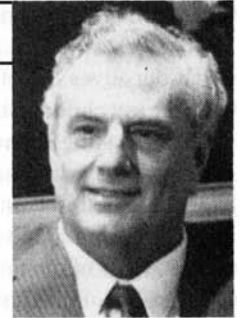


Interview: Stanley Adams



Targeted S&L director did not 'play politics'

Stanley Adams, 55 years old, is the former principal owner of Lamar Savings Association (LSA) of Austin, Texas. Unlike many of the S&L directors under investigation, who entered the business after the deregulation bills of 1980 and 1982 in pursuit of quick, easy money, Adams built Lamar from a single savings and loan association in 1969 to a group of companies with assets of more than \$2 billion by the end of 1983.

Among his most significant accomplishments was the successful negotiation, completed in November 1985, of a joint venture to build a new World Trade Center in Guangdong (Canton), in the People's Republic of China. This deal, with one of Japan's largest construction firms, which would have been financed totally outside the United States, was not pursued through "normal" channels, i.e., the State Department or Kissinger Associates. Several S&L experts in Texas have concluded that this may have identified Adams as a "problem" to those circles.

One month after completing these negotiations, he was pressured to resign from LSA by the Federal Savings and Loan Insurance Corp. (FSLIC), replaced by two successive teams of FSLIC-approved management, who proceeded to run LSA into the ground. On May 18, 1988, LSA was declared insolvent and placed into receivership by the Federal Home Loan Bank Board (FHLBB).

The FDIC is pursuing a \$100 million civil lawsuit against Adams, which he is fighting. To put more pressure on him to settle, the FDIC-Justice Department task force has included his parents, who are in their eighties and in frail health, as defendants in the suit, and has threatened to include his children as well.

The interview was conducted by Harley Schlanger.

EIR: You have been described by others in the industry as a "maverick," an innovator, as one who goes against the flow. How did you build Lamar and what was your philosophy as a thrift owner?

Adams: When I arrived at Lamar in June 1969, the company had three offices and \$26 million in assets and a reputation as an innovative but conservative lender. I was a catalyst who helped Lamar aggressively pioneer new customer services that set industry standards. We offered interest on checking accounts, which we called "Save R Spend," in

September 1970, about 18 months before "NOW Accounts" first were created in New England.

Our philosophy was embodied in our logo "Your Family Financial Center," a service mark for which we fought our way through the patent courts and won registration rights. The loser in the fight was a little outfit called Citicorp!

We tried to anticipate what the customer wanted and design a product to accommodate his need. I am a contrarian, and we used bad times to push our expansion and the good times to consolidate our gains.

In 1981, we were among the first to offer a money market account to compete with stockbrokers. We were among the first to acquire a mortgage company and were the first to purchase a full service real estate development company.

We pushed both a retail and wholesale banking operation geared to niches in geographical areas into which we chose to expand. We were such an aggressive competitor on the savings side that the third largest S&L in the state chose to sell us their branches and withdraw from certain markets rather than compete. We went from the 58th to the fourth-largest S&L in Texas and 33rd largest in the U.S., becoming by 1983 a unique vertically integrated real estate operation stretching across the Sunbelt and looking at the international market by 1985.

EIR: You have also been called other things, such as a "conspirator" by the Department of Justice, and are presently a major target of the so-called bank fraud task force. Why are they after you? What do they claim you did?

Adams: I made the mistake of putting my customers and our business ahead of playing industry and regulatory politics, not spending enough time politicking, boot licking and posterior kissing. In the process of getting ahead, we stepped on lots of toes and made many enemies. Perhaps more importantly, we became a threat to the banking establishment in that, while they were hoping to eliminate thrifts and grab their assets, we were one of the few thrifts that was able to compete and survive.

The regulators did not appreciate what we had been able to do and threatened to put the Lamar Group out of business unless I stepped down. Then, once they took over, the regulators proceeded to crash the plane, turning it into a flaming

heap of wreckage, and then, sue me and my directors.

They claim we sat around for three years conspiring how to put ourselves out of a job and destroy the company that I built for my children and grandchildren. Their charge is that we were making sham loans and booking improper income in a conspiracy to deceive federal regulators about our true financial condition. In fact, we did nothing but try to keep loans performing and our business prospering according to the standards of the time. Furthermore, in January 1990, the Comptroller of the Currency admitted that commercial banks were continuing identical practices.

