



Ranieri Says Housing Is Shouting Distance From Bottom (Update2)

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By Eric Martin

April 29 (Bloomberg) -- **Lewis Ranieri**, a mortgage-bond pioneer and former Salomon Brothers vice chairman, said the slump in U.S. home prices is almost over because the drop is expanding the number of potential buyers.

"I'm actually very enthusiastic about housing, and I haven't said that in five years," said Ranieri, who spoke on a panel at the Milken Institute Global Conference in Beverly Hills, California. "As **housing prices** continue to inch down within shouting distance of a bottom, affordability will simply get greater."

Ranieri, 62, helped turn New York-based Salomon Brothers into Wall Street's most-profitable firm in the 1980s by being one of the first to package mortgages and sell them as securities. He is now chairman of Hyperion Partners LP, a New York investment firm.

He formed Houston-based Franklin Bank Corp. in 2002 and over the next four years expanded the bank's lending operations. While the firm avoided the subprime mortgage market, it was forced into bankruptcy in November after getting burned by loans to builders in California, Arizona, Florida and Michigan, where foreclosures are among the highest in the U.S.

The worst housing downturn since the Great Depression, which spurred the collapses of Washington Mutual Inc. and IndyMac Bancorp Inc., will end before the overall economy improves, Ranieri said.

Home Prices Plunge

"In every other recession, housing has bottomed before the end of the recession," Ranieri said. "Housing is showing all the indicators that this will happen again."

The **Standard & Poor's/Case-Shiller** index of home prices in 20 major U.S. cities has plunged 31 percent since July 2006. The decline slowed in February for the first time since 2007, signaling the market may be stabilizing. On the whole, the economy continued its slide in the first quarter as U.S. gross domestic product dropped at a 6.1 percent annual pace, weaker than forecast, a government report showed today.

U.S. home **prices** rose 0.7 percent in February from January, the first consecutive monthly gain in two years, the Federal Housing Finance Agency said April 22, a sign that low interest rates may be moderating declines in real estate values. **Federal Reserve** efforts to bring mortgage rates down and government tax credits for first-time buyers may continue to support sales after an almost four-year slide.

'Basket of Inventory'

"We have this amazing basket of inventory to play with," he said. "If you give the system this tremendous amount of usable inventory, cash and the financing mechanisms to work, we're going to have a field day. We're just not paying attention to how good this is."

The Fed said on March 18 it would purchase as much as \$750 billion of additional mortgage-backed securities from Fannie Mae, Freddie Mac and Ginnie Mae. The program helped lower rates earlier this

month to 4.78 percent, a record low in Freddie Mac data going back to 1971. The mortgage rate for a 30-year fixed home loan declined to 4.80 percent from 4.82 percent a week earlier, Freddie Mac, the McLean, Virginia-based mortgage buyer, said April 23.

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