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YPFS Lessons Learned Oral History Project: An Interview with Diane Ellis

Sandra Ward

Diane Ellis

Yale Program on Financial Stability
Lessons Learned Oral History Project Interview

Interviewee Name and Crisis Position	Diane Ellis[1] Deputy Director, Insurance and Research, FDIC
Interviewer Name	Sandra Ward (contractor) Yale Program on Financial Stability
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Introduction:

The Yale Program on Financial Stability (YPFS) contacted Diane Ellis by email to request an interview regarding Ellis's time as Deputy Director, Insurance and Research, at the Federal Deposit Insurance Corp. during the financial crisis of 2007-09[2]. The FDIC played a critical role in stabilizing financial conditions and establishing confidence in the financial markets by guaranteeing newly issued debt on a temporary basis for banks and thrifts as well as financial holding companies and eligible bank affiliates. The agency also fully guaranteed certain non-interest-bearing transaction deposit accounts. Ellis played an important role in implementing the Temporary Liquidity Guarantee Program that proved so critical in stemming the crisis.

Subsequent to the financial crisis, Ellis, a 31-year-veteran of the FDIC, was elevated to the Director of Insurance and Research in 2013, a post she continues to hold. In her current position, Ellis leads the FDIC's efforts in assessing economic and financial sector risks to the banking industry, directs policy research, develops and oversees risk-based deposit insurance pricing, and overall insurance fund management. She also oversees the collection and publication of bank financial information, including the Quarterly Banking Profile.

She started her FDIC career in 1988 as a bank examiner in Orange County, CA. She later joined the agency's Division of Insurance in Washington, D.C., as a senior financial analyst, evaluating emerging risks to the banking and thrift industries. She was promoted to Associate Director for Assessments in 2002 before being named Deputy Director in 2008. Ellis has also served as special assistant to the FDIC's Chief Operating Officer, preparing and presenting matters to the board of directors.

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[1] The opinions expressed during this interview are those of Mr. Ellis, and not those any of the institutions for which the interview subject is affiliated.

[2] A stylized summary of the key observations and insights gleamed from this interview with Mr. Ellis is available here in the Yale Program on Financial Stability's *Journal of Financial Crises*.

[*This transcript of a telephone interview has been edited for accuracy and clarity.*]

Transcript:

YPFS: **Describe what you did during the crisis of 2007-09 as Deputy Director of Insurance and Research.**

Ellis: My responsibilities were managing the FDIC Deposit Insurance Fund and its risk-based pricing system and related deposit insurance fund activities. I also had responsibilities for the research function.

I also played a pretty big role in implementing our Temporary Liquidity Guarantee Program because the person I worked for, Art Murton, the Director of the Division of Insurance and Research, was involved in the very early stages and participated in meetings during Columbus Day Weekend in 2008 in with Treasury and the Federal Reserve to design this program. He had responsibility for implementing it, and since I was his deputy, it became my purpose as well.

YPFS: Had you any background in designing and implementing such a program?

Ellis: No, none of us did. The guarantee part of it was very foreign to us. Or foreign enough. Obviously, insuring deposits and guaranteeing debt, you can see some similarities between them, but there were enough differences and important differences that we were having to really learn on the fly.

YPFS: Were you at the agency during the Savings and Loan Crisis?

Ellis: I started in 1988, so yes. I was in California at the time as a young bank examiner. Things started to fall apart in California in about '89, about a year after I had joined. I was a bank examiner examining troubled savings and loans and banks at that time. Reasonably large institutions, by standards back then. Now, they wouldn't be considered all that large, but they were large at the time. I was in a boots-on-the-ground role rather than a policymaking role, but yes, I had some familiarity with troubled institutions.

YPFS: Could you draw on that experience during the financial crisis of 2007-09 or was it very different?

Ellis: In some ways, but it was different. The banking crisis of the late 1980s and early 90s was a much slower developing credit problem. It moved geographically from one region of the country to another and while it was collectively a big problem, it was a more traditional crisis as banks and thrifts made a bunch of bad loans that weren't repaid and the banks and thrifts ran out of capital and had to close.

The systemic implications were completely different in 2007-09, a crisis that hit the big banks so quickly and with such ferocity and led to the freezing of markets and had serious implications for the real economy. It initially felt very different from the savings and loan crisis.

