

## **Veterans of '90s Bailout Hope for Profit in New One**

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WASHINGTON — A tight-knit group of former senior government officials who were central players in the savings and loan bailout of the 1990s are seeking to capitalize on the latest economic meltdown, enjoying a surge in new business in their work now as private lawyers, investors and lobbyists.

With \$700 billion in bailout money up for grabs, and billions of dollars worth of bad debt or failed bank assets most likely headed for sale or auction, these former officials are helping their clients get a piece of the bailout money or the chance to buy, at fire-sale prices, some of the bank assets taken over by the federal government.

“It is a good time to be me,” said John L. Douglas, a partner in Atlanta at the law firm Paul Hastings and a former lawyer for bank regulators who helped create the agency that administered the last federal bailout, the Resolution Trust Corporation.

Some of these former federal officials, like L. William Seidman, the first chairman of the R.T.C., are serving as advisers — sharing ideas with Treasury Secretary Henry M. Paulson Jr. and the transition team for President-elect Barack Obama — even while they are separately directing investors or banks on how to best profit from this advice.

“It is an enormous market,” said Mr. Seidman, who has already joined two such potential money-making efforts and is evaluating proposals to participate in a third. “I am enjoying this.”

David B. Iannarone, a former R.T.C. lawyer who is managing partner at a firm that handles defaulted commercial real estate loans, said, “The people who worked on this back in the early 1990s are back in vogue.”

The agency was set up by the government in 1989 to sell off what ultimately grew to \$450 billion worth of real estate and other assets assembled from 747 collapsed savings banks.

What is obvious to former R.T.C. officials is that, like the last go around, a great deal of money will be made by a select group of investors and business operators, particularly those with government contacts. The former government officials said in interviews that much of what is motivating them is a desire to help the nation recover from this latest stumble. But they acknowledge they intend to be among the winners who emerge.

“Fortunes will be made here, no doubt about it,” said Gary J. Silversmith, one of more than a dozen former R.T.C. officials interviewed who now are involved in enterprises seeking to profit from bank bailouts.

The busiest money-making arena so far for these R.T.C. alumni is in helping distressed banks line up cash infusions from the Treasury, as they seek a piece of the bailout.

Robert L. Clarke, controller of the currency under the first President Bush and a former Resolution Trust board member, has been advising banks throughout the South on how to get their share of the bailout money.

“I have been absolutely inundated,” said Mr. Clarke, who now works at Bracewell & Giuliani, the law firm based in Houston affiliated with the former New York mayor and presidential candidate Rudolph W. Giuliani.

Mr. Clarke’s labor on behalf of his clients has included calling federal regulators to urge them to reconsider plans to reject applications for federal bailout money. He would not identify the banks, saying it might undermine public confidence in them.

But Mr. Clarke said his intervention, in at least some cases, has been successful.

Eugene Ludwig, the comptroller of the currency under President Bill Clinton during the final stages of the savings-and-loan cleanup, runs Promontory Financial Group, a banking consultant group whose clients include struggling banks.

“I must get an e-mail a day from people who I worked with back then about what to do about the current mess,” Mr. Ludwig said. “It is not so much capitalizing on it as really just, how do we contain the flames?”

Many of the former federal officials like Mr. Ludwig have stayed in the field, working as lawyers or contractors who buy up and resell seized bank properties. What is remarkable now is just how busy they are.

“It is a great time to be a banking lawyer,” said Thomas P. Vartanian, a partner in the Washington office of Fried Frank, who is the former general counsel to the Federal Savings and Loan Insurance Corporation, which led a bank bailout effort in the 1980s.

The planned sale by the F.D.I.C of the assets of IndyMac, the failed bank, has turned into an alumni event of sorts for veterans of the R.T.C. era, including John J. Oros, who was chairman of a financial industry council that advised bank regulators during the savings and loan crisis. Now he is a partner in J. C. Flowers, one of the private equity firms negotiating to buy part of IndyMac.

In the space of one weekend in September he explored buying out the troubled insurer A.I.G. and worked with Bank of America on an aborted acquisition of Lehman Brothers. Then he advised Bank of America on its last-minute switch to buy Merrill Lynch before Lehman’s collapse hammered Wall Street.

Although the financial meltdown is a disaster for the country, Mr. Oros said, “the opportunity going forward is unprecedented. It is fantastic. It is as if I had been training for this for the last 40 years of my career.”

The biggest profits will most likely be made, the former federal bank officials agreed, by those

who figure out a way to benefit from what could turn into one of the greatest fire sales of bad debt and bank assets in American history.

Through September of this year, 25 banks had failed, compared with three in 2007. An additional 171 are on the Federal Deposit Insurance Corporation's list of troubled banks, more than double the watch list at the end of last year.

As a result of these failures, and other related industry troubles, billions of dollars' worth of real estate or at least mortgage-backed securities and other "illiquid" financial instruments will most likely need to be sold off at discounted prices to investors who stand to profit if they can sell the assets at a higher price once the economy recovers.

The question right now is just how this unloading of bad debt will take place.

So far, the federal government is relying on financial institutions to find a way on their own to sell off bad debts or assets they end up with as a result of foreclosures. But some financial industry players are arguing that a modern-day R.T.C. should be established, to help set prices for this bad debt, and speed the move toward a recovery.

The R.T.C. alumni are prepared to profit through either route.

Mr. Seidman, for example, has been hired as an adviser to SecondMarket, a company based in New York that early next year will start a virtual marketplace that intends to resell some of the trillions of dollars worth of distressed mortgage-backed securities, the financial instruments that helped fuel the surge in housing prices.

Mr. Seidman has already set up meetings between company executives and federal regulators, including at the F.D.I.C., said Barry E. Silbert, the company's founder.

Mr. Silversmith, meanwhile, who during the savings and loan crisis helped arrange the sale of thrift assets, has teamed with Barry Fromm, the chief executive of Value Recovery Holding, one of the big government contractors who handled these sales. The two in recent weeks have held meetings with some of Mr. Silverstein's former colleagues, including James Wigand, the deputy director in charge of the F.D.I.C. division that sells seized assets, to work on a plan to get ahold of some of the new wave of properties the federal government intends to put on the market as a result of recent bank failures.

Many of the investors who built legendary fortunes during the savings and loan crisis — like Sam Zell, the chief executive of the Tribune Company, and Joseph E. Robert Jr., the chief executive of J. E. Robert Companies — are also looking for ways to get back into or expand their distressed assets trade.

Mr. Zell, who has fared less well in his Tribune investment, recalled the instinct for capitalizing on the misfortune of others that earned him the sobriquet "the grave dancer" when he started buying up properties from failed savings and loans.

“When I started the first opportunity fund in 1988, I was the only one bidding — if they didn’t sell to me, they didn’t sell to anyone,” Mr. Zell recalled.

Now, he said, “The best opportunity right now is in the debt area, mortgages. We have been buying all along.”

R.T.C. experience is certainly no guarantee of success, the agency veterans acknowledge.

Peter Monroe, who was president of the R.T.C. oversight board from 1990 to 1993, has already bought about 300 distressed properties in Detroit, through a venture capital company he formed called Wilherst Oxford. Figuring out a way to profit from the investment — even though some of the houses cost him only a few hundred dollars — has proven to be a challenge.

“It is like a high-hurdle race: you can get going fast, but you have to jump over one hurdle after the other,” Mr. Monroe said. “It has turned out to be more complicated than even I expected.”