

# ABELIAN VIEW



## Highlight of the Week

### Mnuchin Saves NYCB: Same IndyMac Playbook, Different Banking Challenges

On March 6<sup>th</sup> former Treasury Secretary Steven Mnuchin led a \$1 billion capital injection into New York Community Bank (NYCB). In conjunction with the deal, Mnuchin was appointed as lead independent director and Joseph Otting, former head of the OCC, was named the new NYCB CEO. This duo previously revitalized OneWest (formerly IndyMac) and ultimately sold that bank to CIT. The current NYCB deal, however, presents a different and potentially riskier challenge.

#### OneWest/IndyMac

- IndyMac was the 7th largest mortgage lender in the US when it failed in 2008. Mnuchin and a group of investors purchased the bank from the FDIC in 2009 for \$1.5 billion, forming OneWest Bank.
- OneWest received a loss-share agreement as part of the purchase, enabling the bank to ring fence its losses at the expense of the FDIC. This agreement was a key backstop for OneWest, which faced IndyMac's foreclosure pipeline of 178,000 homes.
- Mnuchin's stated goal was to transform OneWest into a plain-vanilla lender, avoiding the unconventional mortgages that led to IndyMac's demise.
- In 2014, Mnuchin sold the bank to CIT for \$3.4 billion, earning OneWest's investors nearly \$3B in profits.

#### NYCB

The investment in NYCB is very different from the OneWest purchase of IndyMac.

- The NYCB investment comes *without a loss-share agreement*, meaning the bank must stand on its own to face loan losses from its NY real estate banking book.
- NYCB is also over 3x's larger than IndyMac was at its height, meaning the potential losses and sheer *management of the institution could be greater*.
- As a \$100B+ bank, NYCB faces significant *regulatory challenges* that did not exist with IndyMac, including higher capital requirements, stricter oversight, and substantial technology/data demands.

The market will undoubtedly remain focused on how Mnuchin and Otting steer NYCB toward stability. The historical context of the OneWest experience offers a compelling credential, but NY real estate and today's regulatory environment are entirely different challenges.

## Rate Curves

