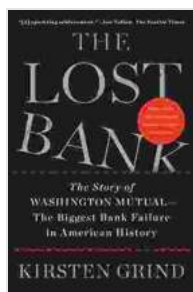


# The Story of Washington Mutual: The Biggest Bank Failure in American History

On September 25, 2008, Washington Mutual (WaMu) was seized by the Federal Deposit Insurance Corporation (FDIC) in the largest bank failure in American history. The collapse of WaMu, which had once been the sixth-largest bank in the United States, sent shockwaves through the financial system and played a major role in the global financial crisis.



## The Lost Bank: The Story of Washington Mutual-The Biggest Bank Failure in American History by Kirsten Grind

★★★★☆ 4.5 out of 5

Language : English  
File size : 2272 KB  
Text-to-Speech : Enabled  
Screen Reader : Supported  
Enhanced typesetting : Enabled  
X-Ray : Enabled  
Word Wise : Enabled  
Print length : 401 pages



The story of WaMu's downfall is a cautionary tale of greed, recklessness, and the dangers of excessive leverage. The bank's origins can be traced back to 1889, but it was not until the 1980s that it began to grow rapidly. In the early 1990s, WaMu acquired Great Western Bank, which gave it a strong presence in California. The bank continued to grow aggressively throughout the 1990s and early 2000s, and by 2007 it had over \$300 billion in assets.

One of the key factors that led to WaMu's downfall was its aggressive lending practices. The bank made a large number of subprime mortgage loans, which were loans to borrowers with poor credit histories. These loans were often bundled together and sold to investors as mortgage-backed securities. The subprime mortgage market had been booming in the early 2000s, but it began to collapse in 2007 when defaults on subprime loans began to rise.

As the subprime mortgage market collapsed, the value of the mortgage-backed securities that WaMu had sold to investors plummeted. This caused WaMu to lose billions of dollars, and it ultimately led to the bank's collapse. In addition to its subprime lending practices, WaMu was also heavily leveraged. The bank had borrowed large amounts of money to finance its growth, and this left it vulnerable to a downturn in the economy.

The financial crisis of 2008 was the perfect storm for WaMu. The collapse of the subprime mortgage market caused the bank to lose billions of dollars, and the global economic downturn made it difficult for the bank to raise new capital. On September 25, 2008, WaMu was seized by the FDIC, and its assets were sold to JPMorgan Chase.

The collapse of WaMu was a major blow to the financial system and to the economy as a whole. The bank's failure led to the loss of jobs and the erosion of confidence in the banking system. The financial crisis of 2008 was the worst financial crisis since the Great Depression, and the collapse of WaMu was a major contributing factor.

## **Lessons from the Washington Mutual Failure**

The story of Washington Mutual's failure is a cautionary tale that offers a number of lessons for both bankers and policymakers. First, it is important to avoid excessive leverage. WaMu borrowed heavily to finance its growth, and this left it vulnerable to a downturn in the economy.

Second, it is important to have a sound lending strategy. WaMu made a large number of subprime mortgage loans, which were loans to borrowers with poor credit histories. These loans were often bundled together and sold to investors as mortgage-backed securities. The subprime mortgage market had been booming in the early 2000s, but it began to collapse in 2007 when defaults on subprime loans began to rise.

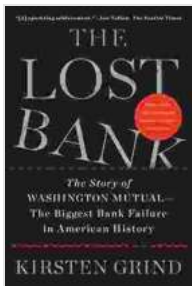
Third, it is important to have a strong capital base. WaMu's capital base was eroded by the losses that it incurred on its subprime mortgage loans. This left the bank vulnerable to a downturn in the economy.

Policymakers also need to learn from the Washington Mutual failure. It is important to have regulations in place that prevent banks from taking on excessive leverage and that protect consumers from predatory lending practices.

The financial crisis of 2008 was a major wake-up call for the financial industry and for policymakers. The collapse of Washington Mutual was a major contributing factor to the crisis, and it should serve as a reminder of the importance of sound lending practices, strong capital bases, and effective regulation.

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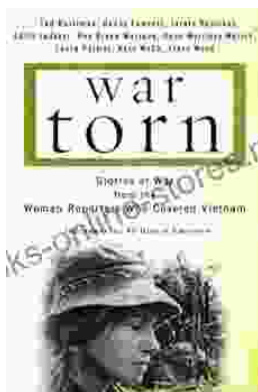
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