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Golden West strikes gold with principles

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SAN FRANCISCO -- Herbert and Marion Sandler are the few chief executives who wouldn't look out of place in a Norman Rockwell painting, even though they can now afford to live like Rockefellers after striking a deal to sell Golden West Financial Corp. to Wachovia Corp. for \$24.2 billion.

The husband-and-wife team have spent much of their 45-year marriage running an old-fashioned savings and loan focused almost exclusively on paying for deposits that are lent at out at slightly higher interest rates to finance homes.

It's the same nickel-and-dime formula associated with the quaint, family oriented thrift run by George Bailey in the popular movie "It's A Wonderful Life."

Only the Sandlers became so good at working the spread between their deposit and loan rates that they built one of the nation's top-performing financial institutions.

Golden West, which operates its branches as World Savings Bank, has generated compounded annual earnings growth of 17 percent during the past quarter-century - a track record that Herbert Sandler proclaimed corporate America's second best behind Warren Buffett's Berkshire Hathaway Inc.

Like Buffett, the Sandlers also have become billionaires who plan to give away their all their money. Based on the Wachovia deal's current value, the Sandlers are in line for a \$2.4 billion windfall.

"All you can do is take your hats off and say congratulations," said Keefe, Bruyette & Woods analyst Frederick Cannon. "You can always hope there will be another company like theirs some day, but it's going to be hard to find."

The Sandlers got into the savings and loan industry largely to escape the sexist attitudes of Wall Street, where Marion once worked as a securities analyst and Herbert was a real estate lawyer.

Shortly after he married Marion in 1961, Herbert agreed to leave New York in hopes of better career opportunities for his wife. They settled in the San Francisco Bay area, where they teamed up with Marion's brother, Bernard Osher, to buy a two-branch thrift for about \$4 million in 1963.

"At the time, we did everything. It really was a mom-and-pop operation," Herb recalled in a 1989 interview.

That would change through the years as the tiny thrift swelled from \$34 million in assets and 25 employees to \$125 billion assets and 11,600 workers today.

Even as they grew, the Sandlers continued to manage Golden West conservatively. For instance, they didn't even start installing automated teller machines outside World Savings branches until the 1990s because they weren't sure they were a smart investment.

By buying their own thrift, the Sandlers also paved the way for Marion to become corporate America's matriarch of female CEOs.



A pedestrian passes a World Savings Bank branch in Burbank, Calif., on Monday, May 8, 2006. In a deal announced Sunday, Wachovia Corp. will acquire Golden West Financial Corp., which operates its branches as World Savings Bank, for a stock-and-cash deal initially valued at \$25.5 billion. (AP Photo/Damian Dovarganes)

Marion, 75, continues to share the CEO job with Herbert, 74, forming a bond so close that they have a habit of finishing each other's sentences during joint interviews.

The Sandlers' faith in their basic approach was challenged during the 1980s when the government deregulated the savings and loan industry. The reforms freed savings and loans to expand into exotic business ventures, initially spurring tremendous excitement about the industry's newfound moneymaking potential.

But Golden West never strayed from its staid approach while the Sandlers loudly warned that the savings and loan deregulation eventually would backfire. In Golden West's 1986 annual report, Marion even wrote that many thrifts were committing "one or more of the Seven Deadly Savings and Loan Sins (pride, avarice, lust, gluttony, envy, sloth and wrath)."

Cleaning up the financial mess left by reckless savings and loans ended up costing taxpayers more than \$100 billion.

Golden West has continued to thrive, earning \$1.5 billion last year. Despite the company's success, the Sandlers concluded the company needed to diversify beyond home mortgages to continue to live up to its growth standards.

Herbert Sandler said Monday that he admired Wachovia's management style and integrity, prompting him to contact the Charlotte, N.C.-based company about a possible takeover earlier this year.

Making the decision to sell wasn't a difficult one, he said. "We must excel, we must win," he told analysts Monday. "We don't take second to anybody."