY JULI SINA

DoniAnna, in Tirana, Albania, is the nation's largest shoemaker, with sales of more than \$20.4 million in the first half of 2009.



Donika Mici started DoniAnna in 1992, teaming up with an Italian investor because no credit was available in Albania.

na and India.

"We have low wages, and we do not skimp on quality," she said, rubbing her painted fingernails over a stack of brown cowhide. "And while it can take six months for a manufacturer in Bangalore to fill an order for a

European shoe retailer, Albania's location means it takes only 30 days for my shoes to go from factory floor to a shelf in London or Paris."

The daughter of an army officer and a chef, Ms. Mici started DoniAnna in 1992 — a time, she

said, when Albania was so isolated that microwave ovens were unattainable and she was the only woman who drove a car in Tirana. With no credit available because no banking sector existed, she teamed up with an Italian investor. Within a few years, she was producing a million pairs of shoes a year and exporting across the world.

The stress was unbearable, she recalled, not least because she was a woman in an abidingly macho society. When she arrived for meetings with male suppliers, she said, they would routinely ask to see the boss.

"I'm a pioneer in this country because I was one of the first people, never mind women, to set up a private business after Communism fell," she said. "My husband's family were not happy, but I hired a nanny and someone to cook and clean and iron his clothes. I told my husband, 'The system has changed and these are the new rules.'"

Ms. Mici said building an export-oriented company from scratch also proved difficult in a nascent democracy without regulations to govern customs duties and safety, among other things.

In March 2008, when a former military ammunition depot exploded in Gerdec, a village northwest of Tirana, killing 26 people, DoniAnna's nearby factory burned to the ground, causing more than 1 million euros worth of damage.

"My company could be five times bigger but all of these hurdles slowed me down," she said. "I have worked day and night. My daughter says: 'You are not like one man, you are like 10 men. You never give up.'"

Business executives note that

investing in Albania is not for the fainthearted or risk-averse.

When Francesco Becchetti, one of Albania's biggest foreign investors, arrived in 1997 from Italy with the idea of exploiting Albania's hydroelectric potential, he was the only foreigner on the plane, he said. At that time, Albania was on the brink of civil war and tens of thousands of citizens were fleeing. "Everyone was desperate to leave the country," he said. "People told me I was crazy."

More than a decade later, his company, the Becchetti Energy Group, is investing a large sum in energy projects, including a sprawling hydroelectric plant on the Vjosa River in Kalivac, in southern Albania. At a time when Europe is seeking to offset its dependence on Russian energy, he argued that Albania, blessed by abundant rivers and at the crossroads of major natural gas lines, could become an important regional energy hub.

Mr. Becchetti said one of the biggest challenges of undertaking large infrastructure projects in Albania was getting financing because of the country's poor image. Its underdeveloped infrastructure meant he had to finance the construction of a six-mile road in Kalivac to allow him to transport cables, generators and everything else to the hydroelectric site. Because of a brain drain in Albania, the company had to import expensive engineers from Italy, he said.

Still, Mr. Becchetti said Albania's potential more than compensated for all the obstacles. "In the past people would laugh when I said I was investing in Albania," he said. "Now, no one is laughing."

