

San Francisco Examiner

Sunday, March 19, 1989

Romancing the savings and loan

Herb and Marion Sandler take both their loves seriously

"Hon, what's the deposits of our Kansas operation?"
"\$400 million."

— Boardroom small talk at \$17 billion Golden West Financial Corp. between Chairman Herbert Sandler and President Marion Sandler

By Susan Burkhardt
OF THE EXAMINER STAFF

IT'S A MARRIAGE made on Wall Street, but kept alive in the executive suite of World Savings in Oakland.

When they met, Herb Sandler was a New York City attorney — the son of a New York City attorney — who had fallen in love with the Bay Area while stationed at Beale Air Force Base in Marysville in 1954-55.

Marion Sandler, whose parents ran a hardware store in southwestern Maine, was a thrift analyst for Oppenheimer & Co., tired of trying to earn the title of partner in the male-dominated securities industry. She was looking for something to do that would make a difference.



EXAMINER/MARK COSTANTINI

Herb and Marion Sandler say it's easier to run a business as a team, to work with 'somebody you trust implicitly'

Their nuptials 28 years ago resulted in the creation of one of the strongest thrifts in the nation — World Savings, the main subsidiary of Golden West Financial Corp.

The Sandlers — who share the title of chief executive officer — run a thrift whose corporate culture is permeated with the trust they have built into their marriage and

the drive for excellence that has dominated their lives.

It is a story of how a husband and wife have successfully mixed marriage and business in a highly

regulated industry now locked in a struggle for survival.

One-fourth of the savings and loan industry has vanished since 1980 due to fraud and mismanagement exacerbated by the failure of the government to correct the problem.

Another two-thirds of the remaining 3,000 thrifts could soon disappear in mergers, takeovers and through insolvency if the Bush administration proposals to recapitalize the Federal Savings and Loan Insurance Corp. are enacted.

"What we have here is a natural disaster in the savings and loan industry," Herb Sandler said. "When they have a drought in Iowa, it's caused by an act of God. This disaster was created by a bungled deregulatory process."

The villains in the Sandlers' view included the Office of Management and Budget, which reduced thrift examiners when a lot of new fast and loose operators were entering the business; Congress, which deregulated the amount a thrift could pay on deposits but delayed loosening the regulatory reins on its assets; several administrations, and the California Legislature.

Adding up all the hidden

expenses in the Bush proposal, the Sandlers say that thrifts are being asked to pay 15 to 25 percent more than commercial banks to solve the problem.

"It's as if World Savings had done something naughty," Herb Sandler said. Instead, World is one of the most conservatively run thrifts in the nation, known for a squeaky clean loan portfolio — comprised of relatively riskless single-family mortgages — and intense cost control.

"We're boring," Herb Sandler said.

Seeking a fortune

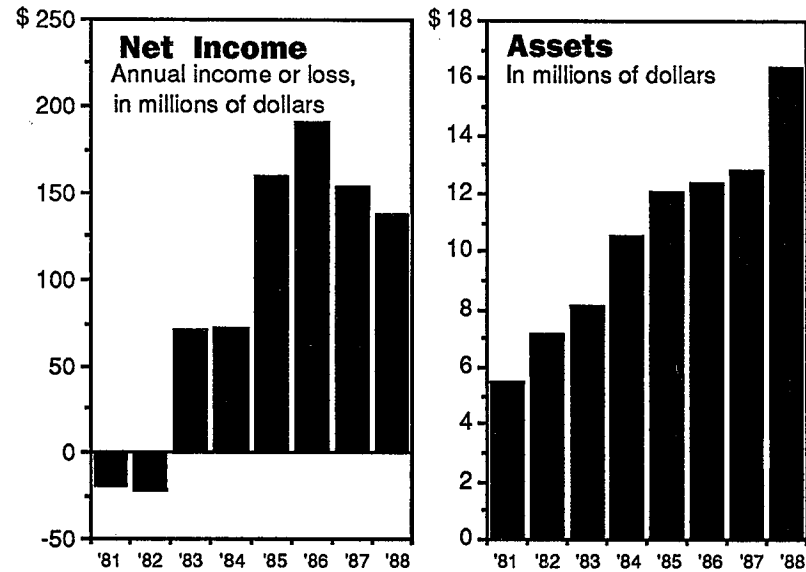
The Sandlers were newly married and in their early 30s when they moved West to make their fortune in the savings and loan business.

With money contributed by family members, the fruits of Marion's own investing and a bank loan, the Sandlers bought Golden West Savings, a \$34 million savings and loan with two offices.

