Hibernia buys Texas bank

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Hibernia Corp. in New Orleans, which reportedly has been prowling around Dallas for a Texas bank, snatched up a failed $30-million institution north of Austin Thursday in an 11th-hour purchase that surprised federal regulators.

With a bid premium of only $26,000, Hibernia will acquire about $32 million in deposits and certain unspecified assets of First State Bank in Pflugerville, said James Faubion, a Federal Deposit Insurance Corp. liquidator in charge at the First State Bank on Thursday.

Pflugerville is a small suburban and farming community about 20 miles northeast of Austin.

First State Bank’s two locations will reopen Friday as Hibernia National Bank in Texas.

Don W. Ayres, senior vice president and manager for Hibernia’s Metropolitan Division in Baton Rouge, was named president of the Texas branch. Neither Ayers nor Hibernia’s Baton Rouge president could be reached.

First State Bank has about 5,300 deposit accounts and about 1,000 loans totaling $18 million.

“You’ve got a deposit base. It’s actually a peach,” Faubion said.

The purchase marks the first by a Louisiana bank in Texas.

“Any invasion begins with a beachhead, and I’m just glad it’s Louisiana invading Texas to reap their financial opportunities,” said Fred Dent, Louisiana’s commissioner of financial institutions, although he added that he would like to see a Texas bank in this state.

“It’s exciting when you go someplace else for an acquisition. It’s a major event as far as I’m concerned,” Dent said.

State-chartered First State Bank was declared insolvent by Texas’ banking commissioner. It was closed at 2:01 p.m. Thursday and turned over to the FDIC.

Faubion said the FDIC was prepared to handle the closure as a “payout,” which means the FDIC would have paid off the bank’s insured deposit customers.

However, Hibernia submitted its bid at about 5 p.m.

Faubion said terms of the agreement were not yet available.

Faubion said the area’s economy and real estate values were hard hit in recent years by the collapse of the oil and gas industry.

“That’s basically what wrecked this bank, speculative real estate lending,” Faubion said.

First State Bank reported assets totaling $31 million at the end of March, which was down from $34 million at the end of 1988 and $44 million in 1986, according to reports by Sheshunoff Information Services Inc. in Austin.

The bank was grossly insolvent, with primary capital of only 0.28 percent of assets. Healthy banks are required to have a minimum 5.5 percent rating.

First State Bank reported a first-quarter loss of $684,000. It had lost $3.1 million over the last two years.

About $1.7 million of the bank’s loans were classified as nonperforming.

“This is an important first step into this market. We look forward to being a part of Texas and to expanding our Texas operation even further in the near term,” Hibernia Corp. Chairman Martin Miler said in a news release.

More than a month ago, the $6.2 billion-asset Hibernia was reported to be studying the financial books of BancTexas Group Inc. in Dallas, which was rescued by the federal government but continues to have problems.