

## **Paulson Says U.S. Job Losses in February `Are Not Welcome News'**

March 7 (Bloomberg) – Treasury Secretary Henry Paulson said a second straight month of declining U.S. jobs signals a “tough” quarter for growth, while stopping short of saying the economy has entered a recession.

“Clearly these jobs numbers that came out today are not welcome news, not good news,” Paulson said in a speech at Stanford University in Stanford, California. “This is a tough quarter, we knew it.”

Paulson's comments came after a government report today showed the U.S. unexpectedly lost 63,000 jobs in February, after a drop of 22,000 in January. The Federal Reserve moved to add as much as \$200 billion to the banking system over the next month in an attempt to alleviate the threat from banks reducing corporate and consumer lending.

The jobs report sent U.S. stocks to the lowest since August 2006, on concern that the worst housing recession in a quarter century will increase bank losses and curb corporate and consumer lending.

“Our capital markets are going through some stress right now, risk adversity, but they're the broadest, deepest, the most competitive in the world,” Paulson said.

Foreclosures rose to a record in the fourth quarter, the Mortgage Bankers Association said yesterday. Paulson said the government is encouraging lenders and borrowers to work together to prevent people from losing their homes.

### **Response Rate**

“We're reaching out aggressively. Still, a large number of people aren't responding,” Paulson said. “The response rate has gone from 2 or 3 percent to 20 percent, but 50 percent of those going into foreclosure aren't talking to anybody. It's hard for the government to help someone if they won't reach out and look for solutions.”

Asked whether the Treasury is considering guaranteeing mortgage-backed bonds issued by Freddie Mac and Fannie Mae, the two largest sources of American home financing, Paulson said, “what I'm considering is something I've been considering for a long time, which is they need reform.”

“We need an independent regulator with strong powers,” he said. “We need them to continue raising equity, play the role they're playing. And that's where our focus is.”

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