EIR: Could you have saved Lamar if you had stayed, instead of resigning?

Adams: I have no doubt that I could have saved Lamar. I conceived and implemented a REIT [Real Estate Investment Trust] to take out troubled borrowers and offset increased capital requirements. We would have marketed these properties domestically as well as overseas. What we created was a private enterprise version of FADA and RTC.

In order to help the program along, I resigned and turned it over to others. Unfortunately, the program was shortened by regulators, largely because they were afraid that I might be still involved in some way.

Further, in 1988 I hired consultants to put together a bailout of the Lamar Group with self-liquidating bonds. The result would have been all cash and no loans left in the institution and not cost a penny of the taxpayers' money. Instead, after taking down Lamar, they gave it to heiress Caroline Hunt (of the Dallas Hunt family), along with a \$2 billion tax subsidy, as part of Danny Wall's Southwest Plan, which I believe will go down as one of the most blatant and ill-conceived pork barrels in American history. [Southwest Savings of Dallas was created by the Southwest Plan, including Lamar and two other insolvent S&Ls. It was awarded to Caroline Hunt; at the end of May 1990, this newly constituted S&L was declared insolvent. The House Banking Committee is planning a thorough investigation of the seriously flawed Southwest Plan—HS.]

EIR: How did federal regulators react to the crisis in the early 1980s, and then as it deepened in the mid-1980s?

Adams: In the early 1980s, the Congress and the regulators gave the thrifts the worst of all worlds, partial deregulation. They deregulated the lending side, but not the deposit side. The S&Ls were stripped of their interest rate advantages and told to compete head-on with the banks. Most thrifts simply did not have the capital and management expertise to do so. As a result, the older and larger traditional S&Ls were severely crippled in 1981-82.

The regulators, always looking for deep pockets, encouraged many newcomers to enter the industry in 1982. And in 1983, many of the oldtimers got a reprieve by selling their stock to the public.

The "regulatory panic" began in 1984, with the collapse of Empire S&L. [Empire had loaned more than \$600 million to build condos along the I-30 corridor north of Dallas, then made loans to speculators who bought and sold the land at inflated prices. Its subsequent collapse was the first spectacular S&L failure in Texas—HS.] The feds recruited storm troopers and gave them two-week crash courses on banking. They were sent in to police and bring order to the industry by capriciously and arbitrarily appraising institutions' portfolios downward. . . .

Then these regulators assumed all major decision-making authority and stopped making loans. If you don't make loans, you don't produce new income. Worse yet, they refused to work with borrowers and would not renew or extend commercial loans. When this happens, in combination with a severe downturn in the economy, the loans are almost guaranteed to go bad and the portfolios collapse.

Then they called in a host of consultants, lawyers, accountants and other "experts" to "paper over" the situation in order to place the blame on the alleged "wild and reckless business practices" of previous management. They sued anyone who might appear solvent and tried to get some scapegoats to label as crooks.

EIR: What was the effect of their actions on the Texas economy?

Adams: About like a strong depressant on a coronary victim lying on a street corner awaiting an ambulance.

EIR: You have taken some unorthodox measures to respond to the attacks on you. What have you done to defend yourself?

Adams: I have tried to call the public's attention to the real cause of the S&L crisis and dramatize its absurdity. I have counter-sued the government, identifying the task force and the regulatory agencies as a RICO enterprise that conspired to put me out of business. Unfortunately, a biased federal judge did not allow the counterclaim to be included in the existing railroad of a lawsuit.

I also ran, unsuccessfully, for governor of Texas to take my case to the public. I am afraid that the public has been so brainwashed by the government and the media that a fair trial would be difficult. I have been tried and convicted in the media by the government through "leaks."

Now we are starting our own counter public relations campaign, to tell the truth—and the government is crying foul.

EIR: The "party line" of the Bush administration continues to be that the chief cause of the S&L crisis has been "fraud" and "corruption." Yet, what about the failures of the commercial banks?

Adams: I am puzzled that we have had far more bank failures than thrift failures, but, according to the government,

all the “crooks” seem to have been in the thrifts!

The excuse given for banks, especially the big banks, like Chase and Citicorp and Bank of New England, is that they were “victims of a bad economy,” or in New England, of “tax laws.”

