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New Home Construction Plummet Again

The Associated Press

Wednesday, October 17, 2007; 8:51 AM

WASHINGTON -- Construction of new homes plunged by a bigger-than-expected amount in September, reflecting the deepening troubles in housing.

The Commerce Department reported on Wednesday that housing construction fell by 10.2 percent last month, pushing activity down to a seasonally adjusted annual rate of 1.191 million units.

Applications for building permits, considered a good sign for future activity, also fell sharply in September, dropping by 7.3 percent to 1.226 million units.

Housing sales, which had set records for five straight years, have been slumping since 2006, a downturn that has intensified in recent months as mortgage lenders have tightened standards for getting loans in response to soaring defaults.

Both Federal Reserve Chairman Ben Bernanke and Treasury Secretary Henry Paulson warned this week that the housing downturn was likely to persist longer than had been expected.

Paulson said the slump in housing would likely "continue to adversely impact our economy, our capital markets and many homeowners for some time yet."

The National Association of Home Builders reported Tuesday that its index of builder confidence fell this month to the lowest level on record, dropping to 18 from a reading of 20 in September. It was the eighth consecutive monthly decline.

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