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L.A. LAND

PETER VILES ON THE RAPIDLY CHANGING LANDSCAPE OF THE LOS ANGELES REAL ESTATE MARKET AND BEYOND

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The IndyMac fiasco: a three-day run of federal incompetence

On Day 3 of the financial hostage drama otherwise known as IndyMac Federal, someone needs to say it: The government's takeover of IndyMac has been **a stunning display of cluelessness and incompetence and has given bank customers every reason to feel anxious and angry.**

If there is financial unease and anxiousness in America today, it is partly the FDIC's fault.

For the third day in a row, the federal government this morning appeared unprepared to deal with bank customers who simply want their money. Frazzled, anxious and angry Californians - many of them elderly -- are waiting on blazing sidewalks for the third day in a row, while security guards block the doors to the bank's branches. An elderly woman fainted while waiting in line in Pasadena. Depositors were threatened with arrest yesterday in Encino. This is how the government treats its customers?

In exactly which manual of customer service does it say the following: When your customers arrive at your place of business, do not open the doors and invite them inside. Instead, guard the doors and tell your customers to wait for hours in the sweltering heat outside. If they grow restless, threaten them with arrest.

I'm not suggesting the government cover uninsured deposits. I'm suggesting it treat its customers with respect.

This is more than a matter of inept customer service. Images of anxious depositors unable to get access to their money are powerful, and scary; they cause even more financial anxiety. The FDIC is responsible for those images, and that anxiety, because the FDIC is keeping these people waiting in line. In Santa Monica this morning, about 15 people, many of them elderly, were waiting on the sidewalk outside an IndyMac branch. I asked a security guard why he couldn't just invite them inside the bank. He said the bank's air conditioning system could not handle the crowd. I suggest the FDIC dip into its \$50-billion fund, drive over to Home Depot, and buy some fans.

I know of children in Los Angeles who run lemonade stands that have better business sense than the FDIC has displayed this week.


The FDIC has 4,500 employees. It needs to put a few hundred of them on airplanes today to come to California and run this bank. Invite the customers inside, turn up the air conditioning and keep the branches open around the clock until there are no more lines. That's right, invite your customers in off the street. Pretend for a moment that you care about them.

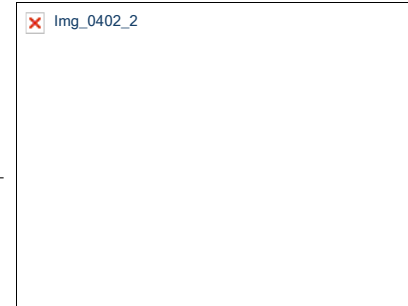
Do not tell them to go to your website. Do not tell them, as the president did yesterday, to "take a deep breath." They are not behaving irrationally. Theirs is a rational response to government incompetence. It's their money and they want it. Greet them politely, ask them what they want, and give it to them.

-- Peter Viles

Your thoughts? Comments? E-mail story tips to peter.viles@latimes.com.

Photo: Los Angeles Times

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Comments

Right on!

Posted by: Some Guy | [July 16, 2008 at 01:22 PM](#)

BINGO!!!!!!

Posted by: J.W. | [July 16, 2008 at 01:24 PM](#)

It may not be possible to accommodate everyone inside the bank, but at the very least call a party rental place and rent plastic chairs and canopies. Then call Arrowhead water to deliver cases of water bottles.

All this can be accomplished for a couple of thousand dollars...peanuts compared to the billions in losses at IndyMac.

Let see, there's even a party rental place a couple of blocks from IndyMac headquarters in Pasadena:

<http://www.dolphinpartyrentals.com/contactus/>

Posted by: [Mark_Pasadena](#) | [July 16, 2008 at 01:28 PM](#)

Well Said!!!!

Posted by: [Bobsuruncle](#) | [July 16, 2008 at 01:28 PM](#)

In fairness, what business is designed to deal with an inordinate amount of their customers at the same time ? Imagine all of the LA Times subscribers showing up at the LA Times building at once.

Furthermore, as our friend CalculatedRisk pointed out earlier, why are these people there ? One point of FDIC insurance is exactly this; to prevent "bank runs". Are these people not aware that their money is just as available tomorrow as it is today ? Are they aware (for most accounts) they can simply write a check to themselves and deposit it at another bank ? (Or for that matter use it to open an account elsewhere).

I think the bigger problem here is massive ignorance of what the FDIC is, how it works, and why it exists in the first place.

Posted by: [RichW](#) | [July 16, 2008 at 01:28 PM](#)

Right on!

Posted by: [NoHo](#) | [July 16, 2008 at 01:29 PM](#)

Now take a deep breath, Peter. Take your medication. Everything is good. Everything is good.

