

Morgan Stanley Said to Freeze Home-Equity Credit Withdrawals

By Christine Harper



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Aug. 6 (Bloomberg) -- [Morgan Stanley](#), the second-biggest U.S. securities firm, told thousands of clients this week that they won't be allowed to withdraw money on their home-equity credit lines, said a person familiar with the situation.

Most of the clients had properties that have lost value, according to the person, who declined to be identified because the information isn't public. The New York-based investment bank will review home-equity lines of credit, or HELOCs, monthly from now on, the person said yesterday.

Wall Street firms including Morgan Stanley are ratcheting back on risks after the collapse of the subprime mortgage market and ensuing credit contraction saddled banks and brokerages with almost \$500 billion of writedowns and losses. Consumers fell behind on home-equity credit lines at the fastest pace in two decades in the first quarter, the [American Bankers Association](#) reported last month.

“Morgan Stanley periodically reassesses client property values and risk profiles,” said [Christine Pollak](#), a Morgan Stanley spokeswoman in Purchase, New York. “A segment of clients was recently notified of a change in the status of their home-equity line of credit, or HELOC, due to a change in the value of their property and/or their credit profile.”

Pollak declined to specify the dollar amount of the frozen credit lines. The firm's global [wealth management](#) division, which doesn't disclose how many clients it serves, had 8,350 advisers managing \$739 billion of customer assets at the end of May, according to its second-quarter earnings report.

No Recovery Seen

“It's evidence that they don't think the economy is going to recover quickly,” said [Brad Hintz](#), an analyst at Sanford C. Bernstein & Co. in New York who rates Morgan Stanley shares “outperform” and who owns some of the stock. “The fact that they're trying to get ahead of the problem is very good.”

[Morgan Stanley](#) has already taken about \$14.4 billion of losses related to leveraged loans and collateralized debt obligations. The clampdown on home-equity loans mirrors similar efforts by commercial banks, said [David Hendler](#), an analyst at Credit Sights Inc. in New York.

“All consumer lenders and home-equity lenders are reassessing the environment given the pressure on housing and the economy,” Hendler said.

JPMorgan Chase & Co., the second-biggest U.S. bank by market value after Bank of America Corp., has notified 150,000 customers about changes in their home-equity lines of credit since March, said [Christine Holevas](#), a Chicago-based spokeswoman.

Changes Made

In some cases the lines have been reduced and in other cases they've been suspended, depending on the change in home values, she said. The changes affect about 15 percent of JPMorgan's home-equity credit customers, Holevas said.

Bank of America and [Washington Mutual Inc.](#) are among the other lenders that have frozen home-equity credit lines this year.

“Morgan Stanley customers are typically coming out of their wealth management side, so typically a high net worth customer,” said [Christopher Whalen](#), co-founder of Institutional Risk Analytics in Torrance, California. “This shows you they are under the same pressures as everybody else.”

To contact the reporter on this story: [Christine Harper](#) in New York at charper@bloomberg.net.

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