



Up, up and away

Prices rose nearly 1% in July

By RICKI FULMAN
Daily News Business Writer

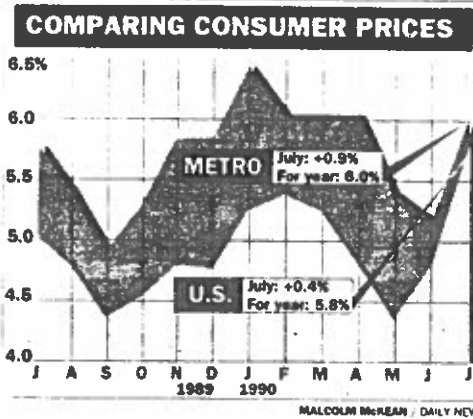
Higher food and shelter costs sent the Consumer Price Index spiraling upward last month in the New York-northeastern New Jersey area.

Samuel Ehrenhalt, regional commissioner of the U.S. Bureau of Labor Statistics, yesterday said the CPI here rose 0.9% in July, meaning inflation has been running at a rate of 6% for the year.

Nationally, last month's increase was 0.4%, translating to 5.8% for the year.

Analysts were surprised at the nationwide jump and said prices were likely to rise even more in August as a result of the Aug. 2 Iraqi invasion of Kuwait. Oil prices already have begun to surge.

Ehrenhalt said that in this area, a 3.2% decrease in residential fuel oil prices and a 1.3% drop in electricity charges offset the steep 2 1/2% rise in



renters' and homeowners' costs. Those included repair bills, property taxes and insurance, as well as the cost of vacation lodging.

"We weren't expecting the food increases either," said Ehrenhalt. Prices were particularly high for lettuce and bananas, bringing the hike in

metro area supermarket prices to 1.4%, while overall food costs — including those charged by restaurants — moved up 0.9%.

Gasoline prices jumped up 1.5% in July, after a 5.3% increase in June. "It's partially because we have moved into the peak driving season," said Ehrenhalt. "But with the Iraq situation, it's not clear yet how much worse it will get."

"The economy overall hasn't been increasing its demand for energy, because it's not that strong an economy."

Besides energy costs, there have been a number of local tax increases adding to the consumer's burden.

Ehrenhalt said. These include a 6% to 7% sales tax in New Jersey and indirect taxes such as those levied on manufacturers and various service industries in New York and New Jersey.

In another report for July, U.S. housing starts fell for the sixth consecutive month.

S&L sales' \$4.6B slap

The Federal Home Loan Bank Board's controversial 1988 sales of more than 200 failed thrift institutions cost taxpayers \$4.6 billion in 1989, according to a report obtained by the American Banker from the Federal Deposit Insurance Corp.

The FDIC tally is the first official accounting of costs associated with the 1988 deals, which included guarantees by the government that investors in the failed thrifts would earn a spread over their cost of funds for a 10-year period.

The \$4.6 billion cost of the first full year after the sales is in line with current government estimates that they will cost the taxpayers \$50 billion to \$60 billion over the 10 years. — American Banker

Don draws heat on banks

By ROSEMARY METZLER LAVAN
Daily News Business Writer

Recent revelations about Donald Trump's bank financing will spur closer congressional scrutiny of bankers' lending practices and the role of bank regulators, according to Rep. Charles Schumer (D-N.Y.).

"The banks threw money at Donald Trump, and that was both bad for him and them," said Schumer, a member of the House Banking Committee. "It is like being parents. It is their responsibility not to overfeed their child. They gave money on much too-easy terms, and it was grossly overdone."

"This (Trump) has made Congress very aware that banks follow a herd instinct," Schumer added. "This is no different than Third World loans or the oil and gas lending of the '80s." The Trump loans were

"done in an era of hype and exaggeration — both of valuations and lending standards," said bank analyst Reid Nagle of SNI Securities.

"He created an aura about himself that caused him to be treated differently," Nagle added. "This is part of the general pattern of bank embarrassment relating to its real estate lending practices."