The Castro Valley office was so small they couldn't find it their first outing. The other was at 17th and Franklin streets in downtown Oakland. There's a donut shop there

(see other side)

GOLDEN WEST'S BALANCE SHEET



Source: Golden West Financial Corp.

EXAMINER

now, which moved in after World Savings outgrew the location in 1972. World Savings' new headquarters building is located nearby at 19th and Harrison streets.

Each is quick to give the other the credit for the entrepreneurial spirit that brought them west. After 28 years, when Herb Sandler testifies before Congress or appears on television, it can still bring tears to his wife's eyes.

And when Marion Sandler speaks before groups, her husband makes a point to be in the audience.

Before they came into full possession of their tiny thrift in 1963, they ran the company for a month. The previous managers "put us on the payroll for a month," Marion Sandler said.

"When the guy in charge of payroll paid us, we couldn't believe they were going to give us money to have so much fun," her husband said, eagerly interrupting with the rest of the story.

Herb and Marion Sandler had fallen in love with the thrift business.

Splitting the workload

The company grew rapidly. In the beginning, the Sandlers did everything together as they were learning the business, but nowadays they split the work to save time, each knowing exactly what the other will do on any given task.

The happiest times for Marion Sandler was when they took the company public in 1968 and then when its stock was listed on the New York Stock Exchange in 1971, she said. She had finally arrived as a partner on Wall Street. The Sandlers control, directly and indirectly through family, more than 20 percent of Golden West's stock.

Herb Sandler is a workaholic, able to eat, sleep and think about the business 24 hours a day, seven days a week. Marion Sandler said she has to turn off the business and "vegetate," which she defines as watering the plants, knitting and shopping.

Even today, there's an unwritten rule in the Sandler household: No talking about business after 10 p.m.

Living through tough times

The Sandlers personal and professional peace of mind was shattered in 1981 and 1982, when World Savings lost nearly \$42 million.

Congress had deregulated savings deposits, permitting thrifts to pay what they wanted, but with-

out adding the authority to make assets more flexible by offering adjustable rate mortgages (ARMS).

The red ink flowed everywhere in the industry as interest rates soared to 21.5 percent. Thrifts were locked into low-yielding, fixed-rate mortgages and were paying through the nose for deposits.

Herb Sandler became an insomniac. "I was furious," he said. "They wouldn't give us the authority to make ARMs. They would not let us hedge against interest rate risk in the capital markets. We could have borrowed long to match our assets, but they prevented that." "They" are the regulators, Congress and lawyers who advised World Savings.

"Why shouldn't I lose sleep when there are morons and incompetents making the rules?" he asked. Luckily, World Savings had enormous liquidity, tight cost control and its loan portfolio continued to perform perfectly.

"Being in a regulated business, a lot of things on the outside buffeted us that were beyond our control," Marion Sandler said. "That was an extraordinarily difficult environment. Herb was more bothered by it than I was. I'm a perennial optimist."

But her husband's insomnia was a tremendous strain. "There was nothing you could do. You had to wait out the situation. We were hurt, but we came through that

period much better than others," Marion Sandler said.

Finally, interest rates peaked in 1980, and ARMs were introduced in 1982, stopping the flow of red ink.

Success breeds access

The Bush proposals, which may double what thrifts currently pay in insurance premiums, may seem like a *deja vu* for the Sandlers. But there is a difference.

"We're considered important players. The undersecretary of the treasury asked to see Herb. Herb was on the MacNeil/Lehrer NewsHour," and several congressmen asked to talk to him, Marion Sandler said. "All that is really exciting: To be able to get our thoughts across. We feel less impotent."

Also, even if all of the Bush proposals are implemented, World Savings will emerge a winner. Stock analysts continue to recommend it as a long-term investment no matter what the outcome of the FSLIC crisis.

It is one of two publicly traded thrifts in the nation — the other being Great Western Bank of Beverly Hills — whose debt is rated investment grade. That will give World more flexibility in the capital markets. As one of a handful of survivors, World Savings and other major strong thrifts will be able to

charge more for mortgages to recoup any losses.

Only the consumer will suffer, the Sandlers say.

Has running a thrift made their marriage stronger? Or has a strong marriage created a better thrift?

"We have a very good marriage, but we'd have had a very good marriage any other way," Marion Sandler said. "But it's a lot more fun (this way)," her husband quipped.

"It's a lot easier to run a business as a team. It's something one person doesn't do well by himself or herself. You need somebody you trust implicitly, who has the same goals and motives as you do," Marion Sandler said.

"There's a very high trust level in this company. There's no game playing here," said Herb Sandler. "There's an absence of ego, an absence of politics, an absence of bureaucracy. Maybe it starts from this marriage situation — I don't know — but it pervades the company."