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**A Strong Sense of Outrage:
Stan Strachan, The National Thrift News and
The Savings and Loan Crisis**

Abstract:

This paper examines how a small mortgage industry newspaper, the *National Thrift News*, defied the trade press norms and served as an aggressive industry watchdog. It first reported on the 1987 Keating Five scandal, an iconic political money story where five U.S. Senators pressured regulators to go easy on a wealthy campaign contributor. The *National Thrift News* excelled at a time when mainstream media offered lackluster coverage of the savings and loan financial crisis.

A Strong Sense of Outrage: Stan Strachan, The National Thrift News and The Savings and Loan Crisis

Introduction

One of the iconic episodes of the 1980s savings and loan crisis was the Keating Five scandal, when five top U.S. senators sought to pressure federal banking regulators to ease up on Charles Keating, a campaign contributor who ran a failing savings institution. The news didn't appear first in a major newspaper, national magazine or on a televised investigative program. A small mortgage trade industry newspaper, the 10,000- circulation *National Thrift News*, broke the news.¹

In the U.S., the trade press has faced criticism due to its close relationship to and economic reliance on the industry it covers (Hollifield, 1997). Mainstream journalists have dismissed the trade press for failing to take a tough, watchdog stance in their reporting, and for failing to frame their journalism in the broader context of society. The limited scholarship in this field shares this critical view (Hollifield, 1997).

This paper will argue that Stan Strachan, the *National Thrift News* editor and co-owner, defied this characterization of a timid and myopic trade press. This paper will seek to understand why and how Strachan did it. The *National Thrift News* has been applauded for its work; it won a George Polk Award for financial reporting in 1988 following its expose of the Keating Five scandal (Muolo, 1997). The institution in the center of the story, Lincoln Savings and Loan, later collapsed at a cost of \$3.5 billion to U.S. taxpayers and caused \$250 million in losses to bond investors (Greenspan, 2008, p. 115). The *New York Times*, *Newsweek*, and *Columbia Journalism Review* wrote favorable stories praising the *National Thrift News* and its influential role in the savings and loan coverage (Martz, 1990; Ross, 1990; Quinn, 1990).

¹“Thrift” is synonymous with a savings and loan, a type of bank focused on making home mortgage loans that tends to be smaller than a retail or a commercial bank. <http://www.investopedia.com/terms/t/thriftbank.asp>. In this paper, “thrift” and “savings and loan” will be used interchangeably.

This essay fits into an ongoing debate about business journalism and the adequacy of the press' warnings prior to the 2008 financial crisis.² The savings and loan episode was largely viewed as a failure of mainstream press (Sparrow, 1999; McChesney, 2003; Starkman, 2014). An examination of this era, and how one publication was able to stand out with exemplary coverage, is important in understanding shortcomings in the 2008 crisis coverage. One goal of this history is to see how Strachan's legacy and his relationship to the culture, "while not generalizable, may be transferable to other historical cases" (Lucht, 2007).

There's a substantial gap in academic and popular literature about Strachan and his small newspaper. Strachan died in 1997, but left behind a wealth of writing and televised commentary. No one has explored Strachan's background, the business of *National Thrift News*, the development of his news staff and his reporting methods.³ This paper will seek to fill in this gap. In doing so, this essay will highlight the influential role of the U.S. trade press on mainstream press. Existing scholarship on the trade press hasn't examined the savings and loan crisis or subsequent financial meltdowns (Hollifield, 1997).

Primary sources include interviews and email correspondence with 11 current and former *National Thrift News* reporters and editors; Strachan's daughter, the only surviving relative; Strachan's business colleagues; and a review of *National Thrift News* coverage. Strachan left behind a substantial body of work at the *National Thrift News* that spells out his journalistic philosophy. He was a regular commentator on CNN in the late 1980s and early 1990s, and he spoke at considerable length about the S&L crisis coverage in a 1989 C-Span broadcast.⁴ *Inside Job*, an award-winning account of the S&L crisis written by former *National Thrift News* reporters Pizzo, Paul Muolo and Mary Fricker, was a key source (Pizzo, Fricker, & Muolo, 1989). Relevant coverage in *The Wall Street Journal*, *The New York Times* and *The American Banker* newspaper also was reviewed as well as other books on the S&L crisis (Day, 1993; Adams, 1990; Lowy, 1991).

² The best argument for media failure prior to 2008 is in Starkman (2014). The best rebuttal is Roush (2009), who makes a persuasive case, backed up by numerous contemporary accounts, that the press warned about many aspects of the 2008 calamity, from subprime lending to lack of regulation in the derivatives markets.

³ Strachan and *National Thrift News* get passing mention in the major books on the S&L crisis: Day (1993) contains one negative passage about *National Thrift News* and doesn't credit its work as an investigative news outlet; Adams (1990) provides credit to *National Thrift News* deep in the appendix.

⁴ Attempts to obtain CNN archival footage have been unsuccessful so far.

The paper concludes with suggestions for future research and observations of how *National Thrift News* provides lessons for today's digital newsrooms, particularly the new generation of specialized business journalism websites.

Trade Press

National Thrift News documented the mortgage industry's ups and downs, fulfilling the role of a "trade press" publication. The trade press, defined as publications that "serve distinct business or professional fields," include titles ranging from *Communications Daily* to *Tax Notes* (Laib, 1955). The U.S. specialized business press dates back to 1795 with the establishment of *The New York Prices Current*; the industry began to specialize specific segments starting in 1839, with the founding of publications such as *Hunt's Merchant Magazine and Commercial Review* and the *Dry Goods Reporter and Commercial Glance* (Smith, 1954). These niche publications collectively make up one of the largest and most influential segments of the American media industry. By one measure, the U.S. trade press brought in \$14.9 billion in print, digital and data revenue in 2013, up 7% from the year earlier.⁵ The trade press brings in more revenue than local television news stations (\$8.9 billion) or cable news stations (\$5.2 billion), according to the Pew Research Journalism Project (Holcomb & Mitchell, 2014). Put another way, trade press revenues are about one-quarter of the \$63 billion in U.S. news industry revenues, according to a 2014 Pew estimate.

