

World Savings' safe style

Sandlers steer clear of trouble

By Michael Liedtke
Staff writer

If the scandalized savings and loan industry has a conscience, it may be Herbert M. and Marion O. Sandler.

The leaders of Oakland-based World Savings preached against the thrift industry's decadent behavior many years before the vices coalesced into a \$157 billion crisis.

Few people, particularly legislators and regulators, listened.

But the Sandlers stuck to their principles and proved an S&L can prosper without deviating from the conservative philosophy that hundreds of thrifts forsaked following the industry's deregulation earlier this decade.

"One of the reasons we went into this business is because the fundamentals of it are very good," Marion says. "Not a thing has occurred in the interim to change our minds."

Mom and pop approach

Herb and Marion — husband and wife for 28 years and co-chief executives for 26 years — like to think of Golden West Financial Corp. and its main subsidiary, World Savings, as a \$16 billion mom-and-pop shop.

Along with their "family" of 2,600 employees, the Sandlers still do what thrift operators were chartered to do more than 50 years ago. They buy a community's deposits and then use the money to make low-risk loans to homebuyers.

"It's almost like a second religion to them," observes Clark E. Wallace, a member of Golden West's board of directors since 1986.

The Sandlers' faith shows on Golden West's ledger.

Of the company's \$12.3 billion in outstanding loans as of Dec. 31, about 98 percent were either for home mortgages or apartment construction. The average year-end ratio among the state's thrifts was about 80 percent, according to figures compiled by the California League of Savings Institutions.

Missing from World's portfolio are the loans for fancy office buildings, luxurious yachts, sexy business ventures and other frills that infiltrated the thrift industry during the 1980s.



Times/Thomas Ovalle

MARION AND HERBERT SANDLER of Oakland-based World Savings.

"They have about the cleanest asset quality of any financial service company I follow," assesses Donald K. Crowley, an analyst with Keefe Bruyette & Woods in San

Francisco. "They are extremely savvy." Just how good is Golden West, which

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runs thrifts in six other states besides California?

Less than one-half percent of World's total assets are failing to generate income. World and Beverly Hills-based Great Western Bank are the only publicly traded thrifts in the nation rated as investment grade. World also is tracked in the Standard & Poor 500 stock index, another measure of stability.

The Sandlers, who live in Lafayette, downplay their accomplishments.

"It's not that we are geniuses," Herb asserts. "It was obvious what had to be done. It was like someone wrote it on a wall."

Ask the Sandlers for the key to their success and they talk about focus, discipline and teamwork.

Love is the key

But the Sandlers' personal and professional love may be the key.

The two met in New York while Marion was working as a thrift industry analyst for Oppenheimer & Co. and Herb was an attorney representing thrifts. They married in March 1961.

When Marion felt her career prospects restrained by sexual prejudice, Herb agreed to break away from Wall Street in 1962.

The two decided they wanted to own a thrift. They landed in the Bay Area and in 1963 bought a tiny thrift with \$34 million in assets, 25 employees, two East Bay branches and virtually no customers.

That soon changed under the Sandlers.

"We had people lined up to come in. At the time, we did everything. It was really a mom-and-pop operation," Herb remembers.

Marion adds, "You have to understand we grew up with the business."

The Sandlers' deep-rooted commitment to the thrift industry underlies the couple's indignation over the legislative reforms of the 1980s.

They first cried foul at the outset of the decade when lawmakers gave the thrifts greatly expanded lending powers without beefening enforcement.

Soon, the thrift industry was flooded with high-flying — and often corrupt — entrepreneurs who made imprudent investments protected by the industry's government-backed insurance fund.

By 1985, Herb was referring to hundreds of thrifts as "the walking dead" who would cost the nation billions if their activity went unchecked.

In Golden West's 1986 annual report, Marion charged that many thrifts were committing "one or more of the Seven Deadly Savings and Loan Sins (pride, avarice, lust, gluttony, envy, sloth and wrath)."

An estimated 500 of the nation's 3,000 thrifts currently have negative net worths or are bordering on insolvency. Hundreds of others already have been liquidated or recapitalized by federal regulators.

The Sandlers aren't happy with the way the Bush administration is addressing the problem.

Tough provisions stipulating stiffer capital requirements and increased insurance premiums threaten the thrift industry's survival, according to the Sandlers and many analysts.

Healthy thrifts such as World undoubtedly will continue to thrive in some form, but that isn't good enough for the Sandlers.

Without an independent S&L industry, obtaining mortgages would become increasingly difficult and expensive, according to Herb, who is fond of saying, "If there isn't a thrift industry, there will be a need to re-invent it."

Bush plan rankles

The increased insurance premiums prescribed by the Bush administration particularly rankle the Sandlers.

Bush's plan will boost the premiums from 21 cents to at least 23 cents per \$100 while also siphoning huge profits from regional home loan banks owned by the thrift industry.

Golden West is hardly a pauper after earning \$477.7 million over the last three years.

But Herb believes Golden West paid dearly for "regulatory and legal stupidity" in 1981 and 1982 when the company lost nearly \$42 million.

Like all other thrift companies at that time, Golden West was holding bundles of mortgage made at single-digit, fixed rates while it was paying historically high interest rates for deposits.

"That was a very humbling time," Herb recalls. "We knew what we had to do to make money, but we weren't being allowed to do it."

In 1982, legislators finally allowed thrifts to make adjustable rate mortgages. Golden West hasn't suffered an annual loss since.

As buttoned-down as the Sandlers are, their relationship goes against the traditional conservative grain.

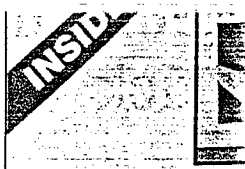
"It seems we've been married 56 years, not 28 years," Herb jokes.

Marion for years has been one of the handful of female executives running a large corporation, although she isn't an activist in the women's rights movement.

"I've never been involved in that except as a mentor and a role model," she says. "I have always felt my greatest contribution to the movement is achievement."

Herb's frequent trips to Washington to discuss the Bush plan with legislators and regulators occasionally creates a quandary for the couple.

"Herb's going there for two days and I was thinking of going," Marion says. "I decided not to. If it would have been for three days, I would have gone. I don't think I want to be away from him that long."



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Mom and pop approach

Herb and Marion — for 28 years and co-chief years — like to think of Oakland Corp. and its main Savings, as a \$16 billion shop.

Along with their 400 employees, the Sandlers still operators were chartered 25 years ago. They buy a car and then use the money loans to homebuyers.

"It's almost like a second home," observes Clark E. member of Golden West's board since 1986.

The Sandlers' faith in West's ledger.

Of the company's \$1 billion standing loans as of December were either for home apartment construction. The end ratio among the savings about 80 percent, according to compiled by the California Legislative Institutions.

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