YPFS: **Was the FDIC and your group at the agency involved from the get-go or did you get drawn in as the crisis unfolded?**

Ellis: What do you mean by the get-go?

YPFS: **When issues started surfacing in 2007 with BNP Paribas.**

Ellis: My group wasn't involved quite that early. The group that would have been brought in first would have been our examiners, who would have been examining banks, such as when there was the Bear Stearns problem. Bear Stearns had some insured depository institutions, so supervisors were brought in from that perspective. While the examiners were starting to get drawn in here and there, as an agency we weren't playing a major role in 2007. It wasn't really until IndyMac failed in July of '08 that we realized we had a big resolution problem on our hands.

We had a reasonably sized institution that we weren't prepared to resolve because it failed so quickly. We had to put it in conservatorship for a while and our resolution specialists were all occupied doing that. It was such a hit to our deposit insurance fund that our deposit insurance fund was getting close to insolvent. To me, that's the event when the FDIC really got involved. Even then, it wasn't until the fall that my group, in particular, got pulled in.

YPFS: **Your group was responsible for developing the TLGP wasn't it?**

Ellis: In terms of the policy development piece of it, we were the leaders. But it was an agency-wide effort. We couldn't do it all by ourselves. We needed some bank supervisory help on this. We had to pull in the lawyers and the people who handled the accounting functions, too.

YPFS: **Talk about the process of coming up with the TLGP program**.

Ellis: I was not involved in the discussions with the other agencies, the Treasury and the Federal Reserve and so forth. There was a small group that met on Columbus Day weekend with the other agencies that included our Chairman, Sheila Bair, Art Murton, our acting general counsel at the time and maybe one of her advisors. It was a very small contingent brought in to discuss this issue, so they were involved in the back and forth of determining the very high-level outline of this program. The Treasury and the Fed reached out to us and said the U.S. needs a debt guarantee program and we think the FDIC needs to be the one to guarantee the debt. It was a decision that was determined by outside agencies and left to us to manage.

Our folks came back after Columbus Day weekend and said, “We're basically guaranteeing all this debt right now and we've got to figure this program out." That's when I got involved. I was trying to figure out: What is this we've got on our hands now?

YPFS: The FDIC was asked to get involved because it had the ability to invoke the system risk exception, correct?

Ellis: Right, that was certainly the authority. My understanding is that other countries, including the U.K., had already adopted or implemented their own versions of debt guarantee programs and the thinking of high-level policymakers in the U.S. was that our banks needed a similar program as well.

That's what led them to the FDIC because we had the systemic risk exception authority and, also, we had the resources to cover the expense of the program.

YPFS: People cite the TLGP as key to bringing about stability in the financial markets. Would you agree with that? What was it about the program that was so essential?

Ellis: The evidence is that it worked. We had a situation in which for quite some time banks weren't issuing any debt at all, which was very unusual. They started issuing in significant amounts when we got this program right and the program eventually led to narrowing spreads and so forth. We now see, based on the evidence, how helpful it proved to be. TLGP was part of a package of programs announced over Columbus Day weekend in 2008 that worked in concert.

There was the TARP program. That represented the point at which the regulators switched from the idea that relief would be provided in the form of an asset-purchase program to a capital-injection program.

Then there was the Federal Reserve’s Commercial Paper Funding Facility. And the TLGP. It was a very strong action by the authorities to bring the crisis to an end. It worked. And the FDIC definitely played a very critical role by helping to unlock the debt markets, which were utterly frozen up at the time.

When we initially published our interim-final rule, the banks didn't do anything. There was no take up. Banks were not issuing debt, and we had to ask some of the industry participants, "What's wrong here?"

We heard we were treating the debt relief as if it were insurance and we were treating the incidence of default like a bank failure. We had proposed to come in, resolve the bank debt, put the bank in receivership, sort through the expenses and determine the priority claims and then give the banks their money.

The advice from industry participants was: The FDIC needs to be a guarantor and that is different than an insurer.

A guarantor steps in and makes timely payments of principal and interest. That was a big leap for us internally because it was so different from the role we play in terms of providing deposit insurance.

The way we had structured the program initially, there was no guarantee that they were going to get their money right away. I can't remember what we said about that, but I know in our mind we were thinking, "Well, okay, they'll default. We'll sort through things and figure it out." It was understood there would be no timely payment of principal and interest.

Eventually, we structured it as a true debt guarantee. If there were a default, we would guarantee timely payment of principal and interest. The guarantee was backed by the FDIC, which has the full faith and credit of the U.S. behind it.