The trade press, despite its size and influence, lacks the respect from its mainstream media counterparts. One issue involves a confused identity: it is unclear whether these publications are specialized newspapers, magazines, or something else. There are few guidelines on how to distinguish them from general business publications such as *Forbes* and *Fortune*. "Few fields of journalism have had to deal with such confusion with regard to name, categorization, integrity, or the roles they play within the industries they cover," scholar Kathleen Endres wrote (Endres, 1994). The general knock is the trade publications are too dull, "too cozy with the industries they cover" and mainstream publications used them primarily as tip sheets, a 1990 Columbia Journalism Review article noted (Ross, 1990). "Trade publications have

⁵ Data is from the Association of Business Information & Media Companies, a trade association for the business-to-business and media information industry. See: n/a, "Digital Ads Continue to Drive Industry Growth," The Association of Business Information & Media Companies, April 9, 2014, <http://www.abmassociation.com/News/3288/Digital-ads-continu>.

long been consigned to a netherworld somewhere between journalism and public relations,” the article said. Yet there were exceptions to this rule, with *Variety*, *Broadcasting* and *Women's Wear Daily* noted as “often aggressive analysts of the industries they cover” (Welles, 1973). Research suggests that while trade press editors and reporters claim to believe in journalistic standards, “trade publications may not meet these standards when covering the business strategies and developments of the industries they serve,” C. Ann Hollifield wrote in her 1997 study of the trade press (Hollifield, 1997). “Specifically, there is evidence that the trade media may be reluctant to write about the negative impact that industry-related expansion and development may have on individuals and society,” she wrote. Columbia Journalism Review noted that in 1973, the bulk of the business press was “appallingly disreputable” with editors selling ads and ad salesmen editing stories (Welles, 1973).

Against such research, Strachan’s *National Thrift News* produced journalism that was unusually critical of the industry it covered. “We would piss people off, with the kind of brand of journalism that we had. Sometimes people thought that we were a trade newspaper and that we kind of belonged to the industry. And you know, we didn't. We were quite independent,” said Mark Fogarty, formerly news editor at *National Thrift News* who worked with Strachan for 13 years (Mark Fogarty, interview with author, Oct. 24, 2014). He became editor after Strachan’s death in 1997.

At the same time, the *National Thrift News* was envisioned as a traditional trade publication. In internal company documents, *National Thrift News* owner Wesley Lindow described how he and fellow investor John R. Glynn wanted to create a high quality newspaper with fresh news on the industry, not one with merely rehashed press releases. Lindow recalled visiting with the thrift industry’s main trade group, the former U.S. League of Savings Institutions, to gain their views about a new independent newspaper to cover the industry. He described how the *National Thrift News* “would help build up the industry” (Lindow, 1980).

Stephen Kleege, a former *National Thrift News* associate editor, recalled Strachan had a fundamentally positive view of the industry he covered.

“He saw the savings and loan industry as basically a good thing. It was set up to allow people save money and make loans to houses. He saw that it had been perverted in some way, it has been perverted by the deregulation of the 1980s. He felt that he was a defender of the industry. And defending the industry means reporting that some savings

and loan executive was being arrested and led away in handcuffs, you have to report that.” (Kleege, 2015).

The limited academic literature on this topic also noted the trade press often is ahead of its mainstream counterparts. One compilation of important trade press stories, *Journalism That Matters : How Business-to-Business Editors Change the Industries They Cover*, describes how these niche business publications can prompt change in their industries. Andre Shashaty, a reporter for *Multi-Housing News* in September 1988 “provided the first report” of an influence peddling scandal at the U.S. Department of Housing and Urban Development involving lobbyist James Watt, the former U.S. interior secretary. This story was later covered by mainstream newspapers such as *The Washington Post* and led to reform legislation (Freedman, 2006, p. 16). A 2003 report by *Government Computer News* described how Laura Callahan, deputy chief information officer at the U.S. Department of Homeland Security, burnished her credentials with a PhD she bought from a diploma mill. She was later suspended (Freedman, 2006, p. 88).

The trade press may lead the pack by functioning as “an insider channel of communication in the early stages of industry-related policy processes,” Hollifield wrote (Hollifield, 1997). Top industry executives find trade press to be a better source of information than the mainstream press, and the trade media set the news agenda for the mainstream press, according to Hollifield. Trade publications keep a narrow focus out of necessity. As Janet Laib wrote in her 1956 study of the trade press, “If they dilute the subject matter with political coverage and other supported irrelevancies, they will get a diluted audience, and a diluted audience would weaken their appeal to advertisers who want to reach a specialized market of readers” (Laib, 1955). Hollifield also wrote how the trade press is less likely than mainstream media to write about the big picture, “to cover the social implications of industry policy proposals” (Laib, 1955).⁶ What made Strachan different was his paper’s coverage of the broader context, combined with a sense of moral outrage.

⁶ Another detail from Laib: “Trade magazines contain “no ‘itchy, prurient journalism,’ no sin swathed in morality, no fiction, no gossip, no politics, no sports, no comics, no Hollywood or Broadway,” wrote Julien Elfenbein in his definitive book.”

Riding Two Waves

Strachan founded the New York-based newspaper in 1976. He fit the model of a successful trade press journalist: an industry insider, he was applauded when he arrived at S&L conferences, given a reserved seat at the front of the room reporter (Stephen Pizzo, email correspondence, Sept. 2014). At first, he was skeptical of his reporters' discovery of fraud and corruption in the industry, some of which implicated his friends. Strachan, however, encouraged his young journalists to pursue these sensational stories.

“When we started coming in with stories of misconduct by some of his closest friends (CenTrust in Miami for example) all he said was, ‘Goddamn it you two, you better damn be right,’ “ recalled Stephen Pizzo, a former *National Thrift News* reporter (Stephen Pizzo, email correspondence, Sept. 2014). “He was not happy, but his journalistic instincts told him the right thing to do was to let us probe and poke and see what happened.” *National Thrift News* followed the money and was able to break the Keating Five story and a tale about political cronyism involving Neil Bush (the president' son) of Silverado Savings and Loan.

