

Crisis widens. Banks borrow

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Sales of existing homes fell in March while the median home price declined, compared with the price a year ago, as a severe slump in housing showed no signs of abating.

The National Association of Realtors said that sales of existing single-family homes and condominiums dropped by 2 percent in March to a seasonally adjusted annual rate of 4.93 million units.

The median price of a home sold last month dropped to \$200,700, a decline of 7.7 percent from the median price a year ago. That was the second-biggest year-over-year price decline on records dating back to 1999.

The March sales decline, which was in line with expectations, followed a 2.9 percent increase in sales in February. The February rise, which followed six straight monthly declines, had raised hopes that the steep housing correction could be hitting bottom.

However, many private analysts said they do not expect a rebound for a number of months, given the problems weighing on housing from a severe glut of unsold homes to tighter credit standards for prospective buyers and a rising tide of mortgage foreclosures.

Sales were down 19.3 percent compared with a year ago, reflecting the depth of the housing bust, which is coming after sales set records for five consecutive years.

For March, sales were down 6.5 percent in the Midwest and 3.5 percent in the South but increased by 2.2 percent in the Northeast and 2.2 percent in the West.

The Northeast was the only region of the country to experience a rise in median prices, which were up 4.6 percent compared with a year ago. Prices were down in all other regions of the country, dropping by 14.7 percent in the West, 7.1 percent in the South and 5.3 percent in the Midwest.

The U.S. mortgage and credit crisis deepened, as Accredited Home Lenders Holding Co, HSBC Holdings Plc and Lehman Brothers Holdings Inc announced a total of 3,400 job cuts, as concern mounted about the longer-term impact on the economy.

Accredited, a subprime mortgage lender said it stopped taking loan applications and would cut 1,600 of its 2,600 jobs as it shuts most of its retail and wholesale operations by Sept. 5.

Four major banks borrowed \$500 million from the Federal Reserve's discount window, lending weight to its efforts to restore liquidity to tight markets.

Citigroup Inc., JPMorgan Chase & Co., Bank of America Corp. and Wachovia Corp. each stressed they themselves have "substantial liquidity" and the ability to borrow money elsewhere.

In a joint statement, the latter three said they decided to borrow directly from the central bank to demonstrate "the potential value of the Fed's primary credit facility" and encourage its use by other banks. It was not clear if other banks had also decided to borrow from the Fed.

The Fed took the dramatic step of cutting its discount rate on loans to banks, to 5.75 percent from 6.25 percent, in an attempt to alleviate Wall Street's credit crunch. It also made technical changes to make it easier for banks to get discount loans, including extending the credit period to up to 30 days.

Tapping the discount window had previously been seen as a last resort for banks in trouble, a perception the Fed sought to eliminate.

Citigroup was the first to announce its decision to borrow the money, "on behalf of its clients" at Citibank.

"Citi is pleased to inject liquidity into the financial system during times of market stress and to support credit-

worthy clients”, the company said. “Citibank stands ready to continue to access the discount window as client needs and market conditions warrant”.

It was followed minutes later by the three other banks.

“The companies believe it is important at this time to take a leadership role in demonstrating the potential value of the Fed's primary credit facility and to encourage its use by other financial institutions,” their statement said. The three added that they hoped their actions would “promote broad acceptance of the use of the facility”.