YPFS: Was everybody on board with the new program structure?

Ellis: I remember there was a lot of internal turmoil. The lawyers were concerned about making a payment without having protected ourselves and without an ability to recover. When a bank fails, we get a subrogated claim and we have claims to all the assets that are available. We worked with an outside counsel to figure out how to, as best we could, ensure that we had some sort of legal claim on the assets of the company that had defaulted.

We went back to the drawing board, figured out the problem of timely payment of principal and interest, went out quickly with a notice-and-comment rulemaking and responded with a final rule right around Thanksgiving. When we put that final rule in place there was a big rush on the part of the banks and holding companies to issue debt.

YPFS: What allowed Europe to be a first mover on the debt guarantee front? Was it the way their financial regulators are structured? What did you learn from the Europeans' experience?

Ellis: I don't know. It always surprised me. It may be because they were dealing with fewer and very large banks.

YPFS: Did you study their institutions and how they structured agreements and draw on that?

Ellis: We did. I made a couple of phone calls trying to get some tips on how they had structured things and I remember, in particular, talking to them about how they were pricing the guarantee. They based the pricing on credit-default swaps because they only had a single-digit number of banks, all who issued credit-default swaps. We had trouble with that. We were dealing with thousands of institutions and we only had a small fraction of banks that issued credit default swaps. We wanted the program to be available to our entire industry.

YPFS: Talk about how the program was structured. It was in two parts, right?

Ellis: Yes, there were two parts.

What the Fed and the Treasury wanted us to do was just guarantee debt. Frankly, they probably would have been happy if we had just guaranteed the debt at the largest companies. But our Chairman, Sheila Bair, said no. Her argument was if you're going to give the big banks something, we're going to make that opportunity available to all institutions, regardless of whether they have access to these kinds of markets regularly or not.

Then, too, she's the one who advocated for the Transaction Account Guarantee (TAG) program because she knew the smaller institutions would benefit the most from that. We had heard plenty anecdotally about corporate treasurers taking money and any uninsured funds out of banks to put it in so-called, "too-big-to-fail" institutions.

From a political perspective, it was a brilliant move. I don't know whether she was thinking about this at the time or not, she probably was, but in retrospect there was something for everyone in that program. The small banks weren't going to complain about the big banks getting the debt guarantee program because they got their own program. It eliminated any resistance on the part of community banks. If it had just been a debt guarantee program, all those small community banks would have been up in arms and there would have been much more political resistance to the program than there was.

YPFS: Describe in more detail the two components of the TLGP program.

Ellis: The Debt Guarantee Program is the one that gets the most attention. We knew that we'd be guaranteeing senior unsecured debts. But we had to figure out exactly what we were guaranteeing and what we were not guaranteeing.

We knew it would be 125% of newly issued debt on banks' balance sheets. Again, Sheila Bair resisted guaranteeing debt that had already been issued. Giving people who had already made decisions to invest in debt some sort of windfall wouldn't be right, so it was agreed that it would just be newly issued debt that was guaranteed to get the banks to start issuing debt.

Guaranteed debt issuance was capped at 125% because we wanted participants to be able to roll over existing debt and allow room for some growth. Pricing was another matter. Some people would have liked the program to be free but Sheila Bair determined we would charge a fee. At first, we settled on 75 basis points. We ended up abandoning the 75 basis points because it turned out that for anything that was short-term or overnight, such as fed funds, 75 basis points was way too expensive and yet it was not expensive enough for longer-term loans. We eventually priced guarantees on short-term debt at 50 basis points, 75 basis points for medium-term, and 100 basis points for long-term.

We protected ourselves by making sure we had claims to the defaulting assets and we made all the banks sign a master agreement. Under the master agreement, in the event of a default, the FDIC got subrogation rights to go to court and make a claim. Outside of that, there were just a lot of reporting requirements.

YPFS: **Tell us about the TAG, or Transaction Account Guarantee, program.**

Ellis: That was a lot simpler for us to wrap our heads around. That was not a very big leap in our thinking or our procedures. Aside from the accounting and having to segregate how much we charged for TAG and the extent of the losses we incurred and separating that accounting-wise from our normal deposit insurance premiums, there were no significant changes we had to make. We were just guaranteeing non-interest-bearing transaction accounts on an unlimited basis to reassure corporate treasurers that had large uninsured funds in banks.