By all accounts, Strachan created a culture of investigative reporting that ran counter to standard norms in the trade press, and for many in standard 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” (Strachan, 1996). *National Thrift News*, for example, was different because its articles looked outside of a narrow industry focus of typical trade publications. How was Strachan able to do this? Autonomy is one major theme. Strachan, as owner and reporter, could execute his vision of accountability journalism, and control the editorial product with minimal interference from investors. This allowed him to attract, train and retain significant talent. One survey of journalists shows that small newsrooms, as was the case with *National Thrift News*, permitted greater reporter autonomy: “As size increased, perceived autonomy declined” (Weaver, 2007). His stature in the industry provided some autonomy. Although his business model relied on revenue from the industry he covered, Strachan's mastery of the subject and influential role in the industry allowed him to report independently. He was also able to evolve the business with changes in the market. *National Thrift News*, by all accounts, was able to thrive during a key transitional period in the

U.S. economy, the rise of the national mortgage market, expansion of U.S. debt and credit markets and volatility created by financial deregulation (Minsky, 1982). Perhaps most important was the culture he instilled in the organization: a strong sense of outrage against wrongdoing. Strachan and the *National Thrift News* were able to ride two waves in the U.S. economy. One involved a deregulatory wave that began in the 1970s and accelerated under former President Ronald Reagan. The second wave involved the dramatic growth of the U.S. bond and credit markets during the same period. Broadly speaking, these twin economic trends of deregulation and financial innovation are being felt today with the enormous volatility in the global financial markets. Further, deregulation contributed to poor supervision of the mortgage markets and was a factor in the 2008 financial crisis (Financial Crisis Inquiry Commission, 2011).

Strachan launched *National Thrift News* in 1976, a moment of tremendous transformation in the U.S. economy brought on by international competition to U.S. businesses, a globalization of financial markets and new innovations in finance. This era saw a major expansion and innovation within the U.S. bond and credit markets, which include the home mortgage finance system. “One of the most profound transformations in postwar finance was the explosion of domestic nonfinancial debt,” economist Henry Kaufman wrote (Kaufman, 2000). Between 1970 and 1998, the U.S. bond market grew to \$13 trillion, an annual growth rate of 19.5 percent. Strachan’s newspaper stood to benefit from this growth in the debt markets and from a major financial innovation: the securitization of mortgages. This refers to a process where a group of mortgage contracts are bundled together into a type of bond; the homeowners’ monthly payments represent the bond’s revenues. Such a transaction was a revolution for local banks and thrifts. They could sell mortgage loans to firms such as Salomon Brothers, which would repackage the loans into bonds. By selling the mortgages, a local bank was able to free up millions of dollars for new investments. Mortgage securitization also began to make the mortgage market national in scope. This mortgage-backed securities business brought in considerable advertising revenue to *National Thrift News* and also created a new set of problems for bankers as they struggled to deal with such an innovation (Paul Muolo, interview, Oct. 19, 2014; Fogarty, interview, Oct. 24, 2014).

Strachan was right in the middle of this revolution of modern finance. “Stan had luckily timed it perfectly,” said Paul Muolo, who began working for *National Thrift News* in 1982 (Muolo, interview, Oct. 19, 2014). In fact, the title of his newspaper spoke to the promise of

this new mortgage market: *National Thrift News* – it was no longer a local business. One of Strachan’s personal friends and sources was Lewis Ranieri, a former vice chairman of Salomon Brothers credited with inventing the mortgage-backed bond (McKee, 2004).

Major Wall Street firms advertised heavily and announced their participation in mortgage backed bond deals, taking out “tombstone ads,” so-named because they resembled grave markers with a bare-bones format, usually a simple box with a heavy black border and centered print. “*National Thrift News* was loaded with all of these tombstone ads from Wall Street,” Muolo said. “He rode quite a wave for probably about 10 very good years” (Muolo, interview, Oct. 19, 2014). Indeed, the paper’s size swelled after 1982, with some issues reaching as many as 92 pages.

At the same time, the savings and loan industry, created to help consumers finance and purchase a home, was under severe financial pressure. The high interest rates brought on by inflation made returns on Treasury bonds much more attractive than the meager rates they offered by highly regulated savings and loans. If a thrift matched the higher rates, they would lose money since the longer-term mortgages were providing a revenue stream at substantially lower interest rates. Savings and loans faced a slow death due to this mismatch in interest rates and maturities. Simply put, the thrifts’ cost of funds were rising amid higher interest rates and an inflationary spike but the interest paid to thrifts from long-term mortgages did not rise at the same rate. This was the economic underpinning of the savings and loan crisis in the 1980s, at the time the second worst financial scandal in the nation’s history. Thrifts also failed due to deregulation, speculation in commercial real estate, and criminality that flowed from it. By the time of Reagan’s inauguration, the savings and loan industry was pushing hard in Congress and in state capitals for regulatory relief out of a financial death spiral. David Stockman, director of Ronald Reagan's Office of Management and Budget, warned "any honest evaluation" of the industry "would show that its equity has been wiped out" (Martz, 1990). He spurred a major debate and Congress responded with the 1982 Garn St. Germain Depository Institutions Act to deregulate savings and loans and allow them to move into new lines of business. This act was a main cause of the savings and loan debacle; it allowed savings and loans to offer higher interest rates and expand their lending into riskier areas. “What it produced was reckless lending, poor judgment and outright fraud, much of it linked to the real estate boom and bust across the Sunbelt,” John Cassidy wrote (Cassidy,

2009). All told, about one-third of the 3,200 institutions failed by the early 1990s, leaving taxpayers with at least a \$124 billion bill for the cleanup (Curry & Shibut, 2000).

Who Was Strachan?

Strachan left a strong impression on his reporters, many times pressing them to dig deeper into a story. "He would say, 'Where is your sense of outrage?'" Fogarty said (Fogarty, interview, Oct. 24, 2014). Lew Sichelman, a longtime housing correspondent for *National Thrift News*, recalled asking Strachan for advice on how to frame a story. It involved a study that showed how lenders were making major errors on adjustable rate mortgages in the banks' favor and harming consumers. "His response was, 'Get angry.' And 'Don't let them get away with that,'" Sichelman said. (Sichelman, 2015).

