

... Good times at Golden West

California S&L is rare industry success story

By **SUSAN BURKHARDT**
Scripps Howard News Service

SAN FRANCISCO — Herb Sandler said he almost has to pinch himself in the morning.

His thrift holding company, Golden West Financial Corp. of Oakland, this week reported the best operating profit in its 78-year history.

"We've never been stronger, but there's this sea of desolation around us," said the 58-year-old chairman of Golden West, the parent company for 184-branch World Savings of Oakland.

The "sea of desolation" is the nation's savings and loan industry, which is in shambles. More than one-fourth of the nation's thrifts disappeared in the 1980s. Last year Congress passed new legislation to restore the nation's thrift deposit insurance fund to solvency.

With the legislation came stiff new capital standards. One-third of the thrifts in the West fail at least one of those tests, which means their financial surplus — a capital cushion against future losses — is inadequate measured by the risks they are assuming.

Golden West Financial owns and operates three thrifts in six states, and each meets the new capital standards of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA).

Not only do Golden West's thrifts meet the current requirements, but they also meet the fully phased-in capital standards, which will go into effect in 1995.

"There's only a handful of companies in

that position," Sandler said. That puts Golden West in the enviable position of being able to make acquisitions. "If there are deals out there, we'll take advantage of them," Sandler said.

Net income in the first quarter was \$47 million (75 cents a share), up 34 percent over last year's first quarter earnings of \$35 million (56 cents). Golden West had a higher net income in the third quarter, 1985, when it earned \$54 million, but that was due to a number of one-time gains on sales of loans, said Golden West chief financial officer J.L. Helvey.

But first quarter core or operating earnings, which represent profits from the company's basic business activities, were a record \$44 million (69 cents), up 44 percent from the \$30 million (48 cents) earned in the same period last year.

More tellingly, the company's annual return on assets increased to 0.94 percent — or 94 cents for every dollar in assets — in the first quarter from 0.85 percent last year. A 1 percent return on assets — net income divided by average total assets for the year — is considered excellent by industry standards.

The company's profit margin was squeezed last year because interest rates rose in the first quarter, Helvey said. The company's variable rate mortgages are tied to an index that moves slower than its deposits. That's great for consumers, but bad for the company in the short term. As

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Marion Osher Sandler, Biddeford native and president and chief executive officer of World Savings and Loan Association of Oakland, Calif.

World Savings is Marion Osher Sandler's oyster

By **KEN JOHNSON**
Staff Writer

A Biddeford native has achieved success in an industry lately known more for its spectacular failures.

Marion Osher Sandler, president and chief executive officer of World Savings and Loan, a 184-branch thrift based in Oakland, Calif., grew up on Adams Street in the heart of Biddeford.

While other S&Ls have racked up losses through fraud and mismanagement that will cost taxpayers anywhere from \$325 billion to \$500 billion, World Savings' net profits rose 13.6 percent in 1989 to \$155 million, according to Austin, Texas-based banking analysts Sheshunoff Information Services.

To what does Sandler attribute her success?

"I guess it's my conservative New England upbringing," she quipped in a telephone interview.

Sandler's upbringing included attending Biddeford High School until her senior year when she transferred to Deering High School in Portland, from which she graduated in 1948.

After attending Wellesley and Radcliffe Colleges and earning a master of business administration from New York University, Sandler went to work on Wall Street as a securities analyst. It was there that she had her first exposure to S&Ls, when she was assigned to monitor the industry.

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a very strong business to be in," she said.

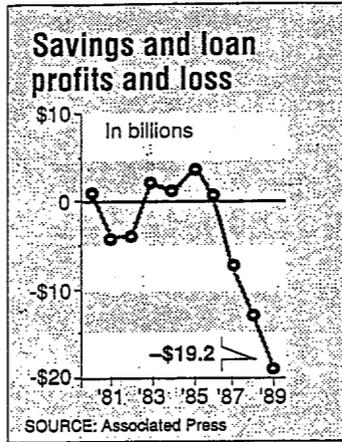
Sandler, 59, and her husband, Herb, now president and CEO of World Savings' parent company, Golden West Financial Corp., decided in 1963 to move to California and buy an S&L.

"I came from a very entrepreneurial family," she explained, with experience in amusements, real estate, art auctions, hardware and plumbing supply.

The Sandlers' friend, Arthur Maxwell, then chief executive of First National Bank of Biddeford (now Maine National Bank), offered the Sandlers contacts in the California banking industry. Once in California, the Sandlers wasted no time.

"We spent a lot of time at the (California) Department of Savings and Loans," Sandler said. "We poured over documents until we found an institution that was the right size and had the right character."

The institution the Sandlers found was Golden West Savings, a small S&L in 1963. Within five months of their move to California, the Sandlers and their investment group



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had purchased the thrift.

In an industry rocked by mismanagement, scandal and outright theft, Marion Sandler and her partners have found a simple formula for success.

"We have a very long-term orientation," Sandler said. "That was one of the ways we avoided making mistakes. The group we put together was very analytical. We identified early on how to run a successful savings and loan. You have to control credit risk, interest rate risk and the cost of doing business. If you can do that you will be successful."

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the firm's cost of funds rises rapidly, its earnings on mortgages will take some time to catch up.

The company, which is noted for its cost-cutting culture, managed to improve its efficiency again in the first quarter. General and administrative costs as a percent of assets was 1.07 percent last year, and 0.97 percent this year.

Golden West, which has grown at an average annual compounded rate of 20 percent during the last 20 years, managed another record in size. Its assets — primarily loans and investments — topped \$20 billion in the first quarter.

"It does pay off to stick to high ethical values," Sandler said, adding that no other bank or S&L could boast of a 20-year record of 20 percent annual growth. He said the company has prospered because it stuck to its retail focus in residential lending, avoided imprudent risk, emphasized customer service — and did it all with integrity.

Golden West never invested in high-risk junk bonds, and never will, Helvey said.