

STAN STRACHAN

AND THE ***NATIONAL THRIFT NEWS***

Gutsy Financial Journalism in the S&L Crisis



By Rob Wells

ONE OF THE IMPROBABLE tales of the savings and loan crisis involved a small financial newspaper, the *National Thrift News*, which beat giant newspaper rivals at exposing the Keating Five affair, one of the seminal influence peddling scandals of the 1980s.

This episode illustrated what a lot of Wall Street insiders already knew: that Stan Strachan, editor of the *National Thrift News*, was a force in financial journalism during this period. Strachan's scrappy trade newspaper uncovered how a notorious banker, Charles Keating Jr., got five US senators to pressure regulators to ease enforcement against Keating's Lincoln Savings. This episode—nearly two years ahead of reporting in *The Wall Street Journal* and *The New York Times*—would later be the focus of congressional hearings and cap Keating's downfall. Lincoln Savings later collapsed and cost taxpayers an estimated \$3.4 billion. Keating eventually was sent to prison for 12 years on securities fraud and other charges.

This story also fit an unusual narrative about Strachan and his newspaper: it was yet another article that would anger powerful advertisers and subscribers of the *National Thrift News*. Strachan's ability to cover the industry as an insider and push to clean it up made the *National Thrift News* an unusual and important publication in business journalism. This small newspaper also influenced American finance, particularly as it highlighted corruption in the mortgage bond markets, which grew rapidly during the 1980s.

Strachan died in 1997, but this financial watchdog legacy remains relevant for today's business journalists, and journalists of all types, as the news industry tries to find its way in the age of Twitter and Facebook. He carefully walked the line between industry insider and outside watchdog, a difficult balance for any contemporary journalist. Strachan showed that smart beat reporting of companies and industries can lead to significant insights and yield investigative reporting that can serve

the general public. The *National Thrift News* was ignored by larger news organizations but eventually won the recognition it deserved, not only within the genre of trade journalism, but also within the broader field of journalism. For example, it won a George Polk Award for financial reporting in 1988 for its coverage of the savings and loan crisis; the New York Financial Writers Association gave Strachan a lifetime achievement award in 1990.

This recognition was slow to come, however. *National Thrift News* was a trade newspaper, a genre of publications that cover specific industries and typically do not feature sports, entertainment or crossword puzzles. In the past, mainstream journalists have dismissed the trade press for failing to take a tough, watchdog stance in their reporting, as well as for failing to frame their journalism in the broader context of society. The limited scholarship in this field shares this critical view. James Ross wrote in *Columbia Journalism Review*, "Trade publications have long been consigned to a netherworld somewhere between journalism and public relations." In other words, trade newspapers historically have been low in the media industry's pecking order.

This lack of respect may be why Strachan and his reporters had to wait nearly two years to see any impact from their reporting about the Keating Five event. The senators were Democrats Don Riegel of Michigan, Alan Cranston of California, John Glenn of Ohio, Dennis DeConcini of Arizona and Republican John McCain of Arizona. Keating gave campaign contributions estimated at \$1.3 million to the five. Major news media ignored the *National Thrift News* scoop, even though it described behavior that would lead to ethics charges against sitting US senators. At first, Strachan wrote, "Nothing happened."

It wasn't until Lincoln collapsed in April 1989 did the major papers begin reporting on Keating's efforts to get Congressional leaders to intervene in the regulatory process. By the fall of 1989, wall-to-wall press coverage made Keating a household name, synonymous with the savings and loan debacle, a banking crisis that cost taxpayers an estimated \$125 billion to clean up.

Mainstream media may have ignored the *National Thrift News*, but they could have learned a lot from it. While general business news publications (those that serve both consumers and business people, such as *The Wall Street Journal* and *Fortune*) have evolved from the trade press, they are criticized for sharing the same worldview as the people they cover. Intellectual capture and excessive reliance on industry to frame what is and is not news remain significant problems for general business journalism. This was one reason why some news organizations didn't pick up on warning signs ahead of the 2008 financial crisis, noted Dean Starkman, author of *The Watchdog That Didn't Bark: The Financial Crisis and the Disappearance of Investigative Journalism*.