An examination of Strachan's upbringing helps explain this idealism and the man's moral compass. First, Strachan was an immigrant. Stanley Kenneth Strachan was born in Finsbury, England on Aug. 22, 1938 to working-class parents, George and Rebecca Strachan. George Strachan was a tailor's presser, or an assistant to a tailor. At age 8, Strachan, his younger brother and parents moved to New York and settled in Brooklyn, in the Brownsville neighborhood.

"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. When he saw those being compromised, it was outrageous to him," Strachan's daughter, Hillary Wilson, recalled. Her father's sense of outrage "came from moving here and being an immigrant," she said (Hillary Wilson, interview, Oct. 25, 2014).

According to family legend, Strachan was willing to take a stand on principle at an early age. Wilson recalled a family story that Strachan confronted a Mafia boss, complaining that his associates were selling drugs in a playground where his little brother, Ronald, was playing. The Mafia leader agreed and the playground drug dealing stopped, according to family lore (Wilson, interview, 2014).⁷

During the Civil Rights era, Strachan signed up to join the Freedom Marches in the South, Wilson recalled. He had to undergo training in non-violent civil disobedience in New York, a screening process to determine if a person could withstand the personal and physical

⁷ Wilson expressed skepticism about the story, but said her aunt claims it was true.

abuse experienced by volunteers in the South. At a meeting in Brooklyn, the trainers yelled and screamed and even punched the prospective volunteers.

“When they punched him, he punched them back. And so he wasn’t accepted to go down and march,” she said.

At the same time, Strachan was not afraid to express his emotions. Fogarty recalled attending the funeral of Strachan’s brother, Ron Strachan, in 1989. Stan Strachan gave the eulogy. "Tears were rolling down his cheeks and he didn't bother to brush them away. He didn't think it was inappropriate to cry over your brother dying early," Fogarty said.

Strachan attended public schools in Brooklyn but he did not attend college.⁸ Strachan’s journalism career began as a copy boy for the New York *Journal-American*, an afternoon daily newspaper. Strachan then worked as a sports writer and police reporter for a weekly newspaper in Toms River, N.J. His proficiency with numbers and statistics was honed with sports reporting, Muolo said (Muolo, interview, 2014). In 1961, he joined the American Banker newspaper as a junior reporter, and rose to become assistant managing editor. His productivity was remarkable. Former *American Banker* editor Brad Henderson recalled Strachan was “one of the most prolific reporters the paper ever employed” (Henderson, 1986). Strachan’s daughter and former employees said he had a formidable memory. “Everything was in his head. He used to do whole interviews and then quote verbatim without taking notes,” Wilson said (Wilson, interview, 2014).

Strachan left the American Banker around 1971 and was an independent journalist and freelance writer. He worked a brief stint in public relations for Bank of America in San Francisco in late 1975-early 1976 before being recruited to work for *National Thrift News*. He and his wife, Tobyann, moved back to New York and he was hired as editor of *National Thrift News* in August 1976.⁹ His investors were John Glynn, an executive of the Sperry Corp., and Wesley Lindow, former president of Irving Trust Co. The newspaper’s early offices were in an apartment on New York’s West Side neighborhood; back issues of the newspaper were filed in the bathtub.

Strachan’s unusual personality shaped the newspaper. "He was the paper to some degree," Muolo recalled. Strachan made decisions rapidly. Debra Cope, a former National Thrift

⁸ Strachan had to drop out of high school and go to work to help support the family at one point, and completed his high school studies at night school, Wilson said.

⁹ Strachan developed a strong dislike for the American Banker and considered it an archrival for much of the rest of his career, according to Muolo and others.

News reporter, recalled the unconventional job interview with Strachan. He asked if Cope planned to eat a slice of cheesecake provided at an industry luncheon. Cope sniffed: "If it was from Junior's, I'd eat it." Strachan was impressed by her knowledge of the legendary New York bakery: "This woman knows her cheesecake!" Strachan exclaimed. "Let's hire her!" (Debra Cope, interview, Oct. 17, 2014).

"That's the kind of guy he was. He was very instinctive," she added. Fogarty also recalled Strachan hired him after a brief conversation, perhaps just three minutes. This unconventional style reflected Strachan's autonomy; he was, after all, co-owner of the newspaper. Fogarty recalled Strachan would arrive in the office around 7 a.m., read an article in *The Wall Street Journal* about a hearing that day in Washington, and head out the door to the train station or airport. "Without any planning in advance, he saw something that we should cover, he would jump" out the door and go to Washington to cover it, Fogarty said. "He did that frequently."

Others painted a less flattering view of Strachan. Irwin Huebsch, *National Thrift News* advertising director in 1977, recalled:

"Stanley is a volatile type that screams at everybody. He used to scream at me. When he was involved in getting the paper out, he was a real pain in the ass, to put it very mildly. ... But nothing that doesn't go with his nature and temperament and the job. Nobody hated anybody. When it was over, it was over." (Huebsch, 1982).

Strachan's personality and mannerisms were on display at a May 1, 1989 National Press Club event on the savings and loan crisis, an event captured on video by C-Span. Strachan appears as the quintessential old-school journalist – a balding, portly man in a somewhat rumpled suit, a large beard, and large glasses. Strachan's presentation was anything but rumpled. Without notes, he spoke fluently, with precise recall of dates and facts, providing numerous historical references about the savings and loan crisis and its evolution, all with a distinct New York accent ("Where Was the Press During the S&L Crisis?," 1989). Strachan's daughter, Hillary Wilson, said that videotaped event captured her father's spirit well. "All of it was in his head," she said.

