

Anecdotal Stories

During the process of gathering information for the historical project, *Managing the Crisis: The FDIC and RTC Experience*, several anecdotal stories came to light that are too good not to share. Enjoy!!

GOING UNDERCOVER...TO SAVE A JET

In 1976, I took a job as an officer trainee and loan collector at a \$40 million bank, Hamilton Bank and Trust in Atlanta. The bank turned out to be in serious financial trouble and two weeks after I started working there, the bank failed. The FDIC asked me to stay because loan collectors were needed.

One of the loans I began reviewing was to a company based at Charlie Brown Airport, west of Atlanta, that operated two charter Lear jets. We had a lien on one of the jets and wanted to repossess it. But there was a big problem—we didn't know which jet was ours. We also knew that the debtors had threatened to fly the jet out of the country if we tried to take it. Our jet had a mobile phone system (rare in 1976); the other jet did not. So the only way to confirm which jet was ours was to get inside and find the mobile phone. We determined that we could get a Writ of Possession from the local court, using the FAA number painted on the jet. But first, we needed the right FAA number.

So, one morning I drove out to Charlie Brown Airport and called on our debtor. Resorting to a mixture of subterfuge and false bravado, I introduced myself as the road manager of the singing group The Kingston Trio. I said the group was now based in Atlanta and was planning a brief fall tour. I added that the group was interested in chartering a jet so it could return home each night. The man I spoke with willingly took the bait and was soon giving me a tour of each jet. The second jet had a mobile telephone. I told him that was fantastic because the guys could call home every night and tell their families they were on their way. I left, telling him we were very interested and that I would contact him shortly.

I gave our attorney the jet's FAA number so he could begin preparing the Writ of Possession to take to the judge. He asked me to monitor the hangar to see if they rolled out the jet. We were in a race against time to get the writ before they took off with the plane. All afternoon I sat in a Wendys parking lot across from the airfield where I had a good view of the hangar. Nothing happened. I went home about 8 p.m. and returned the next morning about 7 a.m. Two hours later, they opened the hangar door and rolled out a jet. I checked the FAA number—it was ours. I called our attorney from a pay phone. He said the judge was about to sign the writ, and asked me to stop them from leaving with the jet until he got there. "I'll give it a try," I said.

I drove to the airport and on to the flight line, blocking the jet. Then I got out of my car and stood by it. The man I spoke with the day before was in the jet's cockpit. He climbed out, leaving the engines running. "What's going on?" he shouted over the roar of the jet. "Didn't I talk to you yesterday?" "Yes. I'm not really with The Kingston Trio. I'm with the FDIC, which just took over Hamilton Bank," I said. "We're repossessing this jet. Our attorney is on his way over here now with a court order. I'm sorry, I can't let you take off."

He called me a name, got back in the jet, and turned off the engines. Then he walked over to the hangar and stood in the doorway with some other men. I could not hear what they were saying, but they kept pointing at the jet—and to me. Our attorney soon arrived and we taped the writ to the jet's window. I walked over to another hangar and hired an aircraft maintenance company on the spot to park the jet in its hangar. All the while, the men stood there and watched.

We ended up selling the jet for about \$450,000.

--William C. Thomas

A LIFE SAVINGS NEARLY LOST

Twelve days after a bank closing in Hennessey, OK, in late 1985, only four FDIC employees remained at the bank to complete a payoff. By then, there were no more than a dozen uninsured depositors with whom we had not met.

At noon, an elderly woman walked into the lobby and was shown to my office. We got right to business, and she explained that her husband had just retired after 40 years with a local farmers' co-op. The couple had four accounts with the bank—a checking account with a few thousand dollars, a savings account with about \$10,000, and two Certificates of Deposit, each for \$100,000. One CD was in her name, payable upon death to her husband. The other was in her husband's name, payable upon death to her. The bank had set up these two CD accounts so both would be protected with FDIC insurance. I told the woman that the CDs would be covered with FDIC insurance, but the other two accounts would not because they were set up jointly with her husband. She and her husband were each entitled to \$100,000 of protection for the CDs, but they would lose the roughly \$12,000 in smaller accounts.

The woman sighed at losing \$12,000, then told me that her husband had passed away on the same day the bank failed and she could not cope with any more bad news. I was shocked at this revelation because I realized that when her husband died, the CD in his name became her property. So, she was probably going to lose the other \$100,000, which only seconds before I had told her was covered by FDIC insurance. I had no choice but to give her the bad news. She became extremely distraught at the thought of losing more than half of her and her late husband's life savings.

