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Customers leery after WaMu failure

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The collapse of Washington Mutual and its purchase by JPMorgan Chase stunned some customers and prompted others to close their accounts, but most patrons remained calm Friday after the nation's largest bank failure.

JPMorgan said it would be business as usual for the bank's clients.

"At first I was worried," said Samatha Arias, an Antioch resident and WaMu customer. "I wondered if WaMu would go bankrupt like some others. But it should be fine since they sold it to a bigger company."

Arias intends to keep her deposits with Washington Mutual and its new owner, JPMorgan.

That's not the case, though, with Oakland resident Randy Newcomb. He says he's decided to close his WaMu accounts.

"I am going to find a different place to put my money that is safer," Newcomb said. "I need to protect my family. I was concerned about Washington Mutual before this happened."

Long lines of customers snaked through the lobby of many WaMu branches Friday. Some patrons conversed with others about the failure of the thrift. "I want to see if my money is still here," one customer joked at the downtown Concord branch.

"I'm going to keep my money with WaMu," said Kyiakhalid Ruiz, an Oakland resident. "I don't feel like I have to stuff my money in a mattress."

Other customers who are worried intend to see how the new owners perform.

"I have some concerns, but I have faith that JPMorgan will take care of our money," said Megan Santos, a Walnut Creek resident. "I'm not closing my accounts. The economy is changing. But we don't want to pull our money out and make things worse."

"It is unnerving," said Bianca Mascorro of Oakland. "But I am very happy to see that JPMorgan is taking over."

A bank run on WaMu forced the hands of federal regulators. An outflow of deposits began on Sept. 15 and eventually totaled $16.7 billion. That eroded WaMu's liquidity and left the bank in an "unsafe and unsound condition to transact business," the Office of Thrift Supervision said in a prepared release.

Many of the customers who closed accounts were in California. Numerous patrons had accounts with balances of more than the $100,000, a level that is insured by the Federal Deposit Insurance Corp.

"The deposit loss was concentrated in unsecured retail assets," said William Ruberry, an Office of Thrift Supervision spokesman. "There was a heavy concentration of the bank run in California, and in amounts above the FDIC covered limit."

As of June 30, WaMu had $307 billion in assets, the federal agency reported. That included $188.3 billion in deposits and $118.9 billion in single-family loans. The loans included $52.9 billion in payment-option, adjustable-rate mortgages and $16.05 billion in subprime home loans.

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Some analysts say JPMorgan's purchase is a hopeful sign about the mortgage meltdown and credit crunch.

"The credit markets are starting to repair themselves," said Christopher George, president of San Ramon-based CMG Financial Services, which offers mortgages. "Deals like this are part of the repair process."

Yet more damage is possible. Analysts have turned their scrutiny to National City Corp. and Wachovia Corp. Wachovia is believed to be in early talks for a possible sale to an array of suitors that include Wells Fargo & Co., Citigroup Inc. and Banco Santander SA of Spain.

"WaMu's failure is surprising, but it shows the long reach of the credit crunch," said economist Jon Haveman, a partner with Beacon Economics.

Some economists say the deals by large, well-heeled banks show that massive government intervention — such as the $700 billion financial industry bailout being crafted by Congress — might not be needed to remedy the nation's credit ailments.

"This suggests that the bailout plan is a little extreme and underestimates the ability of the market to take care of these problems on its own," Haveman said.

WaMu workers attempted to reassure customers Friday.

"They told us everything is going to be the same," said Brenda Reyes, an Oakley resident. "But I'm not surprised this happened. The economy is horrible."

Still, the economy is strong enough to withstand the current woes in the financial markets, said Brian Wesbury, chief economist with FT Advisors. Wesbury concedes the economy is struggling. But he scoffs at suggestions the slump is of historic proportions.

"Credit is tight," Wesbury said. "It is harder to get a mortgage, harder to get a car loan, harder to get a business loan. There are clearly problems. But we are not in a crisis. We have not had a recession, let alone a Great Depression."

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