March 5, 2009

60 Minutes

To Whom it May Concern:

As a long term former World employee, I am compelled to respond to the recent reports about World Savings aired on the CBS network programs "60 Minutes" and "The Morning Show." Both represent travesties in terms of objective reporting and have aroused the emotions of many former World employees, including myself.

I was proudly employed by World for over 26 years in various senior management capacities covering field consumer savings operations, savings administration, human resources, multifamily loan origination/underwriting, loan quality auditing and Real Estate Owned (REO). Of particular relevance to CBS's reporting is that for nearly 23 of the 26 years, my responsibilities involved overseeing REO property management and sales, a department that was directly involved in monitoring the quality of World's lending operations. For the uninitiated, REO is the final resting place for any loans that become delinquent and result in foreclosure. The REO story for a lender tells much, if not all, about how lending risk is being managed. By that I mean that REO experience yields a wealth of data about why loans go bad: how many REOs are received, what types of loans, borrowers (i.e. occupations), transaction types (i.e. purchase vs. refinance), geography, property types, loan-to-values, and local economic issues can point to what policy adjustment and training is needed to minimize future lending risk.

At World, it was expected that we conduct "post-mortems" on all REOs to understand why those loans did not perform. Since the loans in our portfolio were our main income source, a loan going to REO was an important, closely monitored issue, not something that got lost in the shuffle. The lending personnel involved in the original loan were always part of this monitoring and were held accountable. In that regard, any source like Mr. Bishop or CBS that suggests our loans were commodities, were done without regard to the welfare of our borrowers, or so we could sell them to investors simply missed the essence of our existence.

REO's role in the company required me to interact with all facets of our lending operations: origination, appraisal, underwriting, loan administration (including internal product design, legal, and regulatory compliance operations), and loan administration (including loan quality audit, collections, and foreclosure). This produced tremendous insight and, at times, influence into how we developed, sold, and administered our primary asset, our loan portfolio. At World, this broader REO role was considered mandatory by all levels of management, since every component of our lending operations were keen on limiting errors i.e. bad loans. A major part of our role was to thoroughly analyze and understand the causal factors for each REO and disperse the information to the loan organization in a timely fashion in order to help minimize ongoing lending risk . Over the years we were an ongoing part of hundreds of national, regional, and district training sessions and van tours to delinquent loans and REO properties in order to help the loan organization maintain high loan quality. Management fully realized the cost of bad loans, not only in terms of actual operating losses, but also the organizational costs involved with dealing with non-performing loans. We were united in the loan department in our efforts to limit undue risk.

It must have helped. By almost any industry standard, our REO intake and loss experience, until the recent economic downturn which has affected ALL lenders, was exemplary and largely negligible. In fact, our REO intake was so minimal there was virtually zero impact on the company's earnings for many years.

The perception proliferated by CBS in its "reporting" is unjust and unfair to all of us that worked at World. It is important to again clarify the business philosophy Mr. and Mrs. Sandler espoused at all times, something that was never mentioned on air:

-our business was delivering the best available products and services to our customers. We were a portfolio lender whose lifeblood hinged primarily on the quality of its loans. The focus on quality also extended to the rest of our products, including savings, mutual funds, and insurance policies. But specifically regarding our loan products, it is inconceivable for someone like Mr. Bishop to suggest that as a portfolio lender we would originate poor quality loans to further our existence. Just doesn't make sense.

-politics were despised. We were as apolitical as an organization could be. Personal gain took a backseat to the objectives of the company. Anyone attempting to further personal agendas at the expense of the company did not last long. We were a family unit of sorts, and many employees, myself included, brought relatives into the company because of the positive and productive environment. In my opinion, World represented one of the best run companies in American history. I recommended it to others without reservation.

-we were a meritocracy in that personal recognition and advancement were based on contribution to the company's overall objectives, not on political acumen. One just needs to look at the high average tenure of our employees to understand that good people like to be part of an environment that is based on clearly stated objectives and hard work to achieve them. Our collective work ethic was exceptionally strong and unselfish.

-doing business ethically was paramount. The "right" way was the only way to conduct business at all times. People aren't fooled for very long. Treating our customers right was the underpinning of financial stability for our company and our shareholders. The high annual returns enjoyed by Golden West Financial stockholders over time could not have occurred without this.

-the distance from the top to the bottom was kept short. Bureaucracy was disdained, costs were vigilantly contained and practices that didn't contribute to our long term financial performance were eliminated. Management was attentive, engaged, mobile, responsive, and made decisions. There was no ivory tower at World. A major frustration about being taken over by Wachovia was that critical issues got tied up in committee for analysis and decisions were made slowly. At World, if a concept, procedure, product, practice, organizational concept or person made sense for our business objectives, we would decide and move forward efficiently.

I would suggest to CBS that, rather than attempting to summarily explain the vast lending landscape of the past few years by vilifying World Savings and the Sandlers with sound bites from one highly suspect, apparently marginal and certainly opportunistic former employee, they do a complete job of reporting utilizing balanced input from a variety of sources, including other employees that represent a more seasoned perspective than Mr. Bishop's. Anything short of that should be considered "show business" and not true objective reporting.

In closing, we must now all deal with the by products of greed and shortsighted management practices utilized by many other companies during the last few years. For those of us who tried to do it the right way, it is particularly distasteful. It is my belief that any organization, apparently including CBS, could benefit from the Sandlers' philosophy of how to run a business. Their principles are transferable. Others shouldn't criticize how the Sandlers did things, rather they should take the time to dig a little deeper and learn from them.

Gerald Reed