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Washington Mutual sues FDIC for over \$13 billion

Sat Mar 21, 2009 1:49pm EDT

NEW YORK (Reuters) - Washington Mutual Inc, the failed U.S. savings and loan, has sued the Federal Deposit Insurance Corp for well over \$13 billion in connection with the loss of its banking operations, which was acquired by JPMorgan Chase & Co.

In a complaint filed with the U.S. District Court for the District of Columbia, the thrift's former parent accused the FDIC of having on January 23 made a "cryptic disallowance" of its claims, prompting the lawsuit.

It also accused the FDIC of agreeing to an unreasonably low price in arranging the a \$1.9 billion sale of the banking business to JPMorgan on September 25, when regulators seized Washington Mutual and appointed the FDIC as receiver.

JPMorgan did not buy the parent holding company, which filed for Chapter 11 bankruptcy protection the following day.

In its complaint, Washington Mutual seeks to recover as much as \$6.5 billion of capital contributions it said it made to its banking unit from December 2007 through the seizure.

Washington Mutual also seeks the return of \$4 billion of trust preferred securities it said were wrongfully transferred to the banking unit, and said it may be entitled to as much as \$3 billion of tax refunds. It also seeks damages of \$177.1 million related to unpaid loans made to the banking unit.

The company also made claims on several other matters that together could add to any recovery. Washington Mutual is seeking a jury trial.

In the January 23 letter, the FDIC said it disallowed Washington Mutual's claims because they lacked documentation or specificity, failed to state grounds to recover, appeared to be made against third parties, or had no legal basis.

FDIC spokesman David Barr said the regulator does not comment on lawsuits.

Seattle-based Washington Mutual failed after mortgage losses soared, and following a 10-day bank run when customers withdrew \$16.7 billion of deposits. It had about \$307 billion of assets, and remains by far the largest U.S. lender to fail.

The parent is seeking to pay off creditors with amounts it recovers in the Chapter 11 proceedings.

The case is Washington Mutual Inc v. Federal Deposit Insurance Corp, U.S. District Court for the District of Columbia, No. 09-00533.

(Reporting by Jonathan Stempel, additional reporting by Karey Wutkowski in Washington, D.C., Editing by Eric Walsh)

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