On the other hand, the S&Ls are accused of being irresponsible and criminal for using government-insured deposits to invest in and finance such allegedly unsafe and unsound things as real estate. Well, the commercial banks also have used their government-insured deposits to invest in real estate, as well as to finance brokerage houses underwriting junk bonds, corporations doing leveraged buyouts and Third World debt, which the regulators seem to think are perfectly sound and acceptably prudent.

Washington has not yet correctly identified the cause of the problem, much less begun to cure it. We have seen only the tip of the iceberg. . . .

I have reluctantly come to agree that perhaps 95% of the cost of the S&L disaster is due to fraud—fraud committed by the money-center bankers, the regulators and politicians who 1) caused the problem, 2) failed to deal with it correctly, 3) deceived the public about it, 4) used smoke and mirrors and off-balance-sheet accounting to hide the extent of the problem while sweeping it under the rug, and 5) offered scapegoats to hide their own culpability.

EIR: The government has offered you a plea-bargain deal. Why have you not accepted it?

Adams: I could strike a deal for myself, but if the country goes to hell, as it is, it’s not worth it. What is gained by saving yourself, if you lose your soul and everything you believe in?

Our form of capitalism is a great system and the universal hope of humanity. It is a pity that so many of our present leaders have abandoned it. They have been won over by the seductive temptations of the fast-buck sirens. Perhaps, by taking a stand, I can make people aware of the truth, that everything that we love and cherish about the American System is about to go down the tubes, and encourage them to act to do something about this horrible situation before it’s too late.

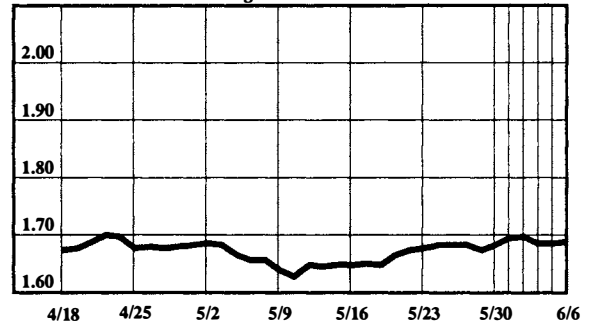
EIR: Any thoughts on the *Houston Post* articles alleging CIA-organized crime involvement in S&L fraud?

Adams: After reading the *Post* articles alleging CIA-mob collaboration to scam money from the thrifts to fund the Contras, I was shocked! Then, I realized that Lamar, which was named as one of the 23 thrifts involved, did business with one-third of the others on the list. I could see patterns between institutions and individuals that moved around among them, and realized that, if lawyers, appraisers and title companies are not working for your interest, they might be able to make large chunks of money “disappear.” The more I look, the more I learn, the more convinced I am that there is not only smoke, but fire here.

Currency Rates

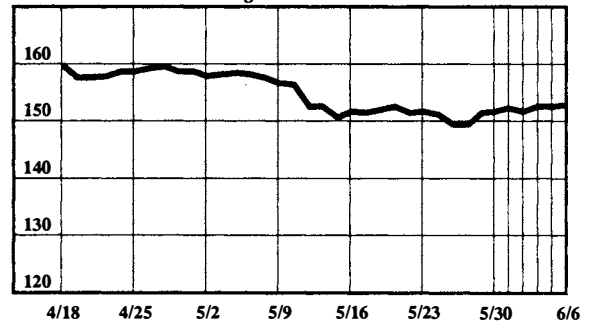
The dollar in deutschemarks

New York late afternoon fixing



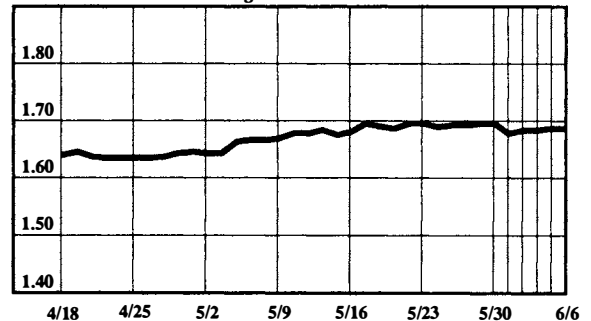
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