National news media clearly failed to sound the warning about the savings and loan crisis until it was too late, many media historians say. A 1993 federal commission named to study the savings and loan disaster, the National Commission on Financial Institution Reform, Recovery and Enforcement, wrote: "The news media were largely silent during the period when most of the damage was being done. The news media missed one of the most costly public debacles in US history."

The *National Thrift News* didn't miss the story. It had a strong following among mortgage bond traders, regulators and housing journalists in the 1980s. "They were fearless," recalled Christi Harlan, a former *Wall Street Journal* reporter who contributed to *National Thrift News* in the 1980s. "They were not afraid to take on the industry and the players who were buying subscriptions" to the paper, she added.

One of Strachan's best sources and closest friends was Lewis Ranieri, the legendary Salomon Brothers executive and pioneer of the mortgage-backed securities market. Ranieri said Strachan did not seek out to write critically of his friends and business associates, but he did not shy away from it. "He didn't do it on purpose, but it didn't stop him. Stanley could like somebody a great deal and be very critical of him," Ranieri said.

Years after his death, Strachan left a strong impression on his reporters. Several described how Strachan pressed them to

Financial journalist Stan Strachan, circa 1960s, prior to his position at the *National Thrift News*.

dig deeper into a story. They all recalled his sense of idealism. “He would say, ‘Where is your sense of outrage?’” said Mark Fogarty, the editor who replaced Strachan.

Friends and family of Strachan recalled his willingness to stand on principle. According to family legend, Strachan as a boy growing up in Brooklyn stood up to a local Mafia leader. The young Strachan complained to the mob boss, the tale goes, about local thugs selling drugs at a playground with his little brother watching, recalled Strachan’s daughter, Hillary Wilson. The Mafia leader agreed and the playground drug dealing stopped, Wilson said.

Strachan’s idealism is traced to his immigrant roots. Stanley Kenneth Strachan was born in Finsbury, England on August 22, 1938 to working-class parents, George and Rebecca Strachan. When Strachan was eight, his family sailed on a passenger liner to New York, passed through Ellis Island and settled in Brooklyn.

“He believed in the American dream and the standards that America was supposed to be built on, and he didn’t want to compromise those,” Wilson said. “When he saw those being compromised, it was outrageous to him.”

Strachan attended public schools in Brooklyn but did not attend college. His journalism career began as a copy boy for the *New York Journal-American*, an afternoon daily newspaper, and he worked at other newspapers before landing at the *American Banker* newspaper. Former *American Banker* editor Brad Henderson recalled Strachan was “one of the most prolific reporters the paper ever employed.”

Strachan rose to become assistant managing editor at *American Banker*. He left the paper around 1971 and was an independent journalist and freelance writer before he was recruited to lead the *National Thrift News* in August 1976.

The *National Thrift News* was the quintessential creature of the market. Founded in 1976 by John Glynn, an executive from Sperry Corp., and Wesley Lindow, a

former president of Irving Trust Co., the newspaper was aimed at reporting hard news on the savings and loan industry, while at the same time seeking to “help build up the industry.” The newspaper began modestly in the fall of 1976, with its first office in an apartment in New York’s West Side neighborhood. Back issues of the newspaper were filed in the bathtub.

a reserved seat in the front room. Strachan “was friendly” with businessmen, such as US League of Savings Institutions President William O’Connell; several Wall Street executives sent heartfelt condolence letters to the Strachan family after the editor’s death.

Like many trade publications, the *National Thrift News* saw its fortunes rise and fall on the mortgage industry. The paper exploded in size after President Ronald Reagan deregulated the thrift industry in 1982, which set off a wave of merger and real estate activity. Before the 1982 deregulation bill, page counts ranged from 20 to 34 pages. After the 1982 bill, the paper basically doubled in size, with issues running between 37 and 66 pages through 1987, the peak of the mortgage boom at that time.

