



06/30/2008

## Wachovia discontinues lending program

Wachovia announced today that they are discontinuing their controversial “Pick-a-Payment” lending program which allowed borrowers to choose a lower than interest accrued monthly payment. Under the program homeowners could find themselves actually increasing their monthly mortgage payments without a rise in rates. It’s estimated that 60% of mortgages using the “Pick-a-Payment” program are located in California where the housing market has hit homeowners especially hard. The program is a major portion of Wachovia’s loan-related losses.

Wachovia also announced they are now waiving the programs’ early pay-off fee. “Wachovia is committed to serving our customers and ensuring they not only have the right product to meet their needs, but also the resources available to help them during these challenging times,” said David Pope, president of Wachovia Mortgage. “Proactively waiving prepayment fees for our Pick-a-Payment mortgage products gives our customers the freedom to manage their current financial situation more effectively.”

The now defunct program was a major part of Golden West’s portfolio which the bank acquired in 2006 at the height of the housing boom. Their non-traditional lending portfolio coupled with a \$24 billion price tag was hotly debated buy for Wachovia and would ultimately be the catalyst for deal-maker CEO Ken Thompson’s firing earlier this month. The bank estimates that they will lose 8% of the deal’s value as a result of their decision to acquire Golden West.

Wachovia also announced they have helped over 18,000 homeowners keep their homes through a workout of their payments. The bank also has acquired the services of Goldman Sachs in order to investigate new ways for them to increase capital. Many analyst believe that Goldman Sachs will most likely be asked to help facilitate a sale of Wachovia’s riskiest loans.