The FDIC staff decided to consult a senior attorney in Washington about the matter, who asked the time of death. He explained that we were paying out funds based on the ownership at 3:00 p.m. on the day the bank closed, so if the husband was alive then, the insurance limits would cover both of them. I volunteered to call the woman to find out the time of death. The phone rang and rang. Finally, she picked up and I got the answer I was hoping for. Her husband had died at 10:15...p.m. So both CDs were, indeed, covered. I gave a thumbs up!

--Robert C. Schoppe

A CLOSE CALL...WITH A DOOR MAT

I was at a small-bank closing in Tillar, Arkansas, when we averted disaster through sheer luck. Because the closing involved a payoff, in which depositors are paid by check, we had to remove the bank's cash from the premises. This was not a problem with most of the cash. We could return it by armored car to the Federal Reserve as long as the seals were still on the money bags that had been sent to the bank. But this still left a substantial amount of loose cash, mostly from the teller windows, and coin that we had to remove from the bank.

For security purposes and to keep a low profile, we limited the number of people who knew when we were moving the money. We arranged for a banker in the neighboring county to open his vault on a Sunday morning and house the money. The local sheriff agreed to be our escort. Several of us met at the bank early that morning and loaded the trunk of the former bank car with the remaining money. Because the cash bags contained mostly coin, we formed a line of FDIC staff from the vault to the car and passed the bags along. To shorten the distance, we pulled the car alongside the bank and tossed the bags out of the window, rather than carry them the longer distance through the bank's front door. We loaded the car, drove to the bank in the neighboring county, locked the money in the bank's vault, and agreed to return on Monday to count all the cash jointly.

It wasn't until the next day that we learned each of the teller drawers had contained dye packs hidden with the money. These packs explode permanent ink on the money—and the thief—in the event of a robbery. We quickly called the neighboring banker before anyone had a chance to count the cash and arranged for one of the tellers to remove the dye. We also learned that the bank had a security device under the front door welcome mat that could have triggered the explosion of dye if we or a robber had used the front door. By taking the money through the window, we had inadvertently circumvented the security system.

--William R. Ostermiller

REACHING COMMON GROUND

I remember the day in 1984 when I interviewed for a job with the FDIC in Verdige, Nebraska. An irate agricultural borrower interrupted the interview with shouts that he had never before been required to complete a cash flow statement for the bank in order to borrow money. And, he said, he didn't know how he could since he hadn't harvested his crops yet. On top of that, he didn't know how many calves and pigs he would sell that year. Once the borrower left, the interviewer (who was the liquidator in charge) asked me whether I knew how to handle such problems. I told him yes, that I did routinely as a Farm and Ranch Management Coordinator with the University of Nebraska. Following that interview, my career with the FDIC began.

I jumped right into the agricultural crisis. The situation between the FDIC and the farmers and ranchers had become very tense. We were perceived as the enemy—there to disrupt the agricultural life the farmers and ranchers had enjoyed; the bankers, who had helped them spiral into serious debt, were considered their friends. At first, the FDIC received violent threats. Later, we were individually threatened and our office was firebombed. The FDIC had to educate its employees in agriculture...fast. Another employee and I were detailed to Washington to write an agriculture credit manual. I was also dispatched to various sites throughout the Farm Belt to teach agricultural lending, financial analysis, and crop and livestock identification to FDIC staff. One of my most unusual tasks was explaining artificial insemination and defining a “gomer bull.”

The FDIC soon began hiring employees with agricultural backgrounds. Eventually, the farmers and ranchers and the FDIC learned each other's roles and began communicating well. Borrowers began struggling with producing financial and cash flow statements, and the FDIC began okaying settlement offers, helping borrowers to establish business relationships with other banks. We and the farmers and ranchers had reached common ground.

--Michael Clark

BREAKFAST ON THE FARM

It was a warm April morning in Omaha, Nebraska, back in 1982, with the temperature reaching 80 degrees at noon. But by 6 p.m., when management informed us that a bank had failed in Humboldt, Iowa, and we needed to drive there immediately, a cold front had begun settling in.

I volunteered to take several members of the closing team in my van. We left Omaha about 8:00 that evening, and by then the wind had become very cold. By 2:00 the next morning, we were in a raging snow blizzard and decided to pull off the road when we saw several 50-gallon barrels blowing down the highway.

