Red ink sinks Sun Belt Federal

Bank to reopen Monday as Horizon Federal

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Sun Belt Federal Bank, reeling under the weight of $81 million of red ink, was closed Friday by bank regulators from the Federal Home Loan Bank Board of Dallas.

Nearly 100 managers and federal officers arrived at the bank's Florida Boulevard headquarters and its eight branches to shut it down when it closed for business at 6 p.m.

The bank will reopen at 9 a.m. Monday under the new name of Horizon Federal Savings and Loan Association with a new five-member board of directors.

Bank board spokeswoman Becky Speece stressed that all deposits under $100,000 are fully insured and depositors will have full access to their funds.

In a statement Friday night, the home loan board confirmed earlier reports in the Morning Advocate that the bank grew too rapidly between 1982 and 1985 by soliciting high-interest brokered funds and jumbo certificates.

As of Dec. 31, 75 percent of Sun Belt's assets were made up of these volatile, high-cost funds, Speece said.

Because of the high cost of these funds, Sun Belt was forced to lend the money out to higher risk ventures that would pay higher interest rates, analysts have said.

"The bank board closed Sun Belt and appointed the Federal Savings and Loan Insurance Corp. as receiver on the grounds of insolvency," Speece said.

"Large, highly speculative and poorly underwritten land development and commercial real estate loans were made, the bulk of which are currently non-performing.

"As a result of Sun Belt's unsafe and unsound lending practices, the association's management was replaced in June of 1985. The bank board is conducting a thorough inquiry into the actions that led to Sun Belt's

SEE BANK, 6A
The bank board can bring civil action against officers found to have violated their responsibilities to the bank.

U.S. Attorney Stanford O. Bardwell Jr. in Baton Rouge has been conducting a criminal investigation into the bank's problems that he has said will take months to complete.

Speece said the bank board infused Sun Belt with enough cash to take it out of debt, although she would not reveal the amount.

However, Sun Belt reported a negative net worth of $80.9 million as of Dec. 31 and was losing $1 million a month since. The bank reported it lost $84.4 million in 1985.

The bulk of the federal bailout is in the form of what are called income capital certificates, which act as promissory notes from the federal bank board.

Speece said the closure order was not a bad reflection on the administration of chairman Alan Weitz, who took over the bank from Shelton and Tullos.

She said Weitz' managers halted the destructive growth of the bank and helped identify the extent of the problems for regulators.

Weitz said Friday night that he will stay on with the bank in an advisory role for 30 days.

"I wish them the best of luck," Weitz said. "In a way, I'm relieved because of the tremendous strain I was under. It gets wearing. It's tough."

Weitz estimated that nearly 70 percent of Sun Belt's loan portfolio was non-performing, a fact he said he was not aware of when he took over.

The bank's problem loans include land and developments in Lafayette, New Orleans, Baton Rouge, Texas, Mississippi and Arkansas.

"They all add up — a million here, three million there," he said.

The bank had financed a television station in Natchez, Miss., that "never got off the ground" and had to be continually funded, Weitz said.

Other bad investments included struggling hotels in New Orleans in which Sun Belt refinanced existing debt and took second mortgages, he said.

The bank also funded numerous restaurants in Baton Rouge, Lafayette, Houma and New Orleans.

"And all of them have gone bad," Weitz said.

"They were high-risk loans made at high interest rates with large fees to produce large sums of money to the bank," he said.

Alan Weitz

Sun Belt has kept a high public profile since Weitz took over. Last summer, the bank seized the multi-million dollar water park developed by Victor Coursey off Highland and Perkins roads near Interstate 10. Before his development corporation declared bankruptcy recently, Coursey was one of the largest developers in the city and was responsible for developing the so-called Golden Mile along Sherwood Forest Boulevard.

The bank also moved against the huge Bonfanti-Fackrell development firm, seizing the six-story Essen Center office complex and the Jefferson Lakes apartment complex.

Sun Belt has filed scores of lawsuits to try to recover its bad debt, including a suit against former chairman Shelton for a home mortgage he made to himself, allegedly in violation of directives from the bank board.

Weitz, who said his maverick style has not made him many friends in the local banking community, said he would stay in Baton Rouge.

"There are no sour grapes on my part," he said. "I'm going to go on and I'll find something else to get involved in. I'm a fighter. I don't quit."

The new board of directors of Horizon Federal will be headed by Rolen Tucker, current vice-chairman of Metropolitan Savings and Loan Association of Dallas. Other board members will be Jay Campbell of Baton Rouge, administrative assistant to the president of Associated Grocers and controller of the company for the last 14 years; Dr. Christopher B. Barry, professor and chairman of the department of finance, and director of the Center for the Study of Financial Institutions and Markets at Southern Methodist University in Dallas; Harold S. Dey, a certified public accountant in New Orleans who was a partner with the accounting firm of Peat, Marwick and Mitchell for 23 years before retiring in 1985; and James J. Paulos, a CPA and financial officer for the LTV Corp. in Dallas.

Dixie Management Corp. Inc. of New Orleans will provide management services under a contract with Horizon Federal. Dixie Management Corp. is a subsidiary of Dixie Savings and Loan Association, Louisiana's largest savings institution with $1.3 billion in assets.

Sun Belt was a federally chartered, stock-held federal savings bank. Horizon Federal will be a federally chartered mutual association. Mutuals are owned by depositors.

Drive-in windows at all bank offices will not be open on Saturday so an official of the FSLIC can complete the transfer of insured accounts and prepare the new association for Monday's opening.

"Sun Belt depositors may use their Sun Belt checks to write checks on their accounts in Horizon," Speece said. "Merchants should continue to accept those checks as they have in the past. Depositors with uninsured funds will share on a pro rata basis with the FSLIC in the proceeds of the Sun Belt liquidation."

"Borrowers with loans from Sun Belt will continue to make loan payments in accordance with the terms of their contract," she said.

Sun Belt had $196.3 million in assets and offices in Baton Rouge, New Orleans, Lake Charles, Lafayette, Lake Providence, Oak Grove, Sulphur, Tallulah and Winnboro. The bank was chartered in 1933, during the depths of the Great Depression, as North Louisiana Federal Savings and Loan Association. It became Sun Belt Federal Bank in 1983.

"As the depression continued and the country struggled to get back on its feet, North Louisiana Federal found the going tough and growth slow," the bank's 1983 annual report said in a glowing assessment of its phenomenal growth. "But the association held on and survived the hard times — times when many other institutions were forced to close their doors."