

Statement of Mr. John Corston

FDIC Acting Deputy Director

Division of Supervision and Consumer Protection, Complex Financial Institution Branch

U.S. Senate Permanent Subcommittee on Investigations

April 16, 2010

Chairman Levin, Ranking Member Coburn and members of the Subcommittee, I appreciate the opportunity to testify on my role with the FDIC regarding Washington Mutual Bank (WaMu). On behalf of the Corporation, we have submitted to the Subcommittee a written statement that responds to specific issues that were requested by the Subcommittee. In addition, allow me to briefly introduce myself and my roles and responsibilities at the FDIC. I am John Corston, Acting Deputy Director for the FDIC's Division of Supervision and Consumer Protection's Complex Financial Institution Branch in Washington, DC. I have had a leading role in this branch since 2005, after working in three different regions in various capacities related to bank supervision. I started as a field examiner with the FDIC in 1987.

An element of my duties as Acting Deputy Director of the Complex Financial Institutions Branch is to oversee the Large Insured Depository Institution program, also known as the LIDI program. Broadly, the LIDI program provides forward looking assessment of insured depository institutions over \$10 billion, provides highly experienced technical experts to provide on-site support for the regions, operates a continuous presence at the 8 largest insured institutions, and assists in developing and

recommending strategy to the Division Director and the Chairman regarding specific institutions.

With regard Washington Mutual, I worked with technical experts on my staff in the Complex Financial Institution Branch and coordinated with the region to evaluate the CAMELS and LIDI ratings and supervisory strategy, including enforcement actions. While the region is primarily responsible for these areas, input from the Complex Financial Institutions Branch played a significant role in the decision-making process. I also worked with my Washington-based counterpart at the Office of Thrift Supervision (OTS) on LIDIs, including WaMu, to resolve issues regarding the FDIC's actions or conclusions that were not resolved at the regional level.

One of the roles of the FDIC's Complex Financial Institutions Branch is to identify risks that impact large institutions, including high-risk lending strategies such as took place at Washington Mutual. To do this, we have technical experts on-site at institutions we have identified through the LIDI review process that are considered to possess higher levels of risk. For instance, we placed staff on-site at Countrywide, IndyMac and WaMu to identify high-risk activities and measure that impact on their financial condition. My branch's responsibility is to examine a financial institution to gain an awareness of the speed in which the institution could deteriorate, determine its sensitivity to market events, and analyze its exposure to loss so that appropriate and timely responses can be developed.

Thank you for the opportunity to testify and I am pleased to answer any questions.