

Before She Was Speaker

Nancy Pelosi's forgotten cameo in the savings and loan scandal.

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Nancy Pelosi

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The most enduring image from America's last banking crisis 20 years ago depicts five U.S. senators meeting with a stubborn top banking regulator, ordering that he stop leaning on their friend, Charles Keating, then the chairman of Lincoln Savings and Loan.

Another image, which also neatly illustrates Keating's scheme to buy political cover for his crooked business dealings, became lost in the din of bank seizures, bailout, and reregulation. In it, Nancy Pelosi, then a newly elected congresswoman, is ashen-faced, wearing a giant yellow blazer, black blouse, and trout-sized gold medallion. She leans into a microphone to stutteringly attempt to discredit Richard Newsom, a banking examiner from her hometown of San Francisco.

The forum is an October 1989 hearing of the House Committee on Banking and Urban Affairs, where she's a junior member. And she's just been outed as one of the legion of public officials who brushed up against Keating's money and influence.

Newsom has testified that he delivered documents to the FBI showing Pelosi's role as a director of the Organizing Institute, a nonprofit that had allegedly benefited from contributions Senator Alan Cranston (D-Cal.) had solicited from Keating. Keating had given a \$400,000 donation to the Center for Participation in Democracy, which was also linked to Cranston.

Pelosi acknowledged that Cranston asked her to sit on the board of the Institute, but did not know it was receiving money from Keating. "One of the clients is the Center for Participation in Democracy, which had, I understand, received funds from Mr. ... Mr. Keating," she said. "But that was known [only] this past spring."

Henry Gonzalez, the legendary owl-faced chairman of the committee, humiliated Pelosi by praising Newsom on his sterling find.

"Mr. Newsom, I want to commend you; \$400,000 isn't exactly chicken feed," he said. "When you encountered this statistic, you were rightly concerned."

Newsom described how he had connected money looted from Lincoln Savings to an address held by a trust controlled by Cranston, one of the so-called Keating Five. "We found an indirect pass-through, through a third corporation, that had Ms. Pelosi, on your committee here, as one of the board members on it," he said.

Chalmers Wylie (R-Ohio), the ranking Republican on the committee, asked Newsom if he suspected the documents featuring Pelosi seemed to be evidence of laundered political contributions.

"We thought it might be, and we felt it should be looked at by somebody to determine what the case was," Newsom said.

Gonzalez turned to his colleague: "Ms. Pelosi?"

Eyes wide as golf balls, Pelosi pleaded ignorance. "Mr. Newsom is being duly diligent in putting it all forward," she said. "But he qualifies it by saying the Institute [received Keating contributions] 'apparently, indirectly,' with two qualifiers. It's not an organization that a member of the board would have known where the people who were its clients were receiving their money."

Pelosi tried to solve her problem by peppering Newsom and other regulators with questions suggesting they were incompetent. Pelosi asked about an article in the *San Francisco Chronicle* that said a box of Lincoln Savings and Loan documents had been left in an unlocked room in government regulators' offices in Southern California. "I don't say this to be contentious," she said. "I'm just saying, who do we ask? Here we are, you say you are presenting the full story, but there's no answer about the boxes."

The issue of the supposedly misplaced documents did not affect the investigation, regulators testified. Pelosi's attempt to make the investigators look incompetent failed. Newsom and his federal colleagues emerged as the lonely heroes of the 1980s S&L crisis. "I admire your gumption and your integrity," Wylie told Newsom.

Pelosi's small role in the Keating scandal ended up as a forgotten footnote to the tense Lincoln hearings. She emerged from the episode unscathed. She was not accused of, or investigated for, any wrongdoing. In fact, as we all know, she went on to become speaker of the House.