The paper was stuffed with full-page advertisements from the largest institutions on Wall Street, including Merrill Lynch, Fannie Mae and Shearson Lehman Brothers. Total circulation peaked at 15,863 in 1985; as the industry’s crisis intensified and more savings and loans failed, circulation dropped to 9,057 in 1990 as Wall Street firms cut back on advertising.

The *National Thrift News* could be a classic trade journal that celebrated the industry. Take, for example, Strachan’s January 3, 1980 editorial, entitled “Hip Hip Hoorah,” that praised developments in the industry. These industry-friendly editorials stand in contrast to the sterner tone in Strachan’s writing later in the

decade as S&L executives were jailed for fraud. “He saw that it (the S&L industry) had been perverted in some way; it had been perverted by the deregulation of the 1980s,” Kleege said. “He felt that he was a defender of the industry. And if defending the industry means reporting that some savings and loan executive was being arrested and led away in handcuffs, you have to report that.”

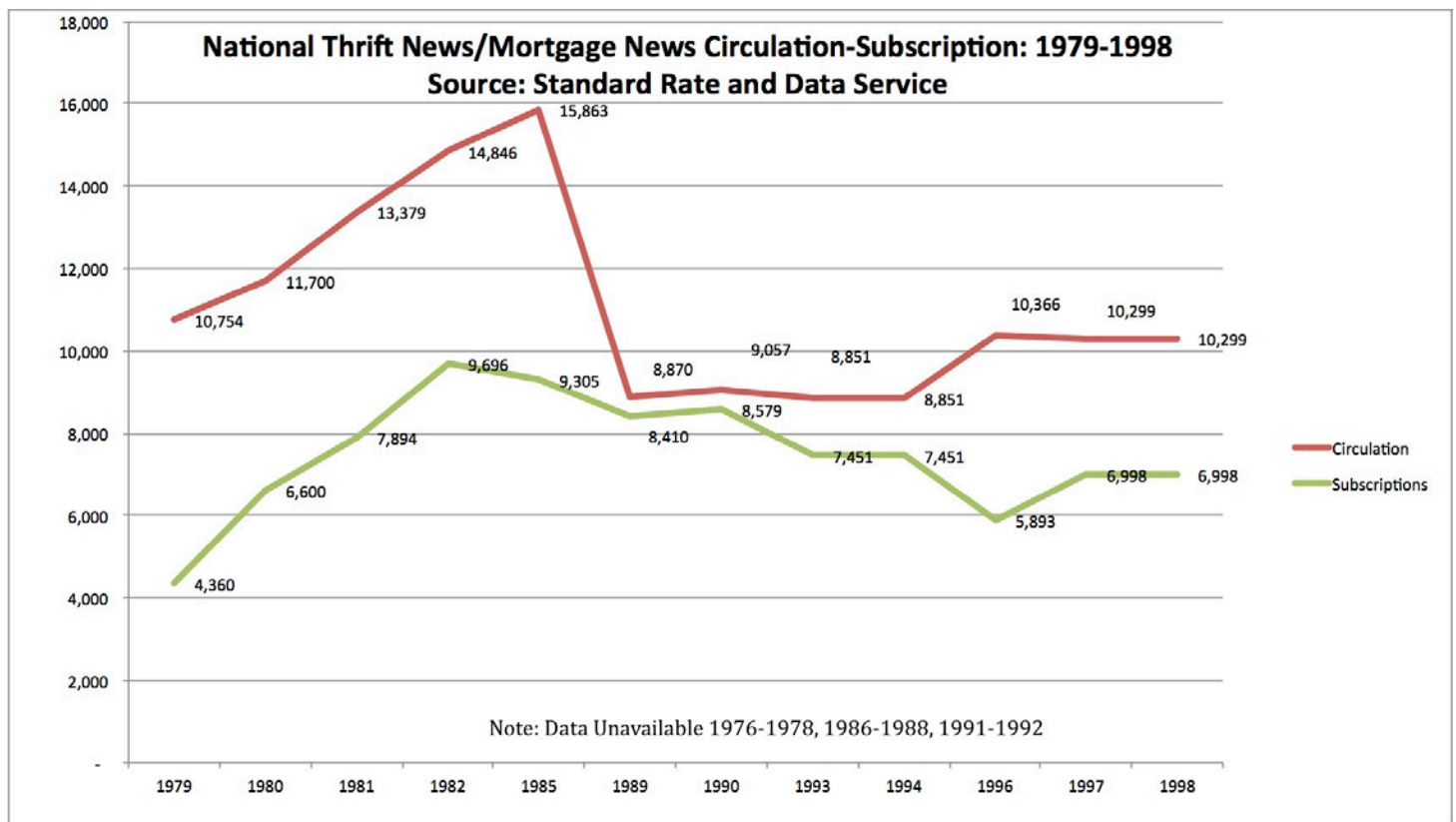
By all accounts, Strachan created a culture of investigative reporting that ran counter to norms in the trade press and was unusual



