

Press Releases

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OTS 08-032 - Reich Cites Keys to Restoring Consumer Confidence

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Washington, D.C. — Office of Thrift Supervision (OTS) Director John Reich cited three keys today to restoring the confidence of consumers and investors in the financial services industry.

In a speech at the Summer Meeting of the American Bankers Association, Reich said recent news reports about health problems of financial institutions have shaken the public confidence essential to the industry.

The first key is for managers of financial institutions and regulators to refocus attention on risk management, he said. Secondly, all entities that originate home mortgages must abide by the same set of rules. The third key is to end the speculation about the condition of particular financial institutions, the Director said.

He noted that a run on deposits at IndyMac Bank, a California thrift that was already in financial distress, drove that institution to failure. Following the IndyMac closing, research firms and analysts developed lists of troubled banks and thrifts, and news reports about those institutions fueled concerns by consumers.

“Seemingly oblivious to the fact that they could drive otherwise healthy banks to fail and push troubled institutions away from potential solutions toward ruin, TV reporters staked out banks on these rogue lists, interviewed customers and stoked public fears,” Reich said.

He also urged the Securities and Exchange Commission to pursue aggressively any information about rumors that fraudulently manipulate the markets.

“It is my hope that perpetrators of damaging misinformation will consider the consequences of their actions before the damage is done and that, when their actions are illegal, they should face the consequences,” the Director said. “I would also hope that further public discussions or media stories regarding insured depository institutions would include a reminder to the public that the deposit insurance system is safe and that no depositor has ever lost a penny of insured deposits in an FDIC insured bank or thrift.”

The full text of the speech is attached (<http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2008-32a.pdf>).