Pickering says banks
and S&Ls here safe

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Lafayette banks and savings and loans, contrary to what rumors may be circulating, are currently safe from closure, the state's banking commissioner has assured local businessmen.

Fact is, too, he said, if his office should have to close any other bank in Louisiana — and he's not predicting it will — no one will lose a nickel.

"The banking system is a very stable industry," commissioner Ken Pickering told the Lafayette Beavers Club this past week.

Louisiana, like the rest of the nation, does have its "problem banks," he said of 60 among the 230 overseen by the state Office of Financial Institutions.

But those exist, unlike elsewhere, solely because of a sluggish economy, Pickering maintained.

"Many problems will be solved when the economy turns around," he predicted. "What we need are people talking positive, thinking positive, telling others it (the economy) is going to turn around and that things are going to get better."

"When that happens, we'll be back in high cotton and our banks won't have any problems," he commented.

The office headed by Pickering, as state banking commissioner from 1976 to 1979 and again since July of 1985, regulates and supervises 230 state chartered banks, 55 savings and loans, 98 credit unions and 1,198 financial companies statewide.

Louisiana's nationally-chartered banks are separately overseen by the comptroller of currency.

Not a single Louisiana bank was shut down last year, although Pickering admits two which could have been "held off" until this past January.

Both reopened within a day under new names and new charters, saving depositers loss of money or convenience, he added.

"No depositer in Louisiana (some with more than the $100,000 insured by the Federal Deposit Insurance Corporation) has ever lost his first nickel since the Depression, and I don't think any will," Pickering told the Beavers.

Roughly 120 banks were closed nationwide last year, and 150 could be shut down in all of 1986 because of "insider dealings" or over-reliance on brokered funds, he claimed.

Brokered, or bought funds, are obtained by banks and circulated at a profit. A banker might pay 11 or 12 percent interest on a certificate of deposit, then loan the money out at 15 percent, for instance.

"In Louisiana, there is not one bank dealing in brokered funds," Pickering noted. "We don't let them. If they have them, we make them send them back."

The 60 Louisiana banks he termed "troubled" are suffering "only because their customers are in trouble" and cannot repay loans, he noted of those in oil- and agriculturally-dependent areas.

Northeast Louisiana farmland, valued at $3,000 and $3,500 an acre to obtain loans at $2,500 an acre, cannot be sold today for $750 an acre, Pickering said. Forty to 50 percent of the land will also not be replanted, he claimed.

The oil-dependent West Bank of New Orleans is suffering 30 percent unemployment, with real estate down 15 to 20 percent, while Baton Rouge sees a 10 to 15 percent drop in real estate and numerous unleased shopping outlets, Pickering said.

Shreveport, reliant on both oil and agriculture, faces an unemployment rate of more than 12 percent and a 1 to 15 percent drop in real estate, according to him.

Even in those places, like financially ailing Lafayette, closure rumors should be dismissed, Pickering stressed.

"If you hear rumors in this town, don't listen to them," he warned Beavers members. The people who start them "have no way of knowing, unless they got it from my office or my staff, or the FDIC or its staff, that that's so. And we don't start such rumors," under penalty for committing a felony, he claimed.

"The mere fact that a bank indicates losses may or may not mean it is in trouble," said Pickering, who explained that bank losses can be reclaimed for 10 years by amended income tax returns.

Of the 55 savings and loans supervised by his office, five are "in trouble," he noted, adding, "none in serious trouble are in Lafayette."

"Most people think all are in trouble," Pickering elaborated. "But most are old-line institutions without problems. The some with problems are the newly chartered federal ones."

He defined newly-chartered as less than five years old.