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Wachovia reports \$8.6 billion loss

Wachovia released its second quarter 2008 earnings report Tuesday indicating the banking giant had suffered a \$8.6 billion loss as a result of the slumping housing market. Shares of Wachovia fell \$4.20, well over the estimated \$0.78 that the company expected to lose for the quarter. The bank also announced they would be cutting 5,350 jobs by the end of 2009 hoping to cut expenses and continue to weather the current housing crisis.

The company is expected to take other steps as a means of overcoming their financial difficulties. "Wachovia Mortgage has evaluated our business model in the context of the current market and recognized some opportunities to reposition our business.

We believe it is important to focus on serving the needs of customers who have relationships with the bank, and who are located in geographies where Wachovia franchises are located. Based on our decision to focus on building relationship banking customers, we have decided to discontinue doing business through our wholesale mortgage channel after July 25" a Wachovia spokesperson told reporters.

Wachovia's announced suspension of mortgage lending through third-party brokers could result in a drop of as much as 40% of their lending volume. Despite the lower volume the move is expected to produce positive results for the bank. Wachovia's acquisition of sub-prime lender Golden West is popularly viewed as a driving force behind their recent losses.