

# ING Direct steps in as US bank collapses

By Ben White in New York

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ING Direct, a subsidiary of the [Dutch financial group](#), is to take over the customers and insured deposits of [NetBank](#), an online lender with \$2.5bn (£1.2bn) in assets that was shut down on Friday by the US government following losses on subprime mortgages and other loans.

The closure marks the largest US bank failure since the end of the savings and loan crisis in the early 1990s.

It also underscores the ongoing impact of the US mortgage crisis, which has destabilised banks around the world, including Northern Rock in the UK.

ING said it would take on about \$1.5bn in deposits insured by the Federal Deposit Insurance Corporation. It said it had paid about \$15m to acquire the deposits. ING will also acquire \$724m in assets from NetBank, which filed for bankruptcy protection.

Arkadi Kuhlmann, ING Direct chief executive, said in an interview that ING stepped in partly to insure continued consumer confidence in companies such as his and NetBank that conduct all their banking business online and do not operate branches.

"This is all about confidence in the market," he said. "Since we are the largest direct bank we were very pleased to assist and help out and hopefully take on these customers who will continue to do business on the Internet."

ING Direct's announcement came just an hour after the Office of Thrift Supervision, which oversees US lenders, said it would close NetBank following loan losses.

In addition to the losses, OTS said Georgia-based NetBank failed to improve what the regulator said were weak underwriting standards, poor documentation, a lack of proper controls and failed business strategies.

NetBank's losses came largely due to early default on loans that it had sold, OTS said.

"While the institution continued to operate in excess of minimum capital standards, the actions taken to address these problems were unsuccessful and it became clear that high operating expenses combined with continuing losses were jeopardizing the institution's viability," the OTS said. It added that the closure came after NetBank's previous attempts to sell itself failed.

Many small mortgage lenders have been forced out of business in the wake of the mortgage crisis and Countrywide Financial, the largest US home lender, appeared close to failure over the summer. Countrywide was aided by a \$2bn equity investment from Bank of America and a fresh \$12bn in financing from its lenders.

The FDIC said NetBank had approximately \$109m in 1,500 deposit accounts that exceeded the federal deposit insurance limit. These customers will have access to their insured deposits but will become creditors for their uninsured funds.

NetBank's website was shut down on Friday but was to reopen Sunday evening.