;-)

Posted by: [Bob](#) | [July 16, 2008 at 01:31 PM](#)

Good for you, Peter. Tell it like it is.

I understand that the bank run on IndyMac involved mostly uninsured accounts. Many depositors took a big penalty hit and lost interest to pull CD's extended beyond the FDIC protection limits.

The FDIC could have stopped the run by temporarily raising the protection limits for IndyMac. They chose not to. If our tax money can bail out Bear Sterns and pay for worthless shares of Fannie and Freddie then we could have held up the roof at IndyMac.

I know from experience (on more than one occasion) that bank employees as high as branch manager do not know or do not correctly explain FDIC law regarding ITF or POD accounts. Many of these people losing money are victims of bank misrepresentation of FDIC insurance conditions.

To date, we have a government approving the printing of about 750 billion more fiat dollars to assist business interests in this mess and we're letting the poor savers (what few are left in America) swing for the designer mistakes of highwaymen like Angelo Mozilo.

The situation at IndyMac is a national disgrace!

Posted by: firesale | July 16, 2008 at 01:32 PM

These images and stories are as you say, easily preventable. There are not thousands of people lined up at each branch -- it looks like dozens.

The people that run fdic are not high school dropouts. They appear to have law degrees plenty of experience.

<http://www.fdic.gov/about/learn/board/board.html>

So presuming they are not stupid, the only conclusion one can come to is that they want us to see these images. If they want us to see this, why?

...and if the images are not panic-inducing enough, announce that the fbi is launching an investigation into Indymac for good measure. I really don't mind they investigate, but why would the unnamed source choose to announce it right now?

Posted by: Uncle Billy Went to Washington | July 16, 2008 at 01:34 PM

this is just the beginning.

Posted by: E | July 16, 2008 at 01:35 PM

So presuming they are not stupid, the only conclusion one can come to is that they want us to see these images. If they want us to see this, why?

Posted by: Uncle Billy Went to Washington

Well Dr, Housing Bubble might say that it is to give the smart money a chance to read the writing on the wall before there is blood in the streets...

Posted by: the problemwithcaring | July 16, 2008 at 01:45 PM

Looks like Peter had a few dollars at Indymac.

In any event, your angry post ignores the obvious. The depositors panicked even though there was no reason to do so. With the FDIC in charge, there was no danger of bank assets flying away to the Bahamas.

Everything would be liquidated in an orderly manner, according to FDIC insurance limits. Thus it makes no difference whether you were in line on Monday or waited a month.

Posted by: coakl | July 16, 2008 at 01:49 PM

This from an administration who's answer to global warming is to ignore the e-mail notice from its' own EPA. The mentality is classic: "If we make it inconvenient enough folks will just go away."

If these idiots had simply opened the doors as usual and put on some extra help to handle the rush this "run" would be history. As it is they've done everything possible to increase anxiety within their customer base. Such brilliance should be rewarded. Perhaps they'll be running WAMU next.

Posted by: Michael Snyder | July 16, 2008 at 01:53 PM

Almost all funds being withdrawn were funds protected under the \$100k per person FDIC insurance. Why did so many people consider it necessary to withdraw those funds at this time and under these circumstances? I can't figure it out.

A bank controlled by FDIC is not running out of cash to pay covered deposits. You don't have to "get it while it lasts." Nor is the bank closing anytime soon.

This has been a stunning display of ignorance and lack of self-control on the part of many people, and it is hard to blame employees for failing to anticipate the crowd and for the resulting lack of patience and courtesy. The customers deserved it. When people act hysterical they ought to expect an unpleasant reaction from others.

Yes it affects my family. We're sitting on a high yield CD from IndyMac (under the limit) and we're shaking our heads in disbelief at the scenes from the evening news.

Posted by: Jacinto | July 16, 2008 at 01:54 PM

Peter Viles for Congress.

Posted by: Wayne | July 16, 2008 at 01:54 PM

Well said Peter!

Posted by: crispy&cole | July 16, 2008 at 01:54 PM

been to a public health clinic, the DMV, a "Parking Violations" office, the Federal Building?
What about what caused this in the first place... the government sponsorship of housing, government micromanaging of interest rates, government housing "affordability" programs.
I'm shocked that anyone is shocked by government incompetence.

Posted by: Stanley | July 16, 2008 at 01:56 PM

Yep! That is pretty much it. Bush, Cheney, all those other cronies in the White House could truly care less. Their bags are full, they have theirs. Hey Bush, where is your "mission accomplished" ego now? I got an idea, get your buddy Brownie to figure it all out. Better yet, call your buddy Kennie Boy of Enron fame. Oh, I forgot, he died on a mountain top in Aspen.....