Both programs, I should mention, were voluntary.

YPFS: **What was the hardest part of implementing the programs?**

Ellis: One of the harder thigns to do was figuring out what to guarantee, what constitutes senior unsecured debt. Is it federal funds? Is it euro dollars? What kind of debt is it? Were we going to guarantee debt with special features or should it just be plain-vanilla debt?

Going through the entire right-hand side of a bank balance sheet and scrutinizing everything between deposits and capital and asking ourselves: 'Are we guaranteeing that? Are we guaranteeing this?'

YPFS: **What was the fallout from those choices?**

Ellis: We cast a very wide net and basically ended up guaranteeing everything in between deposits and capital except subordinated debt or secured debt. I'm not sure we needed to do that. One of the lessons I learned is that once you guarantee a bank's longer-term debt, people are willing to lend to it short-term automatically. We probably could have kept the process a little simpler and made our lives a little easier if we said we are guaranteeing plain-vanilla senior unsecured debt and nothing else.

It would've made reporting and recordkeeping simpler.

Another way we could have made our life easier was not to have provided guarantees on commercial paper. We could have just done the long-term stuff. Commercial paper issuers expect to be paid the very same day and we had to work with someone at the Richmond Fed and the Treasury to set up procedures to get the money moved to the right place in case of a default. That was really hard.

We were bombarded every day with questions about what kinds of debt we were guaranteeing, and again, I would keep that simpler next time. We were working with the rating agencies. That was frustrating. They were the ones saying, 'You've got to demonstrate same-day payment capabilities for commercial paper or we're not going to rate this triple-A,' which was really annoying.

YPFS: **Yes, especially interesting given the role they played in getting us into the crisis.**

Ellis: We were thinking that. We're in this mess because of the triple-A ratings you slapped so willingly on sub-prime mortgage-backed securities, but yet, we, who have the full faith and credit guarantee of the government can't get a triple-A unless we demonstrate to you we've got the protocols to make same-day payments. Oh, it was really frustrating.

YPFS: **Did you have enough bodies on the ground to deal with this? I keep hearing from other agencies that they really had to staff up and draw people in from other places to help manage.**

Ellis: Until we got things up and running, it was all-hands-on-deck and taking up a lot of resources from all over the FDIC. But, this program didn't become an ongoing burden that required permanent staffing or even temporary staffing changes. We needed more people to close banks and to supervise banks and so forth, but not to run the TLGP.

Institutionally, we were having to learn a lot about how the largest banks in the country funded themselves. Prior to the crisis, the FDIC historically had been more community bank-focused because of our supervisory and resolution responsibilities there. Getting involved in the intricacies of some of this was new. Now that we have some expanded authorities for dealing with the systemically important institutions, we're a lot more knowledgeable.

YPFS: **Central to the FDIC's role was the systemic risk exception mechanism. Talk about how that authority led to the FDIC's involvement in resolving the crisis.**

Ellis: As an agency, it felt like we were being brought in a little late. Other regulatory agencies came to the FDIC and urged us to invoke the system risk exception and do the debt guarantee program. Policymakers were saying 'You've got to do this debt guarantee program. You have the authority to do this. This is what the U.S. needs. This is what the G7 countries already have.

It was thrust upon us. That's when I think Sheila said, 'Well if I'm going to do this, this is what I want: I want to limit the guarantee to only new debt, I want the TAG, and so on.' I wasn't in those conversations with Sheila, so I may not be the best source. This is where Art Murton might be a better source. But that's certainly the feeling I got and think most FDIC staff around would have.

YPFS: **What were the biggest concerns moving ahead with this?**

Ellis: It was a double-edged sword atmosphere. One concern was we wouldn't get this right and no banks would issue debt and it would be a failed program. That was scary. That's why it was a big problem for us when we put the first interim-final rule out and nobody took us up on it. Nobody was issuing debt and they pointed out this timely payment problem. We knew we had to fix that right away. We didn't want to be responsible for a failed bailout program.

The other thing we were really worried about was a major default. We were putting the rest of the banking industry on the hook for this. According to the systemic risk authority, if there is a loss, then the entire industry has to step up and pay enough to recover that loss, so if we are going to guarantee debt by Citicorp and Citicorp fails, we would have had to have every bank down to the $50 million bank pay for it. That would have been pretty awful.