What Was National Thrift News

National Thrift News was always a small paper, with a peak circulation of 15,863 in 1985, which included 9,305 paid subscriptions.¹⁰ *National Thrift News* began as a very modest operation in the fall of 1976. The Oct. 14, 1976 staff box listed six employees: Thomas Rollo, as publisher; Strachan, as editor; managers for production, classified advertising and circulation and an auditor. *National Thrift News* wasn't exactly a free newspaper – subscriptions in 1979 were \$35 a year -- but it gave away copies to meet minimum subscription levels, according to company records. In the early years, if readers failed to renew their subscriptions, the paper continued to mail out the papers "since *National Thrift News* must guarantee advertisers a minimum of 10,000 circulation," according to the paper's auditor, Robert Gehlmeyer. Circulation figures for 1976-1978 are not available. By 1979, *National Thrift News* reported 10,754 total circulation, of which 4,360 was paid circulation, according to Standard Rate and Data Service, a clearinghouse for publishing information. Internal company records showed *National Thrift News*, which lost \$46,639 in its first year of operation in 1976, was profitable by 1979, earning \$134,749, internal company records show (New York State Supreme Court, 1982). "National Thrift News, financially, was making money almost from the get go. It was quite successful," Muolo said (Muolo, 2014).¹¹ *National Thrift News* faced an eight-year legal battle over disputed ownership. Thomas Rollo, publisher of *National Thrift News* in its first two years, waged an eight-year legal battle with Glynn, Lindow and Strachan over ownership of the paper. Rollo claimed he originated the idea of *National Thrift News* but never received his promised 30 percent ownership stake in the venture. Rollo lost the case in U.S. District Court in 1982 and lost a related state case in New York State Supreme Court in June, 1990 (New York State Supreme Court, 1982).

Amid this legal fight, the paper grew in size. A sample shows the average page count grew from 20 to 34 pages prior to 1982. After President Reagan signed the thrift deregulation bill in 1982, the size of the *National Thrift News* doubled, with average page count ranging from 37 to 66 pages through 1987. Page count then fell to about 27 pages in 1990, at the peak of the S&L crisis. Circulation followed a similar pattern, rising after the 1982 deregulation to a peak of

¹⁰ Subscription data from Standard Rate and Data Service directories, 1976-1998

¹¹ Strachan and his investors sold the company in 1995 to Faulkner and Gray, a unit of Thomson Corporation, which then put it under the same corporate umbrella as the *American Banker* newspaper; terms of the sale were not released. Thomson later was sold in 2000 to Investcorp and renamed SourceMedia.

15,863 in 1985 and falling sharply to 9,057 total circulation in 1990, of which 8,579 was paid circulation. By 2014, circulation had fallen to 8,000.

Despite the decline in circulation and page count, the paper continued to keep a substantial editorial staff. Editors and reporters listed in the masthead rose from two in 1976 to a peak of 18 in 1986, but the paper held to about 13 journalists through 1993, when staffing rose to 15, despite the tremendous financial problems facing the industry.

Muolo said in the early 1990s, when the business was struggling amid the demise of the savings and loan industry, *National Thrift News* and its affiliated publications generated about \$4 million in annual revenues from a combination of subscriptions, advertising and conference fees. During the next market peak, in the mid-1990s, these businesses generated about \$10 million in revenue, Muolo recalled.

Muolo doesn't recall *National Thrift News* suffering loss of advertising due to its journalism. He and other reporters recalled the business struggled after the 1987 stock market crash, which led Wall Street to curtail advertising as a cost-cutting move. "Eventually, I think the shrinking of the S&L industry caught up with the paper," Kleege said. Some reporters began to leave in 1989-1990 due to the lack of raises at *National Thrift News*. During these lean times in the late 1980s, Strachan and *National Thrift News* investor John Glynn had "quite a few battles over the editorial budget behind closed doors," Muolo recalled. At one point, Glynn pushed to lay off staff, which Strachan firmly opposed. "Stan basically said if you want me to lay off staff, I'll quit," he said. The owners feared Strachan's departure would damage the newspaper (Muolo, interview. 2014). Fogarty recalled the co-owners might argue with Strachan over budget issues but they deferred to him in the end, in part because he was able to innovate and launch new products to meet the growing market.¹² Further details about any advertiser backlash against *National Thrift News* remains unclear. Kleege recalled *National Thrift News* won the Polk Award not only for the particular coverage but also for "a pretty great personal risk" that the stories would anger and alienate its industry readers (Kleege, 2015).

¹² As the mortgage market evolved in the 1980s and 1990s, Strachan created even more specialized newsletters, such as *Resolution Trust Reporter*, a biweekly newsletter on the workings of the Resolution Trust Corp., an entity created to help clean up the savings and loan collapse. Strachan and his investors were "a financial success" and launched a holding company, the Dorset Group, that contained a variety of mortgage and housing related publications, including *Resolution Trust Reporter*, *Problem Asset Reporter*, *Origination News*, and *Mortgage Technology*. The newspaper had to change as the industry it covered underwent wrenching change and widespread failures. By 1990, the paper changed its name to *National Thrift and Mortgage News* and then to *National Mortgage News* in 1992.

How Strachan Did It

One key theme underlying Strachan's success at the National Thrift News: autonomy. Strachan's stature in the industry, mastery of his subject and role as a co-owner afforded him respect and independence. "His job was the journalism. His partners didn't have much influence on that at all," Fogarty said. Strachan defied industry norms by writing critical articles about industry sources, even if this harmed his relationship with them.

Strachan had a deep knowledge of the banking industry from his years as an *American Banker* reporter, and was endowed with a tremendous memory and energy. He developed many close associations and some friendships with the industry executives. For example, Strachan "was friendly" with industry leaders such as U.S. League of Savings Institutions President William O'Connell and thrift industry lawyer William McKenna (Day, 1993). Ranieri, the Wall Street bond legend, was a close industry source and ally; Ranieri cooked a pasta meal for family and friends after Strachan's funeral in 1997 (Muolo, interview, 2014). Strachan used industry contacts to hire at least one reporter; columnist Sichelman recalled he was hired after Strachan had called the National Association of Homebuilders, asking if they knew of any decent reporters (Sichelman, 2015). One of Strachan's industry friends was David Paul, the former chairman of Centrust Bank of Miami, who was imprisoned on 68 counts in a federal fraud trial in 1993. Paul once invited Strachan and his family, along with others, to an afternoon on his yacht in Miami (Wilson, 2015). Muolo and Pizzo recalled uncovering evidence of corruption involving Paul. Kleege recalls Paul attended the bat mitzvah of Strachan's daughter. "David Paul was there and the videographer came around and David lifted up his menu to cover his face, because he didn't want to be on video. And in fact, I think he was due to go to jail in a few days, partly as a result of what Stan and other journalists had dug up," Kleege said (Kleege, 2015).