Posted by: Roger Ramjet | July 16, 2008 at 01:57 PM

"Furthermore, as our friend CalculatedRisk pointed out earlier, why are these people there ? One point of FDIC insurance is exactly this; to prevent "bank runs". Are these people not aware that their money is just as available tomorrow as it is today ? Are they aware (for most accounts) they can simply write a check to themselves and deposit it at another bank ? (Or for that matter use it to open an account elsewhere). I think the bigger problem here is massive ignorance of what the FDIC is, how it works, and why it exists in the first place."

NOT REALLY!

I know from a couple of depositors caught up in this mess that there is absolutely a reason for their standing out there. It appears that perfectly protected POD accounts with eligible additional beneficiaries (raising limits over \$100G) are all subject to review before a sum more than \$99,999. will appear in online accounts. When you finally get into one of these branches, you only become eligible for an immediate 50% of the money over the depositor 100G limit until you bring back proof that the additional beneficiaries are indeed "eligible" for the extra protection. This is never established when accounts are open but must be established to the FDIC's satisfaction when the bank fails. That means many of these people must secure long form birth and marriage certificates for siblings, often from record clerks in other states,

together with additional info establishing relationships, and present this all for review before they can have access to their properly insured money.

This mess is anything but simple for those who were foolish enough to believe in truth, justice, and the American way.

Posted by: save your ammo | July 16, 2008 at 02:00 PM

I think this incompetence is of FDIC and its head/leader. They could have made news conferences on national TV and put ads saying that the money is safe, state that the US government is behind it 100% up to the limits, and offer ability to withdraw by keeping the branches open extended hours. I think the problem is that people are uninformed. They don't understand how the insurance works. For example, I actually deposited money yesterday to Indymac using online transfer. YES I DEPOSITED and added to my balance so that i could enjoy the highest interest paid today in FDIC account that is liquid.

Thanks Indy.

Posted by: Laker | July 16, 2008 at 02:01 PM

For those blaming the customers, I'm not sure how you can totally fault the customer. Perhaps the Feds didn't realize that a run was coming (I think they did), but this is the third day of it now.

On the customer side, most of these people were ignorant about the 100K insured limit (and they should've known, I'm surprised how many people have over 100K in there but didn't bother to check on FDIC insurance), so I'm sure they're disgruntled and just want to get what they can. I thought I read in the Times today that the Feds decided to guarantee half of the uninsured money, so that may be why they go to the bank to get it out.

The Times article also stated that many people calculated how much insured money they were owed and were still missing thousands of dollars (checking their balances online), so they went to the bank to straighten things out.

Posted by: Fujishig | July 16, 2008 at 02:07 PM

Jacinto, how do you know that most funds withdrawn are under FDIC insurance? Sorry it affects you. It does not affect me, I have fund there and i care less. To be honest, i have an account with them for more than two years, and i never visited even one branch. Never. Everything is done from home with best convenience. No lines, just a chair, Air conditioned room, computer, and orange juice. People please relax!

...and Peter, If you run for congress, you have my vote.

Posted by: Laker | July 16, 2008 at 02:08 PM

massive ignorance = RichW

It's apparent that you don't have money invested in this bank.

It's also very apparent that your able to sit around blogging all day, while others are taking care of business.

You speak of massive ignorance when people are are having there life saving reduced by half in some cases.

Why don't you put your money where your mouth is and give back what the "massive ignorance group" don't get back from the bank.

Posted by: boybluu | July 16, 2008 at 02:08 PM

I appreciate the sentiment, Peter, but I think your missing something important: IndyMac no longer exists, its depositors are no longer "customers" and the feds are not really running a "business" subject to criticisms like this. The people in line are merely insured parties and the federal regulators inside are the guarantors, evaluators and disposers of assets - some insured, some not. I think they could justify keeping the doors closed for a week or two. I feel for depositors, but if you're waiting in line right now - well, you're not very bright. There's something comical and absurd about a run on a bank after the Feds have taken over.

Posted by: furioso | July 16, 2008 at 02:12 PM

Right on Peter,

I don't think Peter has money at Indymac. You don't have to be directly affected to be outraged at the government's behavior now, before, and later...

Most likely the people standing in line are not smart or even marginally smart, however there should be several representatives from the FDIC inviting these people inside the bank and EXPLAINING SLOWLY to them their situation. It's really idiotic that they are standing/sitting outside when they could be standing/sitting inside.
It's a large space, it's a bank, not a kiosk.

Whenever the government gets involved you have lines or takes over and doesn't get involved you get lines.....

Posted by: Laura | July 16, 2008 at 02:13 PM

I still don't understand why anyone is getting anything back from uninsured deposits if this is going to cost FDIC 4-8 billion dollars.

Posted by: MattJ | July 16, 2008 at 02:22 PM

#1 Someone already put it best: "imagine all of your customers going to the LA times building at the same time." This is exactly what happened.