James McDermott, a bank analyst with Keele Bruyette & Woods, said, "The longer the markets continue to be weak, the higher the probability there will be Trump (bank) losses."

Apple Bancorp Chairman Jerome McDougal said he believes many other lenders will find themselves in the same position as Trump's bankers.

"Maybe the loans are not as large and not as trumpeted," he said. "Trump is, after all, a public figure by his own design."

Nagle agrees. "Banks made excessive real estate loans to Donald Trump and others," he said.

On Wednesday, the New Jersey Casino Control Commission distributed to anyone who asked a compilation of documents describing the terms and conditions of Trump's bank loans. Attempts by Trump to appeal the commission's decision were denied by New Jersey courts.

Ironically, Trump, his bankers and even federal regulators refused to give similar details to the House Banking Committee just last week.

Schumer said he did not envision another Banking Committee attempt to investigate Trump's bank dealings.

"But the secrecy aspect of bank regulation has outlived its usefulness and will be examined," Schumer vowed.

Ex-exec admits fraud in textile firm's unraveling

A former executive of a collapsed textile firm that lost more than \$100 million of stockholders' money pleaded guilty yesterday to committing bank fraud by preparing phony financial statements.

Bruce Bloom, 44, of Middletown, N.J., pleaded guilty in federal court in Newark to falsifying the company's

books to obtain a \$52 million debt-restructuring loan from a Boston bank, according to Michael Chertoff, U.S. attorney for New Jersey.

Bloom, a former director and chief financial officer of Coated Sales Inc., also has agreed to cooperate with the continuing federal probe into the 1988 collapse of the company, which filed

for bankruptcy two months after the loan was made by BancBoston Financial Co.

Coated Sales, headquartered in Laurence Harbor, N.J., reported net sales of more than \$90 million in 1987.

Bloom could get up to 10 years in prison and a \$250,000 fine when sentenced, Chertoff said. — David Hardy



By DAN MURRAY

Fed upstate

The Federal Reserve Bank of New York yesterday temporarily moved its electronic funds transfer system to an emergency backup site in Pe River, N.Y., north of the city after one of its diesel generators began to falter. "Fedwire" shuttles \$900 billion worth of securities and funds among banks daily.

Citi slips

Citibank said because of the ConEd power outage and the resultant strain on its own power system, deposits, withdrawals and other transactions are being processed about one day late. The bank said no info has been lost and expects the system to catch up over the weekend. The 230 New York metro branches will be open Saturday and late tonight.

Exxon vs. IRS

Exxon Corp. said it will try to avoid paying \$6.5 billion in "totally unwarranted" taxes the IRS is seeking in a decade-old dispute. The U.S. is seeking almost three times the \$2.5 billion Exxon already has paid for the years in question, 1980-82.

Pollution alert

Major industries are covering up lack of real progress in pollution control through "phantom reductions" and "creative accounting" in toxic emissions, the National Wildlife Federation says. Alcoa was singled out in the charge which the company denied.

Red Inc.

Inc. magazine, aimed at entrepreneurs, will launch a Russian-language edition next year.

Where's the metal?

The Agriculture Department has ordered meat processors to run ground beef and pork bound for school lunch programs through detectors to check for tiny pieces of metal, possibly from cutting or grinding machines. Some fast-food operators and supermarkets already do this inspection.

Foreclosed conclusion

Chemical Bank sold a five-story brownstone at 59 E. 64th St. that it took back in a foreclosure two years ago. Massey Knakal Realty Services arranged the \$1.65 million cash deal.

Moving up

Robert Smerling, who built Cinema National into a 100-screen chain, was named president of Loews Theatre Management Corp. ... Charles Phillips, who worked a decade for the Maxwell House Coffee Co. before leading General Foods businesses on four continents is returning to Maxwell House as its president.

NOTE

Because of space limitations, Sylvia Porter's Your Money column does not appear today.