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On Focus and In Depth

## Changes Continue as Wamu Names a New Risk Chief

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By [Kevin Dobbs](#)

Washington Mutual Inc. made another leadership change Tuesday in its effort to improve oversight of risk management and clean up its mortgage mess.

The \$320 billion-asset Seattle thrift company said that its top risk officer, Ronald J. Cathcart, has left, and that John P. McMurray, an executive who joined Wamu from Countrywide Financial Corp. last year, succeeded him.

Mr. McMurray, formerly Wamu's chief credit officer, was promoted to chief enterprise risk officer after Mr. Cathcart, who had held the role since 2005, departed abruptly Monday.

The promotion was announced two weeks after Mary E. Pugh, who had chaired the board committee that oversaw Wamu's mortgage business, stepped down as a director amid pressure from shareholders.

Wamu did not say Tuesday whether Mr. Cathcart was fired or resigned. Mr. McMurray was not made available for an interview, and a Wamu spokeswoman did not provide additional details.

Analysts said it appeared that Wamu is laying the blame for its bad mortgage bets at the door of its former chief risk officer. But they said the company has not

given clear a indication if Mr. McMurray would be given more authority to help it avoid the type of missteps that led it to post steep losses for the past two quarters.

"Fact is, there is very little they can do now to offset the errors of the past,"

David Hendler, an analyst at CreditSights Inc., said in an interview Tuesday.

"We really don't know exactly what input ... [Mr. Cathcart] had or to what degree Washington Mutual paid attention to his advice on risk, and so it's really hard to gauge at this point what this change really means."

Wamu has been hit hard by steep loan losses after betting heavily on high-risk mortgages in California and Florida, where defaults have soared.

This month it reported a \$1.1 billion first-quarter loss, set aside \$3.5 billion to cover bad loans, and warned that loan-loss provisions would remain high for the rest of the year.

Mr. McMurray will oversee risk management, including credit, market, and operational risk, Wamu said Tuesday. Before joining Wamu, he had been senior managing director and chief risk officer at Countrywide, which reported a first-quarter loss of \$893 million Tuesday. The Calabasas, Calif., company, which has a deal to sell itself to Bank of America Corp., blamed rising levels of mortgage delinquencies. (See story [here](#).)

He will now report directly to Kerry K. Killinger, Wamu's chairman and chief executive officer. Mr. Killinger has not responded to interview requests over the past several weeks, but he told investors at Wamu's annual meeting this month that it will turn itself around within a year.

"I want people to calm down and have a little faith," he said.

During the meeting investors voted to separate the chairman and CEO roles, according to a preliminary vote tally. It was a nonbinding vote, but Wamu's board has said it would consider the proposal.

Richard Clayton, research director at CtW Investment Group, which represents Wamu shareholders, said the vote did send a "very clear message" that investors were not happy with Mr. Killinger's performance, and that they wanted an independent chairman who could assess the CEO and his team during the company's turnaround effort.

Mr. Hendler said Wamu shareholders will have to endure more pain as housing markets bottom out.

Wamu "made big mistakes, and they have to take the punishment," he said.

"Really, that's all there is to it right now."

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