#2 You have news reporters hyping the event instead of reporting the facts. They were here collecting peoples reactions and proliferating misleading information.

#3 The "Feds" have been trying to keep everyone as calm as possible and things running smoothly both inside and outside (customers and employees). But as you can imagine this isn't always easy.

#4 FDIC Did look for and find rental supplies to help people be more comfortable.

#5 People don't understand what the bank is now, nor how the FDIC works. What ever happened to "buyer beware?" If you had \$500,000 wouldn't you make sure you KNOW exactly what could happen if your bank was to close? I know I would ask questions. Having worked in a bank myself, I can tell you that most people won't know how FDIC works more than the brief introduction to the bank explained.

#6 Stop adding to the hype and madness. If the bank wouldn't have had crazy amounts of customers closing their accounts it would still be IMB and not IMB Federal Bank. That's the reason they stepped in, to help people save their money, not lose it.

#7 Finally, Anything over \$100,000 for personal accounts is not covered unless its a retirement account in which it's covered up to \$250,000. There are exceptions to these rules which are available at the FDIC website.

If you have a \$200,00 personal account you can cash out \$150,000 and get a voucher for \$50,000. When the bank is sold back to the private sector the capital gained from the sale will be given to those with those vouchers, divided evenly (more or less, i don't know the exact details).

But because this is now a federal bank, your assets are protected by 53 billion dollars.

Finally, anyone who says people who work for IMB haven't been courteous to customers have no idea what they're talking about. The bank branches have been staffed with many additional employees as well as with much more equipment to help as many customers as possible everyday.

But of course, it's much easier to believe the hype than the truth. After all, the truth doesn't sell as well, right?

P.S. I'd like to see a kid running a lemonade stand run this bank for a day :P

Posted by: anon | July 16, 2008 at 02:28 PM

well, in straight-up capitalism, the only reason to "be nice" to customers is because you want something out of them - current or future business for example. otherwise, if there's no benefit, the overtime and A/C are unnecessary overhead that cut into the bottom line.

any kind of benefit to IndyMac is entirely impossible, here, since every person in line is there to completely close their account, curse the name "IndyMac" and make life harder on the company. so, from a purely "free market" approach, your idea is a net loss to shareholders

exhibiting empathy for human suffering or being nice just for the sake of being nice is usually called "socialism" on this blog, and we can't have that...

no bailouts for IndyMac sidewalk dwellers! i deposit responsibly and don't want my tax dollars wasted on air conditioning and overtime for irresponsible, greedy over-depositors!

sound familiar?

Posted by: sheila | July 16, 2008 at 02:30 PM

I think the mistake is that the FDIC was TOO accommodating. They should have closed the doors and said "Your money is safe. There will be NO run on this bank. Appointments will be scheduled".

Instead, they tried make this a trouble free, normal experience. But Phil Gramm is right - we've become too much a nation of whiners.

Try working in customer service sometime and see how exercised people get when they don't receive immediate resolution of their problem or overnight delivery of some replacement part.

You know what? Your money's insured. Stop bitching.

Another thing. Switch off TMZ or Access Hollywood or whatever other mush you fill your head with and pay attention to the news. How long have we discussed the financial institutions on this blog (and many others)?

Anyone with tens or hundreds of thousands of dollars parked somewhere should have at least a passing interest in the status of the institution. It's almost like you'd have to go out of your way to avoid hearing about this situation.

Posted by: TakeFive | July 16, 2008 at 02:31 PM

"massive ignorance = RichW
It's apparent that you don't have money invested in this bank."

Interesting. You believe people who don't invest uninsured money in faltering banks are ignorant ? With that logic, I'm sure you are running to Downey right now with \$1,000,000 to deposit...

"You speak of massive ignorance when people are are having there life saving reduced by half in some cases."

It is what it is...

Posted by: RichW | July 16, 2008 at 02:41 PM

Another heckuva job from the Bush administration, which has succeeded in placing a fox in charge of every henhouse.

Posted by: Frank F | July 16, 2008 at 02:56 PM

I believe the problem is that they recently transferred all the FEMA people from New Orleans to FDIC.

They delayed in opening the branch offices because the ex-FEMA guys thought it would be better to herd all the customers to the Rose Bowl and house them there until they could truck in money from Fort Knox.

Unfortunately, the stadium was not available, for Hank 'I cry sheep three times' Paulson has his fleet of helicopters there, getting ready for Operation This-Is-Not-A-Bailout.

Posted by: MyLessThanPrimeBeef | July 16, 2008 at 03:05 PM

I think it's time Bush gave Sheila Barr a "heckuva job Sheila!"

