Bad year for banks, S&Ls

Poll has financial institutions losing money, confidence

Louisiana banks and savings institutions lost millions of dollars and the confidence of many of the state’s banking customers in 1986.

Thirty-six percent of the voters responding to a Morning Advocate and State-Times poll said they have less confidence in Louisiana banks and savings and loans today than they did a few years ago. Only 8 percent said they have more confidence. More than half — 54 percent — said they have the same amount of confidence.

The telephone poll was conducted by Edward F. Renwick of New Orleans.

Kenneth Pickering, the former state commissioner of financial institutions, estimates that fewer than half of Louisiana’s 230 banks will show a profit for 1986. And for some, red ink at the end of 1986 may be just a preface to closure in 1987.

Pickering, who resigned his post Dec. 31 to return to private law practice, estimated in August that more than 60 Louisiana banks were in serious financial trouble. By the end of the year, regulators had closed eight banks and seven savings banks or savings and loans. No banks and only one savings and loan closed in 1985.

The statewide year-end poll included telephone interviews with 900 registered voters between Dec. 1 and Dec. 9 and asked:

“Do you have more confidence in Louisiana’s banks and savings and loans today than you had a few years ago? Less confidence? Or is it about the same?”

The sampling error for the annual poll is estimated to be plus or minus 3.3 percent. The sampling error for smaller subgroups could be greater.

High-income voters — those with a household income in excess of $45,000 — tended to be more skeptical of the condition of Louisiana financial institutions. With 4 percent expressing more confidence and 34 percent the same, 56 percent said they had less confidence in banks and savings and loans this year compared to previous years. Of those with incomes under $15,000, 28 percent were less confident.

Similarly, those with less education tended to be more confident about their banks or savings and loans. Ten percent of those with less than a high school education were more confident, and 23 percent were less confident. But 38 percent of the high school and college educated voters and 39 percent of those with college degrees said they were less confident.

Louisiana didn’t lead the nation in bank failures for 1986. It wasn’t even second. Two other states depending on oil to fuel their economies — Texas and Oklahoma, respectively — outpaced the Pelican State.

As with Texas and Oklahoma, bankers and economists named oil as the culprit behind bank failures and losses in 1986. A sudden plunge in the price of a barrel of oil from $32 in the fall of 1985 to below $10 in the spring of 1986 devastated the domestic oil industry and the local economy.

Workers lost their jobs, while property values declined, leaving banks to foreclose on property and businesses they couldn’t sell. Some banks lost deposits and had to write off assets devalued by bargain oil. Some banks closings were tainted by allegations of mismanagement by bank officers.

Despite the closing of 15 financial institutions, business continued almost as usual. Regulators found other, more secure banks to take over the failed ones. The closed bank or savings and loan usually reopened the next day as a branch of the new bank.