

# Message from the Director

John M. Reich, Director, Office of Thrift Supervision



**D**uring the decades I have spent as a community banker, U.S. Senate staff member and federal financial regulator, I have never experienced a year like fiscal 2008.

The housing downturn, freeze-up in credit markets and general economic calamity that have gripped this nation and much of the rest of the world have been described as a tsunami, a meltdown and a crisis. However you describe these events, it is clear they have combined to constitute the most formidable challenge for the financial services industry I have ever witnessed.

The crisis has centered on housing, so it has had a disproportionate impact on the segment of the industry the OTS regulates — a sector that by law focuses on home mortgages and other

retail consumer lending activities. This impact has been severe enough to topple Washington Mutual, the largest OTS-regulated thrift, and IndyMac Bank. Both of these institutions were headquartered on the West Coast and much of their operations were in California, so their demise sent a shock wave through an already reeling regional economy.

Since the inception of the OTS in 1989, the story of the agency has been one of fortitude and resilience. Born in the aftermath of the S&L crisis of the 1980s, the OTS has defied periodic predictions of its demise and persevered in its mission of ensuring the safety and soundness of an industry that helps to keep alive the American dream of homeownership.

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This mission is perhaps more important today than at any other time in agency history. The current crisis demonstrates in graphics terms how housing is woven into the economic fabric of the country and the rest of the world. In the months and years ahead, this nation must continue to find ways to foster housing and keep it vibrant.

The next Presidential Administration and Congress will surely make an in-depth examination of the regulatory framework for insured depository institutions, securities firms and perhaps insurance companies. As I have emphasized in remarks during public appearances throughout the year, there are gaps in our regulatory coverage that must be closed. If we don't close them, unregulated segments of the market will continue to generate pressure that pushes everyone toward the bottom.

Although I have always been a voice against unneeded regulatory burden, I think the federal government has a

clear responsibility to define the boundaries of the field within which all players in the home mortgage arena must compete and to banish any player who refuses to remain within those boundaries.

As policymakers in the Executive branch and on Capitol Hill write the pages of a new regulatory rulebook, it is essential that they reserve a chapter for ensuring that housing finance remains affordable and available for all creditworthy Americans in good times and, most importantly, in bad times when they need it most.

A strong America stands on a foundation of strong families occupying their own homes. I am immensely proud of all of the people in our agency and in our industry who have worked so hard to keep that foundation solid ■

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Washington, D.C.

