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## SAVINGS AND LOAN CRISIS: LOSS OF PUBLIC TRUST AND THE FEDERAL BAILOUT, 1989-1993



This publication consists of studies, analyses, testimony, talking points and news clippings which detail the origins of the S&L crisis and outlined solutions to the growing crisis in the late 1980s and early 1990s. In essence, this publication provides an analysis of the causes and political perspectives on the Savings and Loan Crisis—What lessons did we learn?

**Date Range:** 1989-1993 (there is a small amount of material from 1981-1988)

**Content:** 11,657 images

**Source Library:** George H.W. Bush Presidential Library

### Detailed Description:

The savings and loan crisis of the 1980s and 1990s included the failure of 747 savings and loans (also known as thrifts). The ultimate cost of the crisis has been estimated to have totaled around \$160.1 billion, about \$124.6 billion of which was directly paid for by the federal government via a financial bailout under the leadership of President George H.W. Bush—that is, the American taxpayer provided the funding for the bailout, either directly or through charges on their savings and loan accounts and increased taxes—which contributed to the large budget deficits of the early 1990s.

The deregulation of savings and loans (S&Ls) gave them many of the capabilities of banks, without the same regulations as banks. S&Ls could choose to be under either a state or a federal charter. Immediately after deregulation of the federally-chartered thrifts, state-chartered thrifts rushed to become federally chartered, because of the advantages associated with a federal charter. In response, states such as California and Texas changed their regulations so to be similar to federal regulations. More important, however, was the hazard of insuring already troubled institutions with public dollars. In the view of a savings and loan president or manager, the trend line was fatal over the long haul, thus to get liquid, the institution had to take on riskier assets, particularly land. When the real estate market crashed, the savings and loans went with it.

In an effort to take advantage of the real estate boom and high interest rates of the late 1970s and early 1980s, many S&Ls lent far more money than was prudent, and to risky

ventures which many S&Ls were not qualified to assess, especially regarding commercial real estate. L. William Seidman, former chairman of both the Federal Deposit Insurance Corporation (FDIC) and the Resolution Trust Corporation, stated, "The banking problems of the '80s and '90s came primarily, but not exclusively, from unsound real estate lending."

This publication provides a unique perspective on the unfolding S&L crisis and the federal government's response. There are materials on the various causes, including deregulation, congressional attempts to "band aid" the "festering" S&L problem, and federal efforts to prop-up failing S&Ls, implementation of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, federal seizure and liquidation of insolvent thrifts, prosecution of S&L management for fraudulent lending practices, and congressional support for a bailout.

This publication encompasses the recently declassified/released records from two manuscript collections: the *Savings and Loan Crisis* and *Savings and Loan Crisis: Richard Breedon Records*. These documents are not available in any other online or microfilm product.

The *Savings and Loan Crisis* collection consists of correspondence, memoranda, studies, analyses, testimony, talking points and news clippings from the White House and various staff offices and agencies. A sampling of the various records includes—

- White House Office of Records Management Subject Files on Legislative Leadership Meetings
- White Office of Cabinet Affairs files on S&L deregulation; HR535; Schumer Amendments; "Toward a Safer America—Attacking Savings and Loan Institution Fraud"; and the S&L Strategy Group.
- White House Counsels Office files: banking and Savings and Loans; Lincoln Savings & Loan and the Keating 5; Executive Privilege and Will Ball; Savings and Loan Crime Bill.
- White House Office of Legislative Affairs files on the U.S. Chamber of Commerce Meeting - Economic Policy Committee and Task Force on the Thrift Industry; Office of Thrift Supervision Directory; Bipartisan efforts on Savings and Loan crisis.
- White House Office of Policy Development files on S&L failures and the James Pinkerton Files on the Savings and Loan Ceremony.
- White House Office of Public Liaison files of Leigh Ann Metzger and the Public Liaison Files on the Savings and Loan Bailout.
- Bush Vice Presidential Records: White House Staff and Office Files on Task Force on Regulatory Relief; Thrift Portfolio Test, Powers, and Regulation; and the National Savings and Loan League.
- Office of Consumer Affairs: federal records on Savings & Loan Rescue; the Thrift Bill, 1989; and the Office of Thrift Supervision.

The second collection, *Savings and Loan Crisis: Richard Breedon Records*, contains congressional, lender, and constituent correspondence together with White House and

Administration memoranda concerning the Thrift Restructuring Bill, QTL (qualified thrift lender test), background on banking problems, Congressional testimony, and credit union and thrift industry views on S&L restructuring. Subject File FG134 (Federal Home Loan Bank Board) contains information of resignations and appointments to the federal Home Loan Bank Board, Freddie Mac Board, and Housing Finance Board, proposed S&L bailout plans, Congressional testimony concerning S&L's, and Congressional correspondence concerning appointments and oversight of various financial boards.

*Publisher's Note:* This collection comprises the FOIA Requests 1999-0550-F and 1998-0356-F, filed by the George H.W. Bush Library. All available documents, including those subsequently-opened and interfiled at the time of scanning, have been included. There are a very small number of individual documents that remain classified or unprocessed. "Document Withdrawal/Redaction Sheets" have been included in this collection. These withdrawal/redaction sheets itemize documents that have been withdrawn due to either national security or privacy restrictions, by the staff of the George H.W. Bush Presidential Library.