Posted by: CaptHowdy | July 16, 2008 at 03:15 PM

Don't try and buy a iPhone on the first day they are for sale. Wait a week; it will be a lot easier. Don't go to the bank the first day after the FDIC takes over. Wait a week; it will be a lot easier. If you don't want to stand in a long line outside in the sun, don't do it! It's not the FDIC's fault if people choose to stand in the sun for hours on end.

Remember, these people didn't worry about their money when IndyMac was in charge. Now they doubt the ability of the US Government to print money and pay its debts. Chill is the right word of advice for these people and for Peter.

Posted by: bkl | July 16, 2008 at 03:17 PM

Try California's strongest bank.

Farmers & Merchants out of Long Beach.

Be impressed.

Posted by: sunsetbeachguy | July 16, 2008 at 03:30 PM

Well said!

Can we at least get those children with the lemonade stand to set-up at the Indymac branches?
Or will they be threatened with arrest too?

Posted by: Jeff de la Rosa | July 16, 2008 at 03:33 PM

First, I'm sure fire regulations prohibit bringing in people exceeding the fire code. I did see tents in some pictures as well.

The press has been kind of feeding the frenzy. I saw one reporter on CNN talk about how "crazy and tense it was getting", and behind him was a line of people just staring at the back of his head like he was a lawn ornament. Not one crazy in sight. Just people patiently waiting for their money.

There's no point in having a "run" on a bank that is *closed*. You just can't. The deposits are now guaranteed to be there (under 100,000 of course) because the FDIC stepped in to make sure that everyone who had money would at least get \$100K out. The fact they are even guaranteeing 50% of amounts above that makes it seem that they still have a good portion of liquid assets on hand to give back.

Personnel shouldn't be an issue, either as the FDIC had asked the employees to stay on to handle the bank business. The FDIC people are too busy going through files to handle withdrawals.

People aren't trusting the *government*, and so there will be naturally some hysterical reaction. I can't blame em. I guess we should be thankful that people aren't running all the banks in town.

That being said, accounts are only guaranteed to 100,000. If people don't pay attention to the fine print, then yes, you will lose money if you withdraw it now. It states this on the door, on your savings account information. Even on the radio ads for various banks.

Just like the subprime debacle, people are just not paying attention. Except of course to the scary images in the papers and on TV.

Posted by: Tombstone Realty | July 16, 2008 at 03:51 PM

If you want to pull out your money its your right to do so
Does one have to have a REASON?
Do not complicate what is a simple matter.
POWER TO THE PEOPLE! LOL!

Posted by: Dion | July 16, 2008 at 03:53 PM

To the person who called depositors with uninsured funds ignorant, please think twice before you say it.

It is not us depositors who are ignorant. It is the OTS and FDIC that are ignorant and incompetent in stopping bank employees from lying to customers or ensure they receive proper education on FDIC insurance.

Use my case as an example. On 7/8/08, I logged onto Indymac's secure webpage and asked an Indymac employee (using their live chat system) whether I should add more joint owners or beneficiaries. She told me the entire funds in my accounts were FDIC insured. I printed the chat page. I called Indymac again on 7/9 and was again assured by another bank employee that all my funds were fully insured. Yet, I just found out from FDIC that some of my funds may not be fully insured. I don't know whether the bank employees lied to me or simply do not understand the FDIC rules. While waiting in line at the bank yesterday, I spoke to some other people who had similar experience. They were also told by Indymac employees that they were already fully insured by FDIC while parts of their funds were not.

We are just ordinary customers, how can we figure out our funds were not insured when the banks employees repeatedly assured us that they are? Are we at fault for believing in what our bankers tell us? Should every depositor call the FDIC before they open a new account or make a deposit? Can we have any more trust in our banks, the bank regulators and the U.S. banking system?

Posted by: Depositors Robbed By Indymac, FDIC and OTS | July 16, 2008 at 03:58 PM

Why isn't this man, Alan Greenspan, in jail???

<http://moneycentral.msn.com/content/P73977.asp>

Posted by: alice B Toklas | July 16, 2008 at 04:16 PM

"To the person who called depositors with uninsured funds ignorant, please think twice before you say it."

Um that would be me. I use "ignorant" as a term which is synonymous with "unaware". It is not meant as an insult. Personally I think its sad that anybody lost savings if it was because they were unaware their funds were not fully insured. I don't feel one bit sorry for investors who were aware though, as its a risk they chose to take.

Posted by: RichW | July 16, 2008 at 04:26 PM

Where was this screed against Indymac's executives? Aren't they who caused the problem in the first place and they're probably lounging around in the coast mansions now off the hook.

FDIC insurance is pretty clear and it's easy to protect yourself: if you got more than \$100,000 sitting in checking/savings account make sure it in's different banks. This actually makes sense even w/o FDIC insurance as banks fail as we see happening: spread your risk.

