

ORAL STATEMENT OF DARREL DOCHOW BEFORE THE SENATE  
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS ON APRIL 16, 2010

Thank you, Mr. Chairman, Ranking Member Coburn, and distinguished Subcommittee members. I have a short oral statement to read into the record that I believe will aid the Subcommittee's inquiry.

By way of background, I retired from the Office of Thrift Supervision (OTS) in March, 2009 after a 36 plus year career as a bank examiner and regulator. I began my career as an Assistant National Bank Examiner with the Office of the Comptroller of the Currency (OCC) in 1972. I examined national banks and rose to the position of Assistant Chief National Bank Examiner in Washington, DC during my 13 year OCC service. In 1985, I became a senior regulator with the Federal Home Loan Bank of Seattle and subsequently with the Office of Regulatory Activities. I became an OTS employee with its creation in 1989 and served in various regional examination and supervisory capacities, working out of the Seattle, Washington office and reporting to various regional line managers and ultimately to the Regional Director. I was promoted to Regional Director, West Region in September 2007 and thereafter reported directly to OTS career bank supervision executives in Washington, DC.

Over the course of my 36 years of public service I saw some of the nation's more notable financial and economic crisis and worked very closely with sister regulatory agencies such as the Federal Reserve, FDIC, OCC and state regulatory authorities. I also saw agency policy changes in response to such crisis. These experiences, grounded by my years as a bank examiner, helped define my approach toward bank supervision.

I have always believed that interagency cooperation is both appropriate and beneficial. As an examiner, I found that when fellow examiners from any of the agencies understood the same set of facts, there was usually agreement on the bank's condition and appropriate regulatory corrective action. In addition, analysis is often improved by collaboration and constructive critique. I also found that it is critical to be factual and analytical so that conclusions are supported and regulatory actions are appropriate. I generally considered the seemingly unlimited FDIC staffing as a welcome aid to the OTS West Region's limited resources. As Regional Director, my predecessor and I followed the direction given us by OTS career executives in Washington DC and the written Interagency protocols governing FDIC participation in examinations.

Bank supervision is grounded in law, regulation and agency policies, but can involve significant judgment and discretion. My approach was to have open discussion of examination and supervisory strategy, findings and proposed supervisory actions at all levels of OTS, and with the FDIC on higher risk institutions. We conducted regular briefings and case discussions including examiners, regional managers and agency executives, and obtained direction or concurrence on proposed next steps and actions. Supervision was a collaborative process between the Regions and Washington DC.

Examination findings and ratings typically form the basis for bank supervisory actions. I worked vigorously with other Regions and Washington DC to have highly talented and experienced examiners assigned to West Region institutions posing significant risk. I consider the OTS examiners to be some of the very best. They are well trained, highly experienced, extremely hard working, independent in thought, and were supported by me and some of the finest specialist from the capital markets, mortgage banking, accounting, appraisal, legal, and fair lending disciplines. I also welcomed Washington DC participation in examinations and supervision. I expected line managers that were responsible for daily supervisory oversight to meet with examiners, bank executives, risk managers, auditors and directors on a regular basis. In this regard, I also attended board meetings with the region's largest and most troubled institutions whenever possible. I believe in supporting examiners and their conclusions, and in taking supervisory action in accordance with agency policy to address weaknesses.

The then OTS philosophy toward supervisory actions was that they should be firm but fair. Generally, the prevailing OTS practice was that supervisory action should be the least formal necessary to obtain corrective action from management. I have seen many instances where a simple request from an examiner or supervisor was effective in obtaining timely correction. To help ensure supervisory enforcement actions were taken in accordance with OTS policy, the West Region has long followed a practice of having a committee and/or executive review of possible enforcement action situations. OTS Washington DC participated in most Enforcement Committee reviews and was always consulted. National tracking systems for following enforcement actions, examination findings, and violations were in various states refinement, development or completion during my time at OTS.

Bank supervision is a hard job and hindsight is a good teacher. There are things that I wish I could change. I am deeply saddened when an institution fails because of the impact felt by all customers, communities, employees, and other stakeholders including taxpayers. Over my years in public service, I worked very hard to do the very best job possible in accordance with agency policies and practices.

Thank you, Mr. Chairman and distinguished Subcommittee members for allowing me to read my brief oral statement. I will do my best to answer all your questions.