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ALASKA JOURNAL OF COMMERCE / MAY-ISSUE-4 2012 / CUDDY STANDING TALL AS FNB ALASKA MARKS 90 YEARS

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Cuddy standing tall as FNB Alaska marks 90 years

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First National Bank Alaska President Dan H. Cuddy overlooking Anchorage from his 36th Ave. headquarters. FNB Alaska is celebrating its 90th anniversary in 2012, and Cuddy's steady and successful stewardship of the bank since 1951 makes him the first Alaska Journal of Commerce Business Leader of the Year.

Michael Dinneen/AJOC

Dan H. Cuddy is still having fun.

With a twinkle in his eye and a joy in helping others that has yet to be sated after 61 years as president of First National Bank Alaska, Cuddy keeps following his own advice and doing what he likes best.

When people ask him for advice about success — although “not as often as they should,” he says — his guidance is simple.

“No. 1, you got to enjoy your work,” he said. “If you don't enjoy your work, go find another job.”

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Cuddy, 91, has had a lot of jobs — working in a cannery, running a bulldozer, serving in the Army in Europe during World War II, practicing law — but he's had just one since taking over as president of FNB at age 30 in 1951 when his father Warren Cuddy passed away. Warren Cuddy led the bank for 10 years after purchasing the controlling interest in 1941.

Prior to his father's passing, D.H. Cuddy, a Stanford University alum, practiced law for three years and found it to be full of sadness.

"When you practice law, sometimes your client is lying, or the other one is lying," he said. "The operation of a bank — 98 percent of what you do is happiness. It makes you feel awfully good when you can take an energetic young man, get him started in a business, see his business progress and grow.

"That's kind of fun. That's what we've been doing for the last 90 years: helping people get started. It's more for the benefit of the community. That's where we hope to shine.

"That's where we put our energy — serving the community and helping it grow."

It is impossible to tell the story of FNB without telling the story of Alaska, or vice versa. Pick a major event in Alaska history, and First National Bank was there.

When the Japanese occupied territory in the Aleutians during World War II, it was FNB that supplied payroll to the troops and opened a banking facility on Adak.

When the Good Friday quake carved a path of destruction from Kodiak to Anchorage in 1964 and wiped out Cuddy's birthplace of Valdez, it was First National and Cuddy who were the first to announce ambitious plans to not only rebuild, but to rebuild taller and stronger by adding eight stories to the 5th Avenue branch in Anchorage.

After the first Prudhoe Bay lease sale netted more than \$900 million in 1969, it was Cuddy's daughter Betsy who flew the check on a chartered commercial airliner from Anchorage to New York to earn an extra day's interest on the deposit.

While some 20 financial institutions were failing, residents were fleeing, foreclosures were spiking and oil prices were plummeting in the mid- to late-1980s, it was FNB who weathered the storm thanks to calculated decisions by Cuddy to start pulling back speculative lending several years before the recession hit.

"We were accused of being unfair to people, not doing the right thing," Cuddy says of pre-recession Alaska. "We took a beating. We lost deposits. But on the other hand, we came out of the '80s still here."

In 2012, as FNB Alaska celebrates its 90th anniversary, the bank assets have reached \$2.9 billion — a hundred-fold increase since Cuddy became president in 1951.

"In banking you're helping people build something," said Cuddy's daughter Betsy Lawer, vice chair of FNB, who is married to the bank's senior vice president and general counsel David Lawer. "That's what he really enjoys. That's what he has fun at. That's why he has a twinkle in his eye. He enjoys driving down the street and looking at buildings in town and thinking, 'I had a hand in helping these people succeed.'"

Cuddy is — humbly — correct when he says that the state would have grown without FNB, but there is no question Alaska wouldn't be the same without his foresight, his steady leadership and the tens of millions in contributions from his family and employees to causes in the communities the bank serves.

For that continuing legacy, Cuddy is the only choice as the first Alaska Journal of Commerce Business Leader of the Year.