Frankly, the government's role in this simple give back money up to \$100,000 for all the people at some point and then liquidate the rest and give back what's leftover. It's not providing frankly even good customer service at this early stage (i.e. it's really simple to take over a big bank in just 3 days right). It's like it's become unreasonable after the bank the consumer CHOSE to put money in collapses that it will take some time to sort it out (omg I had to wait a few days!)

Posted by: Pioneer10 | July 16, 2008 at 04:32 PM

Could you ask the Governor of California to comment ?
Could you ask Feinstein and Boxer to make a comment?
Could you ask the honorable Jerry Brown to comment?
Are they in the Hamptons ? Are they in a spa ? 1789 !!!!

Posted by: CD | July 16, 2008 at 04:34 PM

How many bank employees, FDIC staff, and law enforcement officers do you suppose have ever seen a bank run, let alone managed or planned for one? Could they have done things differently? Sure. 20/20 hindsight. Cut them some slack. The customers could have done things differently too.

I'm grateful the cops showed restraint and didn't escalate the situation. Some of them have a knack for that.

Posted by: LA | July 16, 2008 at 04:41 PM

Go Peter! You've hit the nail on the head.

I wonder if the politicians in Washington really understand how mad the public, both Democrat and Republican, are at their governments.

As more banks fail, the anger will continue to November, and build. I wonder how it will affect the election? Will Senator McCain's membership in the Keating 5, and his choice of Retired Senator Gramm (the architect of bank deregulation and a beneficiary of the Enron scandal) affect the vote?

Time will tell.

Posted by: JenniferK | July 16, 2008 at 04:53 PM

is it really that bad out there? being in a rush when you have to wait in line isn't going to move the line along any faster. there's also the phone and online banking. the people who have waited are getting the chance to make their withdrawals, aren't they?

Posted by: Milla | July 16, 2008 at 05:15 PM

coakl wrote, "Looks like Peter had a few dollars at Indymac."

Thanks, coak. No, I had no cash in IndyMac. (Do have some in WAMU though, so I will have a first-row seat if anything happens there).

I wasn't tremendously sympathetic to the plight of IndyMac depositors until I talked to a few of them. One guy, for example, inherited a little over \$200K when his mother died. He says he knew of the \$100K limit on insured deposits, so he asked an IndyMac teller if he could split the money into three sub-100K accounts and be insured. Definitely, he says the teller told him. So he did. He knew IndyMac was in trouble, but believed his money was insured, and didn't want to pay a penalty for early withdrawal from a CD. He was in line on Monday morning, having learned over the weekend the teller was wrong and he had lost more than \$50K.

And regardless of whether these people made good or bad choices, there's no excuse for making them stand on the sidewalk for hours.

Posted by: peteviles | July 16, 2008 at 05:23 PM

Let's see now, it's been a fiasco after the fed shut down Indymac on 7/11 forcing wary customers to line up in the steamy heat of the summer. The event should be recorded, dated and remembered in US history as 711, Schumer 2008

Posted by: larry | July 16, 2008 at 05:25 PM

Seriously? Pete, you strike me as so level headed and reasonable most of the time. Of course, I'm guess I'm way off the mainstream given the comments posted here so far. I'm frankly stunned. This is a monumental effort for an organization like the FDIC to just come in on a moment's notice and take over a giant tanker of a bank like IndyMac. Have you ever worked at a bank (I haven't) or in any administrative capacity at a large organization (I have)?

And, I'm sorry, but these depositors in line ARE idiots. Forget that they had money in a bank that was teetering close to failure for months. The fact is that they will get no more money by waiting in line today than they will by going into their branch next week. The damage is done. Lining up will not save anything at this point. I can't help but say it again. I'm stunned by the truly uninformed attitude you and your commenters have taken regarding this issue. I mean, really, using the federal government as a scapegoat when there is no possible way that this could have happened without a hitch? Stunning.

Posted by: Anonymous | July 16, 2008 at 05:38 PM

The previous post, that the branches ought to be open 24 hours, is spot on. First of all, instead of TV pictures of angry depositors standing and fainting in line, FDIC should have given them appointments, or at least restaurant-wireless-buzzers. There should have been a televised parade of armored trucks carrying money to IndyMac HQ. Upon arrival, there should have been 50 armed guards carrying bags and boxes of money past the cameras like it was the grand prize at a poker tournament. Bank customers should have been able to see money stacked six feet high behind the tellers. This is how you handle a bank failure.

Posted by: Michael Stone | July 16, 2008 at 05:48 PM

Good job on this story Peter, I believe this is just shadows of things to come in the whole banking industry. You'll be a busy guy.

