

A FEW GOOD ASSETS

by [Steve Brown](#)

While we wanted to be able to report on the final outcome of the bailout bill, it looks our leaders need a little more time to yell at each other. We are not sure, but we think we heard FOMC Chair Ben Bernanke lose his cool and give the following speech the other day at his Congressional testimony when CNBC went to a commercial break:

"Senators, we live in a world that has bonds and bad construction loans and those assets need to be bought by men and women with balance sheets. Who's going to do it - you, Chairman Dodd? You, Senator Schumer?

I have a greater responsibility than you can't possibly fathom. You weep for Bear Sterns and curse the banks just trying to get their collateral; you have that luxury. You have the luxury of not knowing what I know: that Lehman's bankruptcy, while tragic, probably saved firms and that my existence, while grotesque and incomprehensible to you, saves markets.

You don't want the truth, because deep down in places you don't talk about at parties, you want me buying assets - you need me buying assets. We use words like "foreclosure," "Discount Window" and "TARP." We use them as the backbone of a life trying to defend something. You use them as a punch line.

I have neither the time nor the inclination to explain myself to a group of media hungry politicians who rise and sleep under the blanket of the very liquidity I provide and then question the manner in which I provide it. I would rather you just said "thank you," and went on your way. Otherwise, I suggest that you purchase a defaulted option arm and pay par.

Either way, I don't give a dang what you think the American taxpayer is entitled to."

Yes, we can handle the truth and we do need answers. Ladies and gentlemen of Congress, please reach an agreement, at this point, any agreement....you are starting to scare us. DOW futures are down 200 and quarter-end is near.

UNLUCKY #13 - WAMU

The FDIC took over Washington Mutual late yesterday, marking the 13th failure of the year. It also immediately sold WAMU to JPMorgan for \$1.9B. Here is what we know so far: WAMU - Was founded in 1889, but had seen its stock price drop precipitously recently. Since September 15, it saw deposit outflows totaling nearly \$17B. Outflows resulted in the company having insufficient liquidity to meet its obligations. It had 2,300 branches and \$182B in customer deposits as of June 30. The company had \$28B in outstanding bonds, which are now worth nothing. Shareholders, subordinated and senior debt holders were wiped out. FDIC - The failure is the largest of any financial institution in U.S. history and nearly 8x the size of the 2nd largest (e.g. \$307B in assets vs. \$40B of Continental Illinois). Looking at the data another way, WAMU's assets equaled about 67% of the combined value of all of the 747 banks and thrifts that were sold off by the RTC. The transaction was structured in such a fashion that the FDIC will not absorb any losses. JPMorgan - Purchased all deposits (insured and uninsured), assets and qualified financial contracts. That is a good thing, since it is estimated WAMU

had borrowings totaling \$58B from the Federal Home Loan Bank of San Francisco. Will write down the loan portfolio it is acquiring by \$31B and sell \$8B in common stock to help pay for the acquisition. It will add another \$3.6B to its ALLL. Ends up with 5,410 branches across the country (2nd largest) and has already said it would close 10% of those over time. Becomes the largest bank in the U.S. based on deposits, with \$911B.

BANK NEWS

Retirement Opportunity

Only 15% of wealthy people consider a bank to be their primary retirement and savings product provider.

Business Customers

About 47% of small business owners say they are taking proactive steps to reduce payroll costs as worries mount about economic recovery.

Overdrafts

A new ABA study finds 80% of consumers have not paid an overdraft fee in the past 12 months. Of those who did, 85% said they were glad their bank covered the payment.

More Mobile

About 300 banks in the country now offer some form of mobile banking services. Maybe that is because studies show 13% of all online banking users will adopt mobile banking by the end of 2009.

Homebuilders

Bankers wishing to track performance of the top 10 homebuilders in the country should follow (in order by revenue generated) Centex (CTX), DR Horton (DHI), Lennar (LEN), Pulte (PHM), KB Home (KBH), Hovnanian (HOV) and Toll Brothers (TOL).

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