The reporters knew of Strachan's friendship with Paul but the editor still let critical stories of the CenTrust chief appear in the newspaper. "He was Stan's friend, but he didn't call me off on doing anything," Muolo recalled. Pizzo agreed: Strachan said, "Boy, you guys better be right'...He never spiked a single story."

Fogarty recalled, "He didn't let any business friendship get in the way of reporting negative things, if they were true." Wilson recalls her father describing these situations. "I remember my dad talking about having to write a story, a negative story about someone who was

a friend. He said it is hard, but you have to stand by your convictions, and this is the story and you can't shade it because you like the person who did something stupid," she said. Eugene Carlson, former communications director at the Office of Federal Housing Enterprise Oversight, called Strachan an "equal opportunity critic" (Carlson, 1997). Kleege said Strachan's journalistic reputation helped open doors. "People always thought he was fair and they respected that. And I think it allowed him to dig a lot deeper into the scandal than what other would be the case," Kleege said.

Numerous academic studies find such behavior unusual in business journalism. Paul Manning's 2012 critique found business journalists faced social pressure within a network of market sources, and this resulted in the financial reporters pulling punches in their coverage. "The taken-for-granted and mutually shared understandings regulating relationships between financial sources and journalists provided no incentives for journalists to actively seek the material from their sources that might sustain a more critical approach," Manning wrote (Manning, 2012).

Industry officials remembered Strachan's influence. "A collective shudder went through the firm when Stan's column came out," recalled David Olson, a prominent industry economist formerly with mortgage giant Freddie Mac. "There was such a fear and respect for his opinion. No one else had that influence" (Olson & Clifford, 1997).

"He was truly a power to be reckoned with and he used it to educate thousands in the industry and push for appropriate reforms," Olson said.

Strachan has his missteps as well. In one incident, Strachan didn't back up one of his young reporters on a sensitive story. One passage in *S&L Hell* by former *Washington Post* banking reporter Kathleen Day, characterizes Strachan as being cozy with industry officials, and caving to industry pressure in 1987 to walk back from a controversial story, even though it was accurate. The article by Debra Cope, the new Washington bureau chief for *National Thrift News*, quoted a prominent thrift executive as saying the industry was preparing to ask Congress for taxpayer funds to bail out the thrift industry's deposit insurance fund. The industry rushed to discredit the controversial story and pushed for a correction. Strachan ran a "clarification" to Cope's story, even though another industry official confirmed Cope's account. Day contended

Strachan faced pressure from major advertisers such as Michael Milken's Drexel Burnham Lambert (Day, 1993, p. 277-278).¹³

While unflattering, this episode also is notable because it is the only one of its type to surface in the interviews and literature review. Fogarty, the former news editor, said he didn't recall the specific issues involved in this episode. He challenged assertions that *National Thrift News* bent to industry pressure. While the paper would issue corrections when warranted, it would not do so when an official said something "politically incorrect."

"They would want us to retract it. We didn't," he said. "Are you asking, 'Did we cave in to the industry pressure?' I would say the evidence of the Polk Award is we didn't."

Other longtime Strachan employees and industry officials said they didn't encounter any soft peddling in the face of industry pressure. "Our stories cost Stan some longstanding friendships and shattered his faith in many whom he had highly respected," recalled Pizzo (Pizzo, email correspondence, September 2014).

The newspaper instead used its close relationship with the industry as a reporting tool and advantage. "That the 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 became comfortable with *National Thrift News* reporters and provided material off the record.

Fogarty recalled Strachan telling him, "The CEO of a company wants to know what the truth is. They don't want smoke blown up their ass. If things are bad, they want to know that. If things are good, they want to know that. But if things are bad they need to know that even more." Strachan's autonomy, combined with the trade press imperative to closely follow its industry, enabled *National Thrift News* to stay on the story consistently.

This is in contrast to more general interest publications that didn't devote sustained attention to the S&L crisis. "The news media did run stories about the S&Ls when the thrifts first came under serious pressure in the middle and late 1970s," Sparrow wrote.¹⁴ "However, the most prominent political journalists and news organizations never pulled the story together or

¹³ Day wrote: "To Cope, new to the staff of *National Thrift News*, Strachan's willingness to allow industry leaders to challenge her stories in such a manner amounted to a slap in the face. Sure she had described the dialogue accurately, she checked and rechecked her notes." In the spring of 1989, Levy acknowledged to Cope and another reporter he made the remarks, but said he had to deny it at the time because it wasn't the trade association's official position.

¹⁴ Sparrow, *Uncertain Guardians*, 1999:154

paid sustained attention to the deregulation and the abuse of the thrifts that was happening across the whole country.” There were some bright spots, however. *Forbes* Magazine was ahead of the pack in 1984, explaining Michael Milken’s junk bond issues “and how they were changing business.” *The American Banker* reported on swindler Mario Renda in 1983 and his role in destabilizing Penn Square Bank, one of the largest U.S. bank failures in 1982. The *Mesa Tribune*, based in suburban Phoenix, reported in Keating’s campaign contributions and his attempt to influence regulation in Arizona.

Yet the prevailing norm in mainstream journalism is the savings and loan beat was a second-tier assignment. Paulette Thomas, a former *Wall Street Journal* reporter, said the savings and loan beat “has never been a particularly high profile beat for any financial reporter over the years. And I think the Wall Street Journal’s Washington bureau has had a new reporter on this beat every year since 1981” (“Where Was the Press During the S&L Crisis?,” 1989).¹⁵ That constant staff turnover added to the problem of following such a complex issue, she added. Others recalled national reporters downplaying the story. *Houston Post* reporter Pete Brewton recalls trying to ask former Treasury Secretary Lloyd Bentsen about the savings and loan scandal. “The national reporters traveling with Bentsen tolerated two questions before changing the subject... The political writers simply weren’t interested,” Brewton said (Martz, 1990).

Such episodes led Sparrow to assert the “fourth estate” model of the news media as a separate watchdog over society is fundamentally wrong. “Only rarely and to a limited extent are the news media able to act as significant checks on national government or as advocates of a broader public interest,” he wrote. Former Washington Post reporter Haynes Johnson was blunt about the press’ record on the S&L case: “We didn’t report on it. We didn’t talk about it. We didn’t prepare the country for what was happening in the financial system” (Sparrow, 1999, p. 154).