Posted by: Nelcisco | July 16, 2008 at 06:32 PM

The 1st time I went to Indymac, I was told I was insured to \$300,000, then went back to double check, and did worksheet on fdic, and found out it was \$200,000. I'm still scared. Branch managers have now become glorified bank tellers. They are watching out for their jobs and will say any thing to get you to deposit money.

Posted by: Vickie | July 16, 2008 at 07:31 PM

Just logged onto the Times front page and lo and behold, WAMU isn't accepting IndyMac's cashier's cheques. If you don't already have your money in a Credit Union you need to move it tomorrow. Traditional banks are reaping the harvest of their "creativity" and costumers have become the chaff.

Posted by: Michael Snyder | July 16, 2008 at 08:10 PM

Ya know Peter, I apologize.

I just read that story on the front page saying that other banks, namely Wamu, are placing up to 8 week holds on Indymac check deposits.

And all the FDIC can say is that "it's unfortunate" that these banks won't speed up the process.

HELLO IT'S THE FDIC! Just MAKE Wamu et al, take the checks, after a simple phone call to Indymac verify it. Yet they are saying "no". TO THE FDIC.

Why don't they threaten them with charter removal or something??

So yer right Pete - this is ridiculous. Also makes me wonder how easy its going to be to get MY money out of Wamu when it collapses.

JeezLouise

Posted by: Tombstone Realty | July 16, 2008 at 08:12 PM

"And regardless of whether these people made good or bad choices, there's no excuse for making them stand on the sidewalk for hours."

So that's your gripe, Pete? I guess FDIC should have a few hundred tellers sitting around ready to parachute into wherever a bank fails. And a lot of folding chairs, bottled water and umbrellas, so the people don't have to stand in the sun, right? The Red Cross has that sort of stuff, but they are in a different business. Probably, FDIC hires the existing IndyMac staff, but now they have to follow different protocols, maybe even use different systems, which will slow things down. Couple that with having 50 times as many customers as usual, and what would you expect? FDIC should build more branches over the weekend to provide more teller stations?

Posted by: Valley Observer | July 16, 2008 at 08:32 PM

I don't get the lines. If you're account was under the FDIC insured amount, you haven't lost any money. If you had more than the FDIC insured amount in one account, you're a moron who deserves to lose it. My great grandmother lost her life savings in the crash of '29. I've always know that banks could fail and to act accordingly.

Bankers are numbers guys, they like rules. They're not good at dealing with irrational people freaking out and lining up. If given a choice between going to a website or standing in the heat for 8 hours, rational people would choose the website.

Personally, I think there are just far too many dramatic people in the US that want to revisit 1929.

Posted by: Julia | July 16, 2008 at 09:53 PM

I would just like to say I was in line at a branch on Monday to get my money. Yes it was hot and a long wait (3 hours for me); but, as it being the first day I thought it was considerate that I was offered bottled water and chairs. The lady brought out water every hour. Also she took names in case you did not want to wait; you could come back the next day and line up according to the position on the list she was making. There would be a separate line for people who left names. I thought this might cause bickering with people who lined up early the next day; therefore, I left my name but also stayed to wait to get in.

I read a lot of comments here and at other sites indicating that people should not panic and or wait a while before going to the bank. My reason for going was that I had a combination of many different CD accounts that added together was just slightly over 100,000. The issues of having beneficiaries listed on accounts was what worried me. I knew I was covered but I was not sure if the bank had correctly entered my information. If I was not covered I would only lose less than one thousand dollars if I was given the 50% up front.

No one mentioned above that the interest was STOPPED on July 11. SO I think most people who went was there to get their money that was no longer gaining any interest. People was moving their money to put somewhere else.

I got in and found out I did have the beneficiaries set up right and I was covered so I closed all my accounts since none were going to gain any interest any more. I asked if they had new CDs but you know everyone was withdrawing so no one really knew if there was good CD rates or not. YES, as many stated above we are covered up to 100,000 so don't panic, but, I wanted my money to be making me money so I was willing to wait to get my money.

I was out of the Bank under 15 minutes. It was very fast and efficient once you are inside the Bank. You just give them your S.S. number and they pull up your accounts and tell you right away if everything is covered or not and then you wait for the next teller/bank personal who was available to help you with your questions.

And on kids and lemonade stands; I don't think they could have run the Bank any better. About letting in more people at a time. The branch I was at was not that big so if they had let in more people it might have slowed down the whole process. The Bank people were all working very fast already and if you crowded them they could have made mistakes which would have caused a longer wait. For some elderly people I did see them get escorted into the Bank where it was cooler for them.

On calling people ignorant who waited to get their money. Its not true. For my part, I wanted my money elsewhere where it would make me interest. I did not want my money lying dead with no interest for a few weeks before I got it out. For some of the elderly, I assume its their whole lifes savings or close to it and they just wanted to know they could get their hands on their money.