YPFS: **Then, there was the issue of the deposit insurance fund losing money.**

Ellis: A systemic risk exception, according to the law, was to be accounted for separately from the deposit insurance fund. Now, the deposit insurance fund was running out of money anyway, so it's not like there were a lot of resources directly there, but the systemic risk exception says if you lose money on that action, then you have to impose a special assessment on the industry to recoup those losses. It would have been accounted for a little differently or separately, at least.

YPFS: **When you saw the deposit insurance fund showing a balance of negative $20 billion, what was going through your mind?**

Ellis: That was an uncomfortable feeling because, until then, all the problems had pretty much been in the largest banks. It was one bailout after another, but at the largest systemically important institutions. The deposit insurance fund was being used to resolve the smaller, more medium-sized banks, but they were actually failing. They were not being bailed out, they were failing. The fund was being depleted and if the fund was going to run out of money and we needed to go to Treasury, which we have the authority to do to get additional funds, the concern was, wait a second, now they're going to get painted with the bailout brush. The community banks at that point in time were on the moral high ground and they were screaming to be differentiated from the largest banks.

We imposed a special assessment once to try to prevent the deposit insurance fund from going negative and the community banks were really unhappy about that. We had plans in place to impose another special assessment to prevent the fund from going negative, but that first special assessment ended up being equivalent to the entire industry's earnings that year, so we decided we couldn't do a second one. There weren't enough earnings to impose another special assessment, so we threw in the towel on and decided the fund would have to go negative.

We still had enough liquidity to resolve things because there's a difference between solvency and liquidity, but then we started to get worried about that. All the liquidity we had was getting tied up in failed bank assets, so we needed liquidity. Again, we have the authority to go to the Treasury and borrow and we had done it in the early 1990s, but again, Sheila Bair came up with a different solution. She said, No, we're not going to do that. The industry can pay for this itself.'

Her reasoning was there was a lot of bailout fatigue at the time, and the industry was flush with cash because of all the monetary stimulus and so we should ask it to prepay assessments. It won't hit earnings and capital because it's a prepayment, and we can get the cash we need to continue to resolve banks seamlessly, without ever having to go borrow from the Treasury. Again, another brilliant move.

YPFS: The FDIC is regularly described as being in a unique position to have helped resolve the crisis. Why is that? Is it the SRE authority?

Ellis: The FDIC is the only open-bank-assistance authority around because of the SRE. Going hand-in-glove with that authority is the resource issue. We can invoke the authority to provide the open bank assistance, but then if we suffer a loss, we have a claim on all the capital and earnings of the banking industry. If we exhaust that, we can go to the Treasury because we've got the full faith and credit guarantee of the U.S. government. We have authority and resources.

YPFS: **Let's circle back a minute on the deposit insurance fund dipping into negative territory. Was that alarming? Or not, because you knew it would be temporary?**

Ellis: Normally, we like to be able to inspire confidence. To inspire confidence, we would like to be able to point to a nice-sized deposit insurance fund and say, 'See, we've got all these resources, not to worry, your money's safe because it's insured and we have the ability to pay you if there's a failure.'

During the crisis, it didn't feel good. We thought, 'Oh, gosh, this will not be very inspiring when the press jumps all over the fact that we've got a negative fund balance.' You get worried about creating a panic. But, by then, we were closing banks left and right every week and seamlessly providing funds and making good on that guarantee. Interestingly, in a time of crisis, it didn't cause panic because we were making good on our guarantee every Friday with more than one bank at a time sometimes.

YPFS: **The FDIC was one of the agencies that received pretty good press during this period, it seems.**

Ellis: That's true. Sheila Bair was on the outside of the Geithner, Paulson, Bernanke trio and she was a bit of a thorn in their sides, but I think she got good press and goodwill as a result of it. She was challenging them and she had good sensibilities about what the people really wanted and needed and cared about. We got good press and I think she deserves a lot of credit for that.

YPFS: **You mentioned that since the crisis, the role of the FDIC has been expanded. Can you speak to that?**

Ellis: Yes, it's the enhanced resolution authority: Title I and Title II of Dodd-Frank. Now, we receive and review and grade living wills for the largest institutions to hopefully get them in order to go through bankruptcy. If that doesn't work, we have the Title II authority, the ability to resolve not just the bank, but the entire bank holding company and its affiliates. It's a big deal because we aren't just community-bank focused. The community banks are still a big deal to us because that's what most of our examiners do, but now we have more staff on site working side by side with the Office of the Comptroller of the Currency and the Federal Reserve and the largest institutions, so our access to information is much better than it used to be. We have more interaction with those institutions. In the past, there weren't a lot of reasons for us to sit across the table from any of those firm's CEOs, but now there are.

