

## Press Releases

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### OTS 01-71 - In Resumption of September 11 Senate Banking Hearing OTS Details Actions Responding to Attack and Superior Bank

#### Office of Thrift Supervision

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Contact: Sam Eskenazi

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### In Resumption of September 11 Senate Banking Hearing OTS Details Actions Responding to Attack and Superior Bank

WASHINGTON - In the resumption today of a Senate Banking Committee hearing on Superior Bank that was postponed shortly after it began on September 11, Office of Thrift Supervision Director Ellen Seidman announced that OTS has issued 27 subpoenas in the Superior case. She reported that agency officials have also had extensive discussions with investigators from the General Accounting Office, and Treasury and FDIC inspector generals.

The original hearing, at 10 a.m. on September 11, was abruptly halted a few minutes into Ms. Seidman's testimony when Capitol Police ordered the Dirksen Senate Office Building evacuated.

During her testimony today, Ms. Seidman outlined the heavy focus since September 11 on OTS cooperation with law enforcement agencies to trace, freeze and stop flows of funds to terrorists and those related to them. She also discussed OTS actions to maintain the strength of and confidence in the nation's banking and thrift system in the wake of the terrorist attacks.

Concerning Superior, Ms. Seidman reiterated her belief that "this failure was the responsibility of those who owned and managed the institution and related parties." OTS closed the Hinsdale, Ill.-based institution on July 27 and appointed the FDIC as conservator and receiver after the bank's owners failed to implement a capital restoration plan that OTS approved on May 24. The bank was owned 50 percent by the Pritzker family of Chicago and 50 percent by the Dworman family of New York.

Superior, which had assets of \$1.8 billion as of June 30, became critically undercapitalized largely due to incorrect accounting treatment and aggressive assumptions for valuing complicated financial instruments known as residuals. "The risk from a concentration in residuals at Superior was exacerbated by a faulty accounting opinion by the institution's external auditors that caused capital to be significantly overstated, and by management and board recalcitrance in acting on regulatory recommendations, directives and orders," Ms. Seidman said.

She called on Congress to strengthen the Prompt Corrective Action statute that federal bank and thrift regulators use as a tool in dealing with troubled financial institutions. She also asked Congress to grant the bank and thrift regulators more explicit power to resolve quickly disputes with accountants that could result in a drop in an institution's capital rating and to require accountants to consult with bank regulators generally on the impact of proposed accounting treatments on depository institutions.

She reported that, out of 1,037 federally-chartered thrifts in the United States, there are 16 that OTS considers to be in poor financial condition and testified that the agency was focused on getting each of the 16 returned to health, merged or acquired, or voluntarily liquidated. "The health of the nation's thrift industry remains strong," she said. Over the past four years, OTS has closed only three out of 53 thrifts that had received the two lowest examination ratings, including Superior, she reported.

Ms. Seidman began her testimony reporting to the Senate that OTS began focusing on the aftermath of the terrorist attack the morning of September 12 with regular conference and video calls with its regional offices -- particularly with those serving the New York and Washington areas. OTS also participated in regular conference calls with the other banking regulators and with the members of the Financial Markets Working Group.

"I can report is that the nation's thrifts have responded well to the events of September 11, and are effectively serving their customers, their communities, and the greater needs of the nation," Ms. Seidman said.

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The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services. For copies of news releases or other documents visit the OTS web page at [www.ots.treas.gov](http://www.ots.treas.gov).