Posted by: Candice T. | July 16, 2008 at 10:03 PM

Well, all in all it could have been much worse. Some tempers flashing on 90 degree days is pretty good, considering.

I would only suggest that the hon. Chuckee Schumer be required to come out to help clean up his little mess. Face-time heaven.

Posted by: Uncle Billy Went to Washington | July 16, 2008 at 10:08 PM

I'm also one of those who is mystified at the sight of bank runs *after* FDIC has taken control of the bank.

Americans are seriously misinformed here.

Perhaps it's time for the media to do an educational blitz for a couple weeks and get the word out:

Your accounts are insured up to 100K at separate institutions. So get your stuff in order now. If you've got more than 100K, spread it around.

If you've got less, stay home once FDIC takes over the bank.

Wierd, just plain wierd.

Posted by: sue | [July 16, 2008 at 11:16 PM](#)

Those who have this childish trust in the Federal Government are naive.

How did the Feds manage the Katrina disaster?

How about the "mis-information" that led to the war in Iraq and the resignation of Collin Powell?

How about the complete incompetence of the TSA at so many levels (air-marshals leaving in droves and whistleblowing the incompetence of the entire agency)?

Need I go on?

There is every reason for an American citizen to have zero confidence that the FDIC will have their eggs in a row.

Posted by: TrojanDLA | [July 16, 2008 at 11:20 PM](#)

Could you imagine what will happen when a BIG bank hits ...say one with maybe 180 billion in deposits..That will be a sight to see. all I can say is WaWaWa..

Posted by: upthecreek | [July 16, 2008 at 11:34 PM](#)

This is hysterical...The people getting hosed in the RE bubble and the IndyMac fiasco are the greedy dirtbags. Out to get something for nothing. The

customers of IndyMac are there because IndyMac is paying higher than market yields. GREEDY SCUMBAGS. LET EM ROAST!

A fool and his gold shall soon be parted.

Posted by: peter | [July 17, 2008 at 06:03 AM](#)

In their defense, the Bush Administration really doesn't have much experience managing money; that's something they'd normally outsource.

Posted by: Susan | [July 17, 2008 at 06:43 AM](#)

I'd suggest that some of those biz-savvy kids set up their lemonade stands outside IndyMac bank branches.

Hey, kid -- will you take an unendorsed, third-party, out-of-state check?

Or maybe they can also set up a loan shark stand, whereby you borrow money to pay for your lemonade until you can get into the bank to withdraw your money to pay back the shark. The interest rate goes up hourly, so wait until you're close to the front of the line, people

Posted by: BobT | [July 17, 2008 at 07:37 AM](#)

So how many other insurance companies have been 100% perfect in a disaster? None. Most pay some benefits right away, then fight tooth and nail over the balance.

I also find it ironic that no one seems to care that people are also spending 3 days in line and in the sun to buy an iPhone. Yet that is considered "normal".

Posted by: Ron Larson | [July 17, 2008 at 07:42 AM](#)

[re-post of my comments on Blown Mortgage]

I think we have to accept a couple of very simple facts:

1. Government cannot run anything efficiently - period. I defy you to show me one instance where it's happened.
2. There's no value in expressing surprise or shock when they don't and in fact it's counterproductive to any sort of progress.

Peter appears only to be stirring the hornet's nest on this one and instead of decrying the deplorable 'customer service' of the federal government (an oxymoron if I ever heard one), he should be encouraging those who don't NEED their money to relax and let the system work. Fomenting unrest amongst an already skittish depositor base is irresponsible at best.

Posted by: JBF | [July 17, 2008 at 08:45 AM](#)

What else would you expect from the federal government? We see their failure in just about everything they touch from Katrina to Social Security to this Indymac fiasco. And still there are people out there that want more. That want these same fools running our health care system. Unbelievable. The writing is on the friggin' wall: The less government intervention into our lives the better.

Posted by: Binky | July 17, 2008 at 10:15 AM

shhhhh...i heard a rumor that the CEO of IndyMac's Financial Freedom division is in Hawaii on vacation and did not return even when the bank was seized.

can anyone confirm? would FDIC punt so badly with the one valuable asset at IMFB?

FDIC may be the next FEMA.

Posted by: ontheQT | July 17, 2008 at 11:34 AM

The FDIC walk away with 1billion \$ just for showing up at front door of Indy-Mac bank.
No accountability necessary! Where will the money go to?

Posted by: inday22728 | July 17, 2008 at 11:41 AM

The FDIC walk away with 1 billion \$ just for showing up at front door of Indy-Mac bank.
No accountability necessary! Where will the money go to?

Posted by: inday22728 | July 17, 2008 at 11:43 AM