“Reporter’s Paper”

Strachan provided unusual freedom to his reporters to generate and pursue stories. All former employees agreed: National Thrift News was a “reporter’s paper.” Offering such editorial freedom enabled Strachan to attract and grow talent. “When I said we were a reporter’s paper, we brought the stories to the editors. Stan and Mark (Fogarty) always gave us carte blanche to do what we wanted,” Muolo said. This is in sharp contrast to other newsrooms such as *The Wall*

¹⁵ Thomas’ remarks at 31:50 in the program.

Street Journal, *The American Banker* or *Bloomberg News* where editors run the operation and tend to closely manage reporters.

Strachan was co-owner of the paper but was a prolific reporter at the same time, which allowed him to remain in close contact with the most important players in the industry. Strachan tended not to hire industry experts or veteran reporters, but instead young and aggressive reporters. In a sense, Strachan hiring of less-experienced but talented young reporters has some precedent in business journalism: Henry Luce hired non-traditional journalists and even poets to cover business for *Fortune* in the 1930s (Baughman, p 72). His method of training and mentoring reporters: leading by example. By most accounts, Strachan was a ferocious reporter. Olson recalled delivering an industry speech in Denver in 1992 and encountering Strachan afterwards. "Stan stayed after and grilled (Olson) for two hours. All the questions were good and to the point ... No other reporter had ever penetrated as far or for so long," Olson said (Olson & Clifford, 1997).

Strachan described his reporting philosophy in editorials and a televised appearance on C-Span in 1989. He faulted the press generally for failing to challenge information provided by regulators, industry officials and others. "We've been much too quick to accept the official version of things," he said ("Where Was the Press During the S&L Crisis?," 1989).

He was willing to take risks, in sharp contrast to other media organizations. Pizzo, Muolo and Fricker – with Strachan's support -- would later publish *Inside Job*, their investigative book linking organized crime to the looting of S&Ls. The book was a *New York Times* bestseller and winner of an Investigative Reporters and Editors award. At the time, mainstream newspaper editors were wary of the savings and loan meltdown, and unsure how to proceed. "Most of them aren't comfortable with finance, let alone apocalyptic forecasts that might not come true," Larry Martz of *Newsweek* wrote. "Even the business writers who understood the story hesitated to push it too hard. 'We've been trained not to cause runs on banks,' says Hobart Rowen, a Washington Post columnist who printed some of the earliest S&L alarms but kept them consistently low key" (Martz, 1990). The *Wall Street Journal* struggled with the story as well. Francis Dealy, a former senior Dow Jones executive, wrote an expose on *The Wall Street Journal* and devotes a chapter "Why the Journal Missed the Savings and Loan Scandal." She describes turf wars and risk aversion that led the Journal's San Francisco bureau to pass on Pizzo's invitation to collaborate on a national investigation of savings and loan failures (Dealy, 1993).

Fricker said she called *The Associated Press* business desk in September 1987 to alert them about the Keating Five exclusive in the *National Thrift News*. The AP editor said they were not interested since Fricker gathered the information while working on a book and said they had a conflict of interest. "I was stunned," she recalled (Fricker, interview, Oct. 11, 2014).

This fits with a general critique of media behavior in the savings and loan coverage. Sparrow faulted the news coverage as being a product of an organizational hierarchy rather than something generated by independent reporters. "The news first and foremost serves news organizations' own interests, given the uncertain environment," he wrote (Sparrow, 1999).

Keating Five

The *National Thrift News*' access to regulators and its aggressive reputation led the paper to break a major political story on Sept. 28, 1987: five senators pressured regulators, the Federal Home Loan Bank Board, to ease up on an examination of Lincoln Savings and Loan. The thrift was owned by Charles Keating, who gave some \$600,000 to the campaigns of the five senators: Republican John McCain of Arizona; Democrats Dennis DeConcini of Arizona; John Cranston of California; John Glenn of Ohio; and Donald Riegel of Michigan, who later became chairman of the Senate Banking Committee. The senators pressured the regulators in an April 1987 meeting to back off on Lincoln Savings. Strachan, in a 1989 television appearance, called the political pressure on the regulators "an absolutely unprecedented event." Keating, asked if his financial support influenced politicians to support his cause, told the *Orange County Register*, "I want to say in the most forceful way I can: I certainly hope so" (Pizzo et al., 1989, p 295). The government later seized Lincoln Savings some two years later; total cost of the taxpayer bailout was \$3.4 billion and some 25,000 bond investors lost an estimated \$250 million (Greenspan, 2008, p 115; Nash, 1989).

Strachan and Kleege wrote the story, with Muolo reporting on the details; *National Thrift News* obtained a transcript of the event from a person present at the April 1987 meeting. Pizzo later remarked the transcript was so detailed it appeared to be from a tape recording (Pizzo, interview, 2014). This was an explosive political story, one that would remain an issue for McCain during his presidential runs in 2000 and 2008. The reaction from the rest of the press

corps? Mostly silence. Major media largely ignored the Keating Five exclusive for the next two years.¹⁶ *The Associated Press* declined to pick up the exclusive. The *Los Angeles Times* carried an item inside its business page the day after the story broke. The *Washington Post* followed up in May 1988. No other major media covered the story until regulators seized Lincoln in April 1989. “It wasn’t until nearly two years later — in July 1989 — that the Keating Five became a major national story,” according to *Columbia Journalism Review* (Ross, 1990). By the end of 1989, Lincoln failed, and press coverage became heavy: *The New York Times* mentioned the Keating episode in 27 articles, the *Washington Post* in 24, *USA Today* in 15 and the *National Mortgage News* in 14 articles.¹⁷

Kleege recalled even National Thrift News was playing a bit of catch-up on this story. Michael Binstein, a reporter who worked for investigative journalist Jack Anderson, approached National Thrift News, pitching a story about the Keating Five meeting. Binstein had tried to sell it to the *New York Times* and some other places but they were not interested, Kleege recalled. “They didn’t think it was that important,” he said. “That was something the general press didn’t recognize.” There was also concern Keating would sue the media outlets that would publish the story.¹⁸ Strachan also passed on Binstein’s pitch, saying the *National Thrift News* staff needed to get such a story on its own and not rely on a freelance writer. Strachan and Kleege began to pursue the transcript of the Keating Five meeting. *National Thrift News* later obtained its own copy of the Keating Five transcript, and then began to carefully report out the story. Kleege said they called all of the senators and Keating and discussed the meeting. “We basically had the whole thing on the record without the document... We had a long phone conversation with Keating – where four or five of us standing around a speakerphone and on the other end Keating would take the question and put us on hold and ask the lawyers what he should say and answer it,” he said. “The message is you can’t take shortcuts with these kinds of stories. You’ve got to make the calls. You can’t just rely on the anonymous source.” (Kleege, 2015).