Vision to succeed

In the office by 8 a.m., Cuddy pores over U.S. Treasury yields, the latest financial news and every now and then he picks up on a nugget of information that will serve him well — sometimes not until a decade later.

After describing how FNB saw the Alaska housing bust coming and began avoiding risky real



estate loans in 1982, Cuddy was asked if he had a feeling of déjà vu watching the Lower 48 housing market overheat during the last decade before it spectacularly blew up in 2008.

Without a word, Cuddy swivels in his chair to the drawer behind him and right at the top he pulls out a heavily underlined article from the New York Times about the government-sponsored mortgage entity Fannie Mae lowering the credit standards for the home loans it would purchase.

"Look at the date on that," Cuddy said.

The Times article was from 1999, nine years before the beginning of the subprime lending crisis that rocked financial markets and triggered a global recession.

"That's when they did it," Cuddy said. "I saw it coming and I saved it. That's where the disaster started."

After the interview was over, Cuddy made sure to place the article back in his drawer.

Unlike the Alaska bust caused by a rash of misguided optimism that the state would keep growing at a rapid clip, Cuddy puts the blame for the mess in the Lower 48 on Washington, D.C.

"What makes me aggravated there, was that was the federal government that did that," Cuddy said. "They thought everyone should own a house. Well that's not true. Not everybody can afford a house. They can't afford the payments, they can't afford the maintenance. But they put them in houses they had no business doing and it's because of that we had our big depression."

That kind of vision was clear to Dave Cruz in the early 1980s as he was just getting started. Cruz's father moved their family to Alaska in 1946 and did business with Cuddy's father Warren, and Dave Cruz has known the Cuddy family for nearly a half-century.

The one time Cruz has worn a suit to meet with Cuddy was in 1981 when he sought a loan to repair a bulldozer and to purchase a tractor for his business, Cruz Construction.

Cruz got the loan, and he listened to Cuddy when he warned him off real estate in the years before the 1986 recession.

"In any culture, the elders have the experience," Cruz said. "You may not like the answer. But you trust them. If he's telling me things are going bad, I'm sure not going to try and tell him, 'I know more than you.' So I listened to him."

Cruz focused on public construction projects, and he watched as those who ignored Cuddy's advice went belly up.

"I know a lot of them," Cruz said, "and they're no longer around."

It was a "frustrating" time for FNB, Lawer said, as some of the bank's best customers went elsewhere when they didn't want to hear Cuddy's concerns about the real estate market.

"So the folks across the street would say, 'oh, Dan's wrong. We'll be happy to lend you all the money you want,'" Betsy Lawer said. "So our good customers would go across the street to Brand X, and sure enough, because they were credit-worthy, lend them all the money they wanted and there was nobody to buy the spec homes. There weren't coming to town to fill the retail malls. It was very sad for us to see those customers' balance sheets become challenged again. Some of them were too old to rebuild. The younger folks could rebuild, lessons learned. Then the banks went down.

"It was frustrating to us because if banks had thought about it, been more cautious, the downturn might not have had to be so severe."

Cruz started with one employee — himself — and his company now has about 215 employees working in Alaska and the North Dakota oil fields. Cruz said his father and Cuddy have been the biggest factors not only in making his business a success, but in how he's become successful.

"They don't make them like that anymore," Cruz said of Cuddy. "He's the kind of individual I have extreme, extreme, high regard for. How you conduct yourself in a day is a reflection on what that guy has instilled in you."

Cruz has always taken Cuddy's advice about business, but one of his proudest moments was when his mentor told him he didn't need it anymore. Cruz described the "biggest deal I ever did with him" as one where he didn't borrow any money.

Cruz, whose company does much of its work on the Alaska river system, was considering building a \$6.5 million tugboat and he wanted to know what Cuddy thought about the idea.

