DEPARTMENT OF THE TREASURY
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Statement of John M. Reich
Nominee for Director, Office of Thrift Supervision,
Bureau of the U.S. Department of the Treasury
before the
Senate Committee on Banking, Housing, and Urban Affairs

Mr. Chairman, I want to thank you for scheduling this hearing today, as I know your time is limited in the remaining days before the upcoming August recess. Chairman Shelby, Senator Sarbanes, members of the Committee, I'm honored by the President's nomination and the support of the Secretary of Treasury to be the Director of the Office of the Thrift Supervision. I am privileged to be sitting at this table this afternoon.

In the almost four and a half years I have served as a member of the FDIC Board of Directors, we have witnessed significant change in the economy and the banking industry. In fact, Mr. Chairman, you may recall that I was about to testify at this very table on September 11 when the events of that day stopped the hearing and triggered challenges and changes to our country's financial systems that no one could have foreseen.

My nearly 25 years of experience as a community banker before I came to Washington to work with my good friend, former Senator Connie Mack for nearly 12 years, has given me a perspective that recognizes the vital role that banks and thrifts, and their customers play in the economic success of their communities. Before my life in Washington, I was active for many years in a variety of community service organizations, and the affect of all of these private, non-profit and public service experiences causes me to evaluate issues in a manner that balances the interests of financial institutions, consumers, and the nation's economy.

Under the leadership of Chairman Don Powell, the FDIC has been, and is, at the forefront of many of the issues facing the financial industry today. We have brought together leading thinkers on such key issues as corporate transparency, financial institutions disclosure, and risk management, and, of course, our work on deposit insurance reform. We have launched a major financial literacy effort called Money Smart with the stated goal of establishing partnerships with 1,000 organizations and institutions, in all 50 states, to distribute 100,000 copies of Money Smart in three languages and expose one million consumers to our financial education program over the next few years.

In addition, I have been privileged to lead a major effort to reduce unnecessary regulatory burden and to tap the tremendous potential of technology to streamline bank supervision – while not sacrificing our primary goal of ensuring the safety and soundness and consumer compliance of the banking system.

While the FDIC has been aggressively moving forward on these developing issues, we've not neglected our primary mission of protecting depositors in the event of bank failures. In fact, I believe that the lessons I learned in the failure of a large savings bank provide me with unique credentials to serve as the Director of OTS.

Following the resignation of former Chairman Donna Tanoue in July 2001, I was serving as the Acting Chairman of the FDIC when Superior Bank, FSB, failed on July 27, 2001. It was not just the size of this failure – more than $2 billion in assets – that was instructive. As this Committee knows from its oversight, this failure raised a number of issues ranging from subprime lending, to residuals and accounting opinions, to regulator cooperation and access, to management liability, which challenged the leadership and staff of the FDIC to modify established methods of handling bank failures and to create some innovative new approaches. This experience along with other experiences gained during the nearly 4 and a half years I've served on the Board, including 3 years as Vice Chairman, combined with my duties chairing of all of the standing committees of the FDIC Board help, I believe, to enable me to serve effectively as Director of OTS.

Mr. Chairman, as the primary federal regulator of all saving associations and savings and loan holding companies, the OTS oversees a vital segment of the American economy. As of mid-May 2005, there were 886 savings associations with approximately $1.4 trillion in assets. As of the end of 2004, there were 492 savings and loan holding company structures with consolidated assets of approximately $6.9 trillion. Savings associations originated $603 billion in single-family mortgages in 2004, or approximately one in every four mortgages in the United States. The industry serviced $1.3 trillion in loans for others. Savings associations operate over 9,000 branches throughout the United States and employ 217,000 people at year-end 2004.

Mr. Chairman, if confirmed, my main goals as Director of OTS would be to assure the continued safety soundness of the industry; faithful adherence to consumer protection laws; and the most efficient operation of OTS as an organization.

I am honored the President nominated me to this important position and I look forward to the challenges that lie ahead. Again, I wish to thank you for holding this hearing. I'll be happy to address any questions you may have.