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LIFETIME ACHIEVEMENT

Seidman's Wisdom Still Flowing

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By Barbara A. Rehm

L. William Seidman managed to leverage candor, cunning, and wit into extraordinary success in business, education, the government, and finally the media.

The former Federal Deposit Insurance Corp. chairman took the agency from an also-ran to the peak of power, nimbly leading through the savings and loan crisis, a test like none the country had seen since the Great Depression. His six-year tenure transformed how the government resolves ailing banks and sells their assets.

Today, at 86, Mr. Seidman is a staple on business television, offering investors straightforward assessments of everything from the credit crunch to oil prices as CNBC's chief economic commentator.

In an interview, he said he does not expect today's collapse in the housing market to repeat the late 1980s.

Things "will get much worse, but I don't think it is going to imperil the financial system the way the S&Ls did," Mr. Seidman said. For one thing, today's problem is more dispersed — millions of securities held by many different types of investors, versus whole assets held by hundreds of thrifts.

There is a parallel, however. Back then it was tough to value the real estate that thrifts had financed, he said; today the assets are different, and more complex, but the issue remains market valuation. "We had to establish a market back then, and that's what's going to have to happen today," he said Nov. 1 on CNBC. "It's going to take some time."

How big the losses grow depends on how much further home values fall, he said, and loan repayment is key — as more mortgages perform, fewer securitizations will default. However, he predicted the investors in these securities, once burned, will be twice shy.

"People aren't going to buy the way they have. It's not good enough to say, 'It's Bear Stearns, so it must be OK,' " Mr. Seidman said.

He does not expect a government bailout to save the day. "It makes it much harder to fix because it's a private-sector mistake. It's not a government mistake."

But if a large bank teeters, Mr. Seidman said, regulators will rush in to rescue it.

"The government is going to have to decide whether 'too big to fail' is dead. My prediction is it isn't," he said. "There is not a regulator born who won't use the government to save a major institution."

In the interview, Mr. Seidman, half in jest, took some of the blame for today's mortgage problems.

"I have to admit that one of the principal villains is yours truly and the RTC, because we more or less invented tranched securitizations, which have been used today to put all these mortgages into the financial markets," he said. "The RTC was the first to really say, 'You can securitize anything.' "

RTC, of course, stands for Resolution Trust Corp., an agency Congress created in 1989 to sell billions of dollars of assets seized from failed savings and loans. After four years atop the FDIC, Mr. Seidman took on a second job as the RTC's chairman.

He actually puts the bulk of the blame for today's problems on the credit rating agencies and regulators, specifically the Federal Reserve Board, which he battled frequently as the FDIC's chairman.

"The regulators should have stopped it. The ratings agencies should have stopped it," Mr. Seidman said. "If the rating agencies had rated these things appropriately, this would not have happened. The financing would have dried up."

All along the lending chain, he said, too few people had a stake in whether loans are repaid; originators chased fee income, brokers wanted big commissions, and securitizers just wanted to sell the debt.

Investors buying the securities "cared but had no way of knowing if they would be repaid," he said. "They had to rely on the credit rating agencies that were evaluating these securitizations."

Building a Legacy

During his FDIC tenure, from 1985 to 1991, Mr. Seidman transformed the way troubled banks were sold. His agency had been selling banks and their deposits while keeping the bad assets. With the number of failures ballooning — farm banks, then banks in Texas, and finally New England savings banks — he began paying buyers to take a whole bank, bad assets and all.

He also decided to sell assets from failed institutions as quickly as possible for whatever price the government could get. Though critics urged waiting until market values recovered, he said that the market was frozen, and that it was up to the government, through the RTC, to kick-start it. In addition to securitization, he tried auctions and bulk sales. Borrowing a tactic popularized by Filene's Basement, the RTC lowered its prices the longer an asset went unsold.

Some buyers did get bonanzas, but Mr. Seidman argues that those windfalls attracted new bidders, and that the added competition boosted prices.

Also, the government avoided the cost of carrying the assets and the risk that they would decline in value.

"Our profits started going up, and our costs started going down," John Bovenzi, the FDIC's chief operating officer, said in an interview. He was Mr. Seidman's deputy in the late 1980s and remains an admirer.

"He held the agency to a high standard and defended it," Mr. Bovenzi said. "He established and solidified the agency's independence."

During his six years in office more than 2,100 banks and thrifts failed with $650 billion of assets. The cost: $163 billion.

Surviving such a demanding job is a triumph in itself. He was under constant fire from Congress, the industry, and especially his colleagues in the first Bush administration. In his 1993 book, "Full Faith and Credit," he described a job at the RTC as having "all the best aspects of an undertaker, an IRS agent, and a garbage collector."

