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Yale Program on Financial Stability

Lessons Learned

Andrew Gray

By Mercedes Cardona

*Andrew Gray joined the FDIC in 2007, after having been majority director of communications for the US Senate Committee on Banking, Housing, and Urban Affairs and press secretary for US Senator Richard C. Shelby (R-AL). Gray's initial project was a campaign to mark the 75th anniversary of the creation of the Federal Deposit Insurance Corporation (FDIC); his role evolved into running crisis communications as the FDIC stepped in during several bank failures triggered by the Global Financial Crisis (GFC) and conducted 489 bank resolutions during 2008–2013. After the crisis, the FDIC also assumed new responsibilities over the winding down of failing banks under the Dodd-Frank Wall Street Reform and Consumer Protection Act. This *Lessons Learned* is based on an interview with Gray held in October 2021; [the full transcript may be accessed here](#).*

Identify the worst-case scenarios and develop a plan that includes procuring the resources you will need to counter them because unexpected events will happen.

In early 2008, the developing crisis revealed itself to the FDIC through a series of notable bank failures, including that of IndyMac. Before this period, Gray says that there was a “failure of imagination” when it came to thinking ahead to what could go wrong with the economy in freefall. Gray recalls, “we were coming from . . . what they called the golden age of banking. At the FDIC in particular, there hadn’t been a bank failure in at least a couple years, if not three years.”

The FDIC did not have a concrete crisis communications plan, so when the crisis ramped up, it was understaffed and short on resources to respond to mounting inquiries regarding the bank failures. Eventually, the FDIC added more resources throughout the agency as the crisis wore on and also developed a crisis communications plan. Gray says,

We added employees, especially in the Division of Resolution and Receiverships, as you would imagine, to help staff bank failures because there were so many of them at the height. We were looking at 10 or 11 every Friday. We had to grow into being able to handle these additional responsibilities too, so we created a whole new division just devoted to it and put a really smart guy in charge. They started that hard work of figuring out what they would have to do. My part of that was developing a crisis communication plan, having a template for how we would communicate one of these failures and being very explicit that it truly was a managed bankruptcy process.

In the crisis communications plan, the FDIC stressed that bank failures were being resolved through the bankruptcy process, where the shareholders’ equity would be extinguished while the depositors were protected by the agency. But perhaps because a negative impression had been left by the FDIC’s deferred crisis messaging, a persistent public narrative remained that the bankers were rescued at the expense of the depositors and taxpayers remained.

Gray says,

We could have done better just thinking [about], where are we seeing trouble, potential issues in the economy, what could that lead to, and are we ahead of it. Really thinking through that and, if we know every piece of the financial structure, to examine the vulnerabilities.

Even in today's polarized climate, it's important to share information.

Gray came to the FDIC following a generally cooperative experience in Congress. "I worked for a boss who's sort of legendary," he explained. Senator Richard Shelby was originally a Democrat who became a Republican and was known to work both sides of the aisle. Having that experience on the Hill was helpful, Gray explains.

There were agendas on every side that had nothing to do with our ability to execute on our remit, that had to do with other people. Understanding that and how we could best combat that was really helpful.

Divisiveness on the regulatory side came in the form of fragmentation of authority, which led to communications hurdles, Gray explains.

It was very parochial in terms of how the Fed has the non-state banks that they primarily supervise. The OCC had the national banks. FDIC has the state banks, along with the state bank supervisors. But it was really stovepiped, so we didn't share a lot of information until things were too late. We had a lot of things that were just dumped on our lap on a Thursday. I don't know how you would have improved that, absent of crisis, but that was another thing that needed to be addressed.

Education is often the antidote to uncertainty, so to the extent that you can, let the public witness the inner workings of your agency in action through an established channel for public communication.

Communications with customers of failing banks was not very strong during the initial onset of the crisis. Sheila Bair, FDIC head at the time, and her team valued transparency and provided guidance through traditional agency communication channels. Yet there were instances where the FDIC's effort to orchestrate an orderly transition of bank operation was completely overshadowed by other narratives in the public sphere. In the case of the IndyMac failure, a creatively produced video began circulating in the media that suggested the bank's acquisition would be at the expense of its depositors. In response, the FDIC issued a press release with a point-by-point rebuttal; however, it only served to amplify the initial video.

It seemed as though some of IndyMac's customers were unaware of protections afforded to them by virtue of deposit insurance. This is evidenced by customers exhibiting behavior akin to a bank run. Gray recounts,

[I]t's sort of a famous story . . . that Friday, we closed the bank early, and that allowed time for customers to go to the bank, hear that it was closed, see the thing that said bank failed, and the press release that we put on the window. [Soon, the customers] were at the doors like this, and CNN had a camera out there quickly because they were starting to really cover the bank failures too. These frightened customers whose bank just failed, it's the first time they probably experienced something like that. So, these visuals ran over the course of the weekend, and there was this mass hysteria of their customers thinking that they were going to lose their money. The vast majority was fully protected by the FDIC's insurance limits.

Fortunately, the FDIC, having recently prepared a communications campaign to mark the agency's 75th anniversary in 2008, had a large amount of research ready for the public describing its mission and explaining how it operates. This proved helpful in briefing stakeholders on what the agency could and could not do based on its remit. Gray explains,

I look back on that, and it was really important that we had done that work around really basic messaging: "You know, in our 75-year history, no one has ever lost a penny of insured deposits." Just simple catchy stuff that we developed into various forms of collateral.

[I]n the evolution of that campaign, the anniversary campaign, we did a big, broad public education campaign. We were in six or seven cities: San Francisco, Kansas City, Chicago—these are all cities where we had big FDIC field offices—New York City and a couple more. We would do a public event. We rang the bell at the New York Stock Exchange, and it had our 75th anniversary logo on it. We would invite local crowds, and we'd always make sure that we did a lot of media around it to help. . . . We had billboards and just had a lot of really cool exposure for this campaign. So, it just continued [in]to this cycle of public education.

As part of the anniversary coverage, the FDIC had also given the *Wall Street Journal* access to observe the process of unwinding a bank before the crisis, in order to demystify what it means when a bank fails. Later in the crisis, the FDIC gave *60 Minutes* access to the process at a bank in rural Minnesota as part of a profile of Bair.

[M]y job was to walk in and tell the employees, the people that are gathered, that not only that happened, but there are camera crews from *60 Minutes* here to film your bank failure. I've had bad looks before, but there were people that would have very happily punched me in the face. And so, I was just: "Please just think about it as this is for the public good, for people to understand it. I know it's intrusive. I'm sorry."

Thanks to that effort, the feature was so successful that the FDIC used it as an educational tool and referred to it frequently to help explain what happens when a bank fails.

I really do think that that helped so much, because of what we [the FDIC] were all worried about: that trust in financial institutions is so tenuous. In your bank—that trust that your money's going to be safe—if that erodes, then that really would have been something that would've been hard to recover from during the crisis. But

somehow it maintained, and we never had an issue with liquidity runs on banks that were otherwise healthy.

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