Front page of the *National Thrift News* with breaking news on the Keating Five affair, September 28, 1987.

Glynn and Lindow found in Strachan a veteran journalist who also believed savings and loans could help society by allowing middle class families to buy a home. “He saw the savings and loan industry as basically a good thing,” said Stephen Kleege, a former *National Thrift News* associate editor. “It was set up to allow people to save money and make loans to purchase houses.”

As an industry insider, Strachan would be applauded when he arrived at a savings and loan industry event and given



for mainstream business journalism at the time. “We pulled no punches in our reporting and played no favorites—actions that were considered unusual, if not unique, for a trade publication,” Strachan wrote. “And we still have the strong sense of outrage that makes it difficult for swindlers to evade our notice for very long.”

But Strachan did not begin as a crusader. His colleagues and competitors described him as a solid, intelligent journalist, trying to do his job well. “It didn’t start out as moral outrage,” said Paul Muolo, a former *National Thrift News* associate editor. “He was trying to make a living, but then the S&L crisis happened.”

This ability to navigate both roles as industry insider and industry watchdog is Strachan’s powerful legacy. *National Thrift News* used its close relationship with the industry as a reporting tool. “That kind of close engagement with the industry was how we got to those stories first because we were in there,” Fogarty said. “Because of our sources and our method of attack we got to know those things.”

Business executives and regulators knew *National Thrift News* reporters understood this complex market. Lew Sichelman recalled that being a reporter for the

National Thrift News allowed him to get “in the door wherever I wanted to go and talk to people I wanted to.”

One of the newspaper’s legacies is that it provided a platform for the reporting of a major book, *Inside Job*, by reporters Stephen Pizzo, Mary Fricker and Paul Muolo, one of the first detailed accounts of the national scope of the savings and loan crisis. This book is one of the main works documenting criminal activity in the mortgage industry. *Inside Job* won an Investigative Reporters and Editors award and was a *New York Times* bestseller. The ability of the *National Thrift News* to support reporting for the book—Pizzo, Fricker and Muolo met while reporting on a California thrift caper—opens a new dimension and promise for the trade press.

National Thrift News was not a one-off phenomenon. Institutional factors, such as supportive private ownership and the editor’s partial ownership of the paper, boosted Strachan’s autonomy and supported his journalistic professional ideals. As partial owner, Strachan could lead by example and set a tone where innovation can flourish in the newsroom. He did this through a simple yet powerful mission. The *National Thrift News* was “a reporter’s paper,” one where

journalists could set the news agenda rather than being led by the industry.

Eugene Carlson, former communications director for the Office of Federal Housing Enterprise Oversight, said of Strachan’s impact and legacy: “It is one thing for a well-heeled television network, general circulation magazine or big city newspaper to broadcast or publish a story that might offend an advertiser... It is quite another matter for a relatively small trade newspaper to relentlessly and aggressively cover the industry whose advertising dollars comprise its very lifeblood. But that’s exactly the no-holds barred approach that Stan and his crew of reporters brought to their coverage of the mortgage industry.” \$

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