No one, least of all Mr. Seidman, would claim his leadership was flawless, but fewer still would argue with his results. The FDIC emerged as a more independent, more respected agency with an emboldened work force. And the RTC may be the only government agency ever to be created, accomplish its goals, and then go out of business.

Mr. Seidman emphasized research and training at the FDIC, and both remain its strong suits. The agency's training center is named after him.

Living Broadly

His story starts in Grand Rapids, home to both Gerald Ford and George Romney, rocks of the Republican Party. Mr. Seidman's service in the Ford White House is common knowledge, as is his role as the oldest of three helping his father build a nationwide accounting firm now known as BDO Seidman LLP.

But his life is full of less well-known accomplishments.

After getting an undergraduate degree from Dartmouth College, he manned a destroyer in the Pacific during World War II. He earned a law degree from Harvard University and then an MBA from the University of Michigan. His ties to education run deep: he was the dean of Arizona State University's business school; founded Grand Valley University in Grand Rapids, which today has 23,000 students; and started Washington Campus, a program that coaches business students on the ways of Washington. He has written a memoir, helped foreign governments fix their financial systems, became a magazine publisher and a fixture on TV. Mr. Seidman has made mobiles with Alexander Calder and appeared in the Academy Award-winning movie "Ordinary People."

He's been married to his high-school steady, Sally, for 64 years; they have six children, 11 grandchildren, and one great grandchild.

Asked the secret to his success, Mr. Seidman replies simply: "Life is random. I was lucky."

Rick Hohlt, a veteran Republican lobbyist, worked at the U.S. League of Savings Institutions in the 1980s, and perhaps no one sat in more meetings with regulators as a representative of the thrift industry. The two men are close friends today; back then Mr. Hohlt said Mr. Seidman's breadth of experience gave him an intimidating power.

"Whoever Seidman talked to, he could say, 'I'm one of you,' because he was," Mr. Hohlt said. "He'd been a rancher, an academic, a blue blood, a lawyer, an accountant, a businessman, in the White House. That's unusual. There was a sense that you can't roll this guy, you can't beat him. He could go toe-to-toe with anyone."

After weighing that thought, Mr. Hohlt added, "And he did it all without being a jerk."

Gerald J. Levy, the chairman of the $2 billion-asset Guaranty Bank in Milwaukee, was a thrift executive during Mr. Seidman's term, and the two served on Fiserv Inc.'s board together.

"He's just an amazing guy," Mr. Levy said. "I've known him over 20 years, and I've seen no diminishment of his energy. Every time I see him, he's throwing out new ideas and getting involved in new projects."

Indeed, Mr. Seidman is an uncommon blend of smarts, humility, and fun.

His lack of pretense is remarkable. A wealthy man for decades — he has two homes on Nantucket as well as residences in Hawaii and Florida and an 11,000-acre ranch outside Taos, N.M. — he uses plastic grocery bags as luggage, and sightings of him in a suit are few.

Of the grocery bags, Mr. Seidman says, "They are flexible and disposable." (He had flown in from Boston for the interview with his belongings stuffed in a plastic bag.) "It's the lightest bag you can have."

Alice Goodman, the FDIC's head of legislative affairs, recalls picking Mr. Seidman up from the airport and driving with him to Capitol Hill for a hearing in the late 1980s. When they arrived, Ms. Goodman asked him if she could hold his "luggage" while he testified. "He said, 'No. I'm going to sit on it,' " she recalled in an interview.

Mr. Seidman, who rode his bike to work, routinely wore an L.L. Bean blue blazer and gray slacks. For the FDIC's 1987 annual report, the public relations people airbrushed his slacks blue to make it appear he was wearing a suit.

"He was absolutely livid," Ms. Goodman recalled.

When Congress was drafting the S&L bailout bill in 1989, Mr. Seidman held meetings with the legislative staff twice a day to plot strategy. The meetings were at once collaborative and efficient, Ms. Goodman said. "He didn't require memos. You could just lay things out, and he would make a decision. He had great instincts."

That law, the Financial Institutions Reform, Recovery, and Enforcement Act, loaded the FDIC with powers, including a veto over new charters and the authority to seize ailing banks. "Congress and the industry trusted him," she said.

People who worked for Mr. Seidman said he had a way of making work fun. Yes, fun — even though their long hours yielded little glory and lots of grief.

David Cooke spent years on the front lines with Mr. Seidman as the RTC's executive director. "This is going to sound corny, but it was a lot of fun and a privilege to work with him," Mr. Cooke said in an interview. "At the FDIC, he is legendary. He got the best out of people."