I turned into a farmyard and pulled behind the granary to get out of the wind. We thought that when the sun came up, the wind would die down. But we were too cold to wait for the sun! About 5 a.m., we beat on the farmhouse door until the farmer answered and let us in. We then discovered that another car had pulled into the farmyard for shelter and we helped these people into the house. The wind was blowing so hard that it knocked some of us down.

The farmer's wife made breakfast for everyone, and afterward many in the group lay on the floor to get some sleep. It quit snowing about 10 that morning. Around noon, we saw a grader clearing the highway, so I ran out and arranged for the farmer's driveway to be cleared for \$10. We each tried to give the farmer's family \$5, but they wouldn't take it. They finally agreed to take \$30 to donate to their church. Our group left about 2:00 that afternoon for Fort Dodge, Iowa (where our motel was located), and arrived about 4 p.m.—20 hours after we began our adventure!

--Kate McDermott

WHOSE BONES?

On January 23, 1987, I woke up to the *Wall Street Journal* article "Here's a Cooler You Don't Want to Bring to the Company Picnic." I had more than a passing interest in this story.

The month before, on December 18, I was part of the FDIC closing team dispatched to Booker, Texas, after the First National Bank and Trust Co. of Booker was declared insolvent. Over that weekend, FDIC investigators stumbled across a styrofoam cooler containing a skull and bones. Not knowing what to do, the FDIC contacted local authorities. I had been wrapping up the affairs of the trust department when a bank employee informed me the cooler's contents were part of a doctor's estate.

So the matter was finally resolved, but only after the FDIC received press about the incident. A local Booker newspaper ran the article "Bones. Bones. Whose Bones?" The *Wall Street Journal* followed with its January 23 article about banking regulators finding skeletons in the closets of failed banks before, but nothing quite like what they discovered in Booker, Texas. The plot thickened, according to the *WSJ*, because the marrow was still soft in at least one of the bones and the FDIC was asked by the authorities to turn them over for a possible criminal investigation.

The closing team learned that the former President of the bank, Glen Lemon, had died in a plane crash in early November 1986 while flying his private plane out of Liberal, Kansas. Questions arose as to whether the bones from the doctor's estate were placed in the wreckage. The body found in the midst of the charred plane was burned beyond recognition and was identified only by a billfold and ring with Glen Lemon's initial. So, what happened? Did Mr. Lemon die? One can only speculate...however, six months after the crash, an Amarillo newspaper came out with the article "Insurance Company wants body of Booker banker exhumed." To my knowledge, the mystery about the bones' identity continues.

--Jeanne McBride

A NERVOUS MOMENT AT AN ALASKA AUCTION

In the summer of 1993, the FDIC held a land auction in Kenai, Alaska, in the saloon of a hunting and fishing lodge, the most suitable site available. A wide assortment of bidders was on hand, including a few hunters who carried their rifles into the saloon. One successful bidder plunked down \$40,000 in cash in mostly small bills to pay for his winning lots. It created a nervous moment for FDIC officials when the auctioneer counted the cash at one of the saloon tables, while armed hunters drank beer and shots nearby.

--Lee Kutlich

HYPNOSIS TO THE RESCUE

A Montana bank was closed on a Friday evening. The cash count was completed and the vault was locked. The following morning, the bank was scheduled to be open for business under a new name. Before the bank opened, the bank employee who knew the combination to the vault was so nervous that she could not remember it. A hypnotist was brought in, who was able to extract the combination from the employee, and a potential crisis was averted.

--Lee Kutlich

WHERE'S THE MONEY?

During the days of Chairman Isaac's market discipline in 1984, the FDIC elected to pay out a relatively large southern California bank. The bank lobby and teller cages were being used by claims personnel to issue checks to depositors. As is typical, no cash remained in the bank. On the second day of the payoff, a bank robber approached a claims agent at a teller cage and gave her a note stating that he was holding up the bank. The claims agent convinced the robber he had picked the wrong bank to rob. Contrary to Willie Sutton's famous quotation, this bank was not where the money was. The disappointed and embarrassed robber left the building, but was soon captured by local police.

--Lee Kutlich

A FOWL ASSET SPREADS GOOD CHEER

The holiday season in Cordell, Oklahoma, did not start off on a merry note back in 1987. Just a month shy of Christmas, Farmers National Bank of Cordell failed. To make matters worse, Farmers was the third

bank to fail in Cordell over the previous 18 months—this in a town that once boasted of being “the smallest town in the United States with three national banks.”

