

MORTGAGE MELTDOWN**Washington Mutual to close 190 offices****It will shut 12 Bay Area home loan centers, expects to lose \$1 billion in 1st quarter of '08**

Chronicle Staff and News Services

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Washington Mutual Inc., the nation's largest savings and loan, said Monday that problems in the mortgage and credit markets are forcing it to close offices, lay off more than 3,000 workers and set aside up to \$1.6 billion for loan losses in its fourth quarter.

Additionally, the company slashed its quarterly dividend 73 percent and said it plans a \$2.5 billion offering of convertible preferred stock. Washington Mutual has not yet priced the offering, but increasing the total number of company shares will dilute their value for existing stockholders. In after-hours trading, shares fell \$1.73, or nearly 9 percent, to \$18.15 following the company's announcement.

Chairman Kerry Killinger said in a statement that "significant expense reductions" were needed "to further fortify" the bank's capital and liquidity.

The Seattle thrift dismantled much of its subprime mortgage business in September, cutting 1,000 jobs related to the sale of home loans to people with questionable credit. It folded the remaining subprime operations into its regular mortgage business.

The savings and loan will now get out of the subprime mortgage business entirely.

The company said it will close about 190 of its 335 home loan centers and sales offices, shut down nine call centers, and eliminate 2,600 home loan workers and 550 corporate and support jobs.

Locally, Washington Mutual spokeswoman Elizabeth Borrelli said 110 jobs would be eliminated with the closure of a retail home loan fulfillment center in Pleasanton. Another 20 jobs will be cut in San Francisco. Elsewhere in California, Washington Mutual will close home-loan-related offices in Downey (Los Angeles County), 35 jobs; Irwindale (Los Angeles County), 35 jobs; and Irvine, 230 jobs.

Spokesman Gary Kirshner said Washington Mutual will also shutter 31 home loan centers in Northern California. These will include 12 Bay Area locations: two each in San Francisco and San Jose, plus one center each in Dublin, Lafayette, Los Altos, Oakland, Pleasant Hill, San Bruno, San Rafael and Saratoga.

These changes, meant to address what the company called "unprecedented challenges in the mortgage and credit markets," will save the thrift \$140 million in the fourth quarter. But the company still expects to post a loss, due in part to a \$1.6 billion charge for the write-down of goodwill associated with the shrinking home loans business.

On top of that, Washington Mutual increased its loan loss provision to \$1.5 billion to \$1.6 billion for the fourth quarter, from the \$1.1 billion to \$1.3 billion predicted by executives in early November.

For the first quarter of 2008, the company said it expects loan losses to total \$1.8 billion to \$2 billion. Loan losses will remain high throughout the year, the thrift added.

The company also slashed its quarterly dividend to 15 cents per share from its most recent dividend of 56 cents per share, for savings

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of more than \$1 billion.

Moody's Investors Service downgraded several long-term and short-term ratings for the company and said in a statement that the move "was based on its view that credit losses from WaMu's mortgage operations will be noticeably higher than previously estimated." The credit rating agency said it doesn't expect the company's profitability to begin to recover until 2010.

Fitch Ratings also downgraded the thrift's credit ratings.

Before the news, shares rose about 85 cents, or more than 4 percent, to close at \$19.88 Monday.

<http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2007/12/11/BUB6TRQ84.DTL>

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