If anyone knew how bad things in the banking system were, or could have been, it was Paul Fritts, the gruff Midwesterner whom Mr. Seidman picked to be the FDIC's lead supervisor.

"The country was blessed to have him as the FDIC chairman. Trust me, he was the right man at the moment," said Mr. Fritts, now living in southern Illinois. "Never, not one single time, did he try to interfere" in a bank's supervision. "He was completely above board. I'm telling you, that's unusual for Washington."

FDIC veterans cite Mr. Seidman's cutting sense of humor and his gift for pithy one-liners. He loved telling people why he named his Irish wolfhound puppy "Proxmire."

The Senate Banking Committee chairman at the time of his confirmation as FDIC chairman was Sen. William Proxmire, a Wisconsin Democrat and the only senator who voted against his nomination. The name allowed Mr. Seidman to instruct the dog thusly: "Heel, Proxmire." "Sit, Proxmire." "Stay, Proxmire."

Ken Guenther met Mr. Seidman in the Ford administration and worked closely with him during the 1980s, when Mr. Guenther ran the Independent Bankers Association of America.

"He told it as it was in colorful, easy-to-understand terms — political consequences be damned," Mr. Guenther recalled in an interview. "He's not prickly. He's not petty. He doesn't let the little stuff bother him. He has a sense of humor, even about himself. In fact, he is the worst-dressed man in America by design."

Diane Casey-Landry, the president of America's Community Bankers, still remembers how gracious Mr. Seidman was the first time they met. She had just moved to Washington to take a job at the IBAA, and her boss, Mr. Guenther, introduced them.

"Bill talked to me like he was talking to the head of Citibank," Ms. Casey-Landry recalls.

In her next job, she was arguably Mr. Seidman's boss as a vice president at the RTC Oversight Board, an agency led by five high-powered officials, including Treasury Secretary Nicholas Brady and Fed Chairman Alan Greenspan. It was supposed to keep tabs on the RTC, but the relationship between the two agencies was tense from the start. It was a cumbersome setup, and rather than working the bureaucracy, Mr. Seidman frequently took his complaints directly to reporters.

"He recognized the power of the press and how to use it to his advantage, or really his agency's advantage," she said. "It was never about him. It was about getting the job done."

His media smarts may have been overshadowed only by his lobbying skills. Mr. Seidman's honest assessments endeared him to both Republicans and Democrats.

"We had an excellent relationship. It was frank, honest, straightforward, and practical," said Donald W. Riegle, the Michigan Democrat who chaired the Senate Banking Committee from 1989 to 1995. "Bill was just a great public man."

Mr. Riegle, who is now the chairman of government relations at Apco Worldwide, also noted Mr. Seidman's resilience, recalling a 1990 accident at his ranch in New Mexico. Mr. Seidman was thrown by his horse, separated his pelvis, and suffered massive internal bleeding on an hourlong drive to the hospital.

"It probably would have killed a less tough man," Mr. Riegle said. "But Bill is tougher than boiled owl."

(That is not why Mr. Seidman walks with a side-to-side roll. That's a separate horse story. About 10 years before that accident, he was knocked off a polo pony. That mishap led to an artificial hip.)

Words of Wisdom

The secrets of Mr. Seidman's success, in his own (mostly paraphrased) words:

- Get the facts. A sound decision can't be made without them.
- Be proactive and honest.
- The press and the Congress are important. Ignore either at your peril.
- Hire good people, let them do their jobs, and reward their successes.
- Listen.
- Don't take yourself too seriously. "You cannot succeed without people who are enthusiastic and who are enjoying themselves," he said. "I always tried to make it fun."
- Finally, "never look back."

That last one is why Mr. Seidman did not like the family accounting business. His father, Frank, founded Seidman & Seidman, and much of the younger Seidman's 25-year tenure there was spent helping clients, including J. Paul Getty, with tax planning.

"I moved into tax because it was forward-looking," Mr. Seidman said. "I didn't like auditing. All you did is look back. I couldn't do that."

So what's he looking forward to now? He's still enjoying his gig as CNBC's chief economic commentator. ("Seidman Speaks" airs Thursday mornings.) He is raising money to invest in community banks. ("There is still a great niche for community banks, and there will be as long as deposit insurance exists.") And he writes a column for Bank Director magazine. (His latest work is on the futility of trying to overhaul the bank regulatory structure.)

He also serves as a director for plenty of companies, including Promontory Financial Group LLC, the consultancy started by former Comptroller of the Currency Eugene Ludwig.

"He was an icon of his age," Mr. Ludwig said of Mr. Seidman. "I think he will be without equal as FDIC chairman. He did what he believed was right, and he did it with vigor. I think regulators today can learn from that."