At Farmers’ closing, FDIC staff noticed an asset labeled “turkeys” on the bank’s books. When asked about the entry, bank employees directed the FDIC staff to a cold storage locker filled with frozen turkeys—literally thousands of them. The records about the turkeys’ ownership were incomplete, but bank employees assured the FDIC that the turkeys had been repossessed.

The refrigeration system in the locker box was not too reliable, so there was concern that the turkeys would spoil before they could be sold. With the holidays drawing closer, the FDIC staff decided to spread some good cheer by donating the turkeys to a homeless shelter and food pantry in Oklahoma City. Christmas was certainly much brighter for many homeless people that year.

FDIC staff later determined that the turkeys were actually collateral for a loan on the failed bank’s books. The FDIC gave the borrower credit for the collateral’s value and settled the debt.

--Martha Duncan

FDIC SELLS HISTORICAL HOME – GHOST INCLUDED

Everyone remembers Salem, Massachusetts, for its witch hysteria in 1692. As fate would have it, the FDIC ended up owning a historical building in Salem with ties to both the witch trials and George Washington.

The Joshua Ward house was constructed in 1784 on the foundation of the previous home owned by George Corwin, the high sheriff of Essex County. Corwin arrested and imprisoned over 160 people during the witch trials and confiscated all of the possessions of those executed after they were tried and found guilty by his uncle, Judge Jonathan Corwin. When the sheriff died, his family buried him in the cellar of the old house, rather than risk his grave being desecrated by the angry people of Salem. Years later, his body was quietly exhumed and moved to a cemetery.

The house is also reputedly haunted by a woman of unknown origin, who has been seen and photographed. She is believed to be responsible for some unnerving incidents and pranks at the house, as well as numerous cold drafts in and around the house.

The building is considered an important example of transitional Georgia/Federal residential architecture and is one of the last surviving Salem waterfront mansions. George Washington stayed in the home in 1789 during his inaugural visit to Salem. It was extensively renovated to accommodate offices in 1979 and is listed on the National Register of Historic Buildings of the National Park Service.

The FDIC sells historically significant properties, such as the Joshua Ward house, in a manner that recognizes their importance and is consistent with the FDIC's mission. We inform all local, state or regional conservation and historical groups when these properties are available.

In the case of the Joshua Ward house, no preservation groups showed interest in purchasing the building. But, Mr. Robert Murphy of the Higginson Book Company did. He purchased the property to house his antique book business and create "a national center for genealogy and local history book selling, preservation, and publishing." He also planned to preserve the historical detail of the house and keep it open to the public.

None of the tales of the Joshua Ward house discourages the bookstore staff, who told us they don't think the stories are true. However, they look forward to meeting any "past residents who might like to pay a visit."

--William R. Ostermiller

ELEPHANT WELL

At the Penn Square Bank closing, FDIC closing personnel were assigned portfolios of large, complex, distressed oil and gas loans to evaluate for potential recovery. A certain wildcat drilling company, whose owners were notorious for both their wild and extravagant lifestyles and their lack of success in the oil patch, had an \$18 million loan outstanding. The loan initially was valued at a complete \$18 million loss. A few days later, a local newspaper ran a front-page article proclaiming in the headline that the drilling company had hit an "Elephant Well." As it now appeared that the borrowers were rich and their debt would be paid in full, the valuation estimate was changed to reflect full recovery of the \$18 million loan. Nearly a week passed before it was discovered that the company had drilled into the Oklahoma Gas & Electric underground storage facility. Both claimed that they had no idea.

--Robert Carman

WHO'S SURPRISING WHOM?

To avert public panic and fear when an institution fails, closing team members always take great care to be discreet when preparing to shut down the institution. The team's hotel reservations are made with fictitious company names, and discussions about the closing are kept to a minimum so not to be overheard by passersby.

So imagine our surprise when we walked into Vernon Savings and Loan Association in Vernon, Texas, at closing time on Friday, March 20, 1987. We found a huge, beautifully decorated sheet cake that read

“Welcome, FSLIC.” A Vernon Savings employee later told me that her colleagues at the institution had bets riding on which Friday would be “the day.”

Another time, my fellow closing team members and I pulled into our motel parking lot to check in only to be greeted with “Welcome FSLIC” on the marquee. So much for the element of surprise!

--Mary Ledwin Bean