Strachan, appearing at a May 1, 1989 National Press Club forum on the savings and loan crisis, faulted his colleagues for the lack of follow-up to this major political story.

¹⁶ Database searches in Lexis-Nexis, Factiva and Proquest; search terms in bibliography.

¹⁷ Lexis-Nexis search, researchport.umd.edu, search terms: “Keating and McCain and DeConcini and Glenn and Cranston” all newspapers 9/25/87-12/31/89

¹⁸ Keating later filed a \$35 million libel lawsuit against Binstein over subsequent coverage published in *Regardie’s Magazine*. The case was later dropped.

“When reporters from other papers called about the story, they were told by the spokesman for Federal Home Loan Bank Board, this was not at all unusual,” he said. But in fact, such a political intervention in a bank examination “literally had never happened before. But most reporters had accepted that this was run of the mill political business, for five senators to intervene in the examination of a savings and loan institution” (“Where Was the Press During the S&L Crisis?,” 1989).

“The press could have been a little more aware of what was happening there and a little less trusting of officialdom,” he said. “I think that’s been a major problem.”

National Thrift News went on to win a George Polk Award Financial Reporting for its 1988 savings and loan coverage. The paper broke another major story in 1989 involving then-President George H.W. Bush’s son, Neil Bush. It showed the political influence in the delay of closing Silverado Savings and Loan in Denver, where Neil Bush was a director. Strachan began appearing on television to discuss the savings and loan crisis, and was a regular guest commentator on CNN; veteran broadcasters Stuart Varney and Myron Kandel were among Strachan’s friends and admirers. CNN brought Strachan on the program in the early days of the S&L crisis. “We had him on CNN frequently. He was so knowledgeable,” Kandel recalled in an interview. Kandel, a pioneer in broadcast financial journalism, was very impressed by the quality of Strachan’s journalism. “I nominated him for a Pulitzer Prize,” Kandel said (Kandel, 2015).

Strachan was awarded the New York Financial Writer Association’s Elliott V. Bell lifetime achievement award in 1990 “for a distinguished career as a reporter and editor in financial journalism.” Other winners included journalists as the *Wall Street Journal’s* Vermont C. Royster, television pioneer Louis Rukeyser and columnist Sylvia Porter.

Columbia Journalism Review, *Newsweek*, and *The New York Times* were among those celebrating *National Thrift News* work on the Keating Five case. Richard Lowy, in his recap of the S&L scandal, *High Rollers*, cited the *National Thrift News’s* influence on the July 1990 U.S. Senate Judiciary subcommittee investigation led by former Sen. Howard Metzenbaum, an Ohio Democrat. “Most of what Metzenbaum’s subcommittee found out – at who know what cost to taxpayers – had been published in the *National Thrift News* a year earlier,” Lowy wrote (Lowy, 1991).

Strachan seemed to take the praise in stride. He told *the New York Times* in 1990, if his newspaper "wasn't way ahead of everybody else on this story, I'd be asking myself what was wrong... We're supposed to see the trends and have the best connections" (Quinn, 1990).

Conclusion

Strachan and the *National Thrift News* ran counter to the dismal performance of the U.S. press in the savings and loan scandal. This episode of nearly three decades ago still offers contemporary lessons for mainstream business journalists: a failure to fulfill their watchdog role over society (Starkman, 2014). This criticism was extensive following the savings and loan crisis but continued on, and again surfaced in the Enron Corp., and 2008 financial crisis episodes. The common themes across these episodes involve journalists' reliance on and deference to industry sources and a lack of sustained attention to the topic. Strachan set a higher standard.

This project raises a host of issues about the relationship between mainstream news media and the trade press. Further areas of research could involve case studies about how other financial trade press publications influence the mainstream news agenda and whether these smaller publications provide adequate political and social context to their reports. Strachan was a regular commentator on CNN's business programming, and so an examination of those broadcasts and resulting media coverage would be illuminating to discern his influence.¹⁹ Further research is needed into other news organizations with business models similar to *National Thrift News*, where a journalist is co-owner. The research could determine if other publications enjoyed similar editorial autonomy. This could apply to today's small digital newsrooms, where considerable innovation is taking place. *Investigative News Network*, a confederation of nonprofit news outlets, now has 100 members (n/a, 2014). One promise of these newsrooms involves their small size and the potential for greater autonomy, assuming they are able to secure steady funding.

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¹⁹ Another opportunity for further research would be to examine Federal Home Loan Bank Board records for material about Strachan's contacts with Edwin Gray, the agency's former director. These files are at the Ronald Reagan Library, Simi Valley, Ca.

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Database Searches

National Thrift News, 1982-1988.

A Lexis-Nexis search ("Stan Strachan" and "National Thrift News" and all dates) produced 345 articles bylined by Stan Strachan. A Factiva search ("Stan Strachan" and "National Thrift News" and all dates and all publications) produced numerous written tributes to Strachan from top mortgage industry figures after Strachan's death in 1997.

Search for Keating Five Stories

Lexis-Nexis search, researchport.umd.edu, search terms: “Keating and McCain and DeConcini and Glenn and Cranston” all newspapers 9/25/87-12/31/89;

Factiva search, researchport.umd.edu, search terms: “Keating and McCain and DeConcini and Glenn and Cranston” all newspapers 9/25/87-12/31/89;

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