"There was a change I'd never saw after 20 years dealing with him," Cruz recalled. "He looked at me and said, 'Well, I'm not going to tell you not to build the tug. I'm not going to tell you to build the tug. You ought to know by now.'

"That's the first time he ever said that to me. I will never forget that."

So, did Cruz build the tug?

"In fact, I built two of them," Cruz said. "One's working in Australia and the other one is up here."

Cuddy has taught Cruz a lot over the years, but one thing stands above all.

"They go above and beyond giving back to this community and that's touching all of us," Cruz said. "All these things that are sponsored, you see First National's name up there. If I take anything from him, it's to give back to my community and that's what my wife and I try to do."

Cuddy on current events

Cuddy has seen plenty in his 61 years running FNB, but he hasn't seen anything like what's been going on in Juneau during the last two years with the legislature and Gov. Sean Parnell at a bitter impasse over reforming the state oil production taxes.

"I don't think we've had one this bad," he said. "This is a major one. You have a legislature that is anxious to keep the money flowing. They think the state's entitled to it."

"You have an administration that thinks that unless the oil companies get back to activity, there won't be any economic activity in the state. You have the administration trying awfully hard to create activity to induce the oil companies to come back full fledged to drilling. The companies are irritated with the cost of that escalating percentage that it incurs and they can go elsewhere where they don't have to pay it."

Cuddy said Alaska is a great environment for business, unless it's the oil business.

He said it would be "terrible" for FNB if it operated under a system like Alaska's oil taxes that takes a larger and larger bite of the profits as prices increase.

"We're building up our capital," he said. "It takes capital to make loans. The larger the capital, the larger the loans limits we have. If you limit capital, it limits our ability to make loans."

But if you really want to get Cuddy going on a topic, bring up inflation.

When discussing the bank's tremendous hundred-fold growth since 1951, he attributes part of FNB's success to expansion around the state from one branch when he became president to 30 today. The other part of the growth, "a great deal," Cuddy says, comes from inflation.

When he talks about the inflation he's seen in his lifetime — from gas at 21 cents per gallon to his \$400 cost per semester at Stanford for tuition, room and board — he doesn't do it in the typical "walked uphill to school both ways" kind of fashion.

It's a warning.

"What I've seen in the last 70 or 80 years is something else," Cuddy said. "That was over a long time. What you're going to see is rapid inflation in the next five years."

With the U.S. government running annual deficits of \$1.5 trillion over the past three fiscal years, Cuddy knows what is coming even as he looks at the piddling current returns on U.S. debt keeping borrowing costs low.

"What's going to happen because of this deficit is they're not going to pay it back with taxes," he said. "They're going to pay it back by printing money, because printing money is easier. You go to Europe. Those people in the euro dollars can't print money. So Greece, Italy and Spain are in deep trouble because they have a deficit, but they can't cover it by printing money."

"I detest the idea that our dollar is going to be cut back, but we can see it's going to be cut back. It's going to be more dollars printed, and that's a tax on the poor people, which they don't recognize."

On Alaska, Cuddy is bullish with the progress being made by Shell toward development of the vast oil resources in the Beaufort and Chukchi seas. After seven years and two false starts, the company is mobilizing its flotilla now that it finally has the approvals to explore this summer.

"On recovery, it looks very favorable with Shell getting permission to drill," Cuddy said. "We're of the opinion there is a quantity of oil in the Chukchi Sea. As that's developed, they'll need a 400-mile pipeline from shore to the main oil line. Once Shell gets moving, you'll see a good 10 years extending the economy just from that one project. That Shell project will pull us out."

A 10-year expansion would coincide nicely with the bank's 100th anniversary, and making it happen will take the same kind of effort that Cuddy has made his routine over 61 years at FNB.

"He believes in hard work," Lawer said of her father. "He believes in honesty and integrity. It's that pioneer ethic that's part of these folks that originally came to Alaska. It's very much a 'can-do' attitude that the individual can make a difference."

Cuddy keeps proving that's as true today as it was in 1951.

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