YPFS: **Was there resistance to expanding the authority of the FDIC? Has there been pressure from this administration to shrink its role?**

Ellis: There was a lot of vocal opposition to it right after Dodd-Frank but that's disappeared. The Mnuchin Treasury came out with a report early on that supported Title II, so that silenced some of the opposition.

YPFS: The living will is simply a bank's plan outlining how it intends to wind down its operations in bankruptcy?

Ellis: It's the preferred option. Ideally, we would like these large institutions to go through bankruptcy and the living will's the roadmap to get that done.

YPFS: What had been going on before?

Ellis: Prior to the crisis, we thought that if one of these large institutions got into trouble, we at the FDIC would take the banking organization. Let's go back to Citicorp, as an example. In the past, if Citicorp were to face problems, the FDIC would take Citibank and resolve it using our normal tools. The rest of its affiliates and the holding company would proceed through bankruptcy court. When Citicorp got into trouble in the last crisis, we suggested we would take Citibank under our control and were told that wasn't an option because the bank was too interconnected with the holding company and affiliates and couldn't be chopped up.

YPFS: If Lehman hadn't been left to fail, would things have unfolded differently? Did the FDIC have a position on whether Lehman should have been allowed to fail?

Ellis: If Lehman had not failed, everything would have unfolded very differently. We did not have a position on whether it should have or not because we've never taken a position or gotten involved in what's going on in the non-bank sector. We observe the sector and we monitor it because it matters, but we don't take policy positions over how non-banks should be handled. Lehman seemed separate from us. Now, we realize, well, maybe it wasn't quite as separate as we thought.

At the time, the press would refer to investment banks as banks. Morgan Stanley was a bank, Goldman Sachs was a bank. They were not banks. Yet, as it turned out, they were all banks in substance. Without Lehman's failure, I don't think there would have been any Columbus Day-weekend-need-to-intervene and there would be no TLGP and so on. Maybe there would be no Dodd-Frank or certainly no Title I and Title II rule.

YPFS: Where are we now? What has changed for the better and what maybe hasn't changed that might be of a concern should we have another crisis?

Ellis: If the same crisis were to happen again, we'd be a lot smarter this time. Unfortunately, a crisis probably won't happen exactly that same way. We're ready to fight the last crisis, for sure. We would certainly be able to do things far more orderly now. We have more knowledge, more insight, more tools, to do things in a more orderly fashion.

There is a contingent of folks that thinks our wings have been clipped a bit too much. There is now a big obstacle to tackling a crisis in that we would have to go to Congress to get authority to act.

YPFS: **You didn't need to do that before?**

Ellis: No, we did not need to do that. Once we invoked the systemic risk exception and all the different keys had been turned, we were free to go and guarantee however much we wanted to. We had lots of freedom to design programs. Now, we will have to seek permission from Congress.

YPFS: **Is that required under Dodd-Frank?**

Ellis: Yes.

YPFS: **Do you see any signs of a crisis in the making?**

Ellis: Rapid growth and concentrations in an area generally is what leads to a bubble and the bursting of a bubble. With the exception of the leverage-loan area, we aren't really seeing anything worrisome on bank's balance sheets. The leverage loan area has experienced rapid growth and lots of deterioration in underwriting standards; that's a classic set up for a problem, but the numbers just aren't as big as they were in the mortgage market during the crisis of 2007-09.

On top of that, there's not the same degree of derivatives transactions and so there's not a magnification of that credit risk. Also, there's no impact on money market funds, whereas what made the subprime mortgage crisis so deadly was that it seeped into the money markets and overnight funding and so forth. I don't think we're repo-ing collateralized loan obligation debt and so I don't think it has a possibility of leading to the systemic freezing up of credit markets.

YPFS: **What are the biggest lessons that you learned in your role during the financial crisis?**

Diane Ellis: One of the biggest lessons for the FDIC was the interconnectedness. I think we were living in our own little world of insured depository institutions and thinking that all the problems and risk is in the non-banks. I gained an appreciation of how everything really comes back to the banks.

YPFS: **Thanks, Diane.**

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