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Washington Mutual to close home-loan offices

Consolidation effort to eliminate 3,000 jobs

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Washington Mutual yesterday announced it will close all 186 of its stand-alone home-loan offices nationwide, including four in San Diego County and 82 throughout California.

The country's largest savings and loan said it is eliminating about 3,000 jobs, with the home-loan centers closing by the end of the month.

Lending will continue at regular branches, spokesman Gary Kishner said. Kishner attributed the layoffs to the declining market and a corporate decision to consolidate operations. He didn't rule out more staff reductions in the months ahead.

With the 3,000 layoffs, the institution known as WaMu is decreasing its home-loan group from 13,340 employees in January 2007 to about 6,200, Kishner said.

Economist Chris Thornberg of Beacon Economics said staff cuts at Washington Mutual were anticipated.

"WaMu is in big trouble," Thornberg said. "They definitely have been making a lot of shaky loans, and they are paying the piper."

Hit hard by the recent surge in home foreclosures, the Seattle-based company also said yesterday that it would receive \$7 billion in new capital from an investment group led by TPG, a private equity firm. The thrift also said it will get out of the wholesale lending business. That means WaMu won't be using mortgage brokers to market its loans, Kishner said.

"This substantial new capital – along with the other steps we are announcing today – will position us for a return to profitability as these elevated credit costs subside," Chief Executive Kerry Killinger said in a statement.

Washington Mutual is one of many lenders that have been forced to raise capital from outside investors in response to the mortgage market meltdown. The depth of the lending crisis became clear over the summer, when mortgage default rates surged on risky subprime, adjustable-rate loans.

Such loans were used widely during the housing boom to keep monthly mortgage payments low as housing prices soared. Many people were allowed to qualify for such loans based on introductory "teaser" rates without documenting their income.

University of San Diego economist Alan Gin said lenders have been trimming staff locally for months. In February there were 23,000 people working in the lending industry within the county, Gin said. That's down from a high of 27,600 in November 2005, the peak of the housing boom.

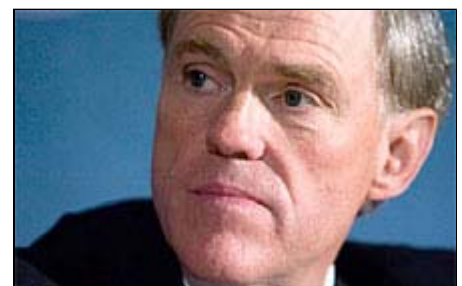
The layoffs at WaMu are "just more fallout from the housing situation," Gin said. "Homes aren't selling, so you don't need as many people giving out loans."

WASHINGTON MUTUAL STOCK PRICE



SOURCE: Thomson Financial

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MANUEL BALCE CENETA
/ Associated Press

Washington Mutual Chief Executive Kerry Killinger said announced cuts will position the savings and loan for a return to profitability.