La. official slams S&L agencies

By CYNDY FALGOUT

Advocate business writer

Louisiana Commissioner of Financial Institutions Fred C. Dent on Friday called for Congress to abolish the Office of Thrift Supervision and dismantle the Resolution Trust Corp., claiming that the two agencies charged with solving the nation's saving and loan crisis are making the situation worse.

In Dent's "tales from the S&L crypt" report submitted to the House Committee on Banking, Finance and Urban Affairs in Houston, Dent outlined what he said were "examples of the outrageous expenses, intimidation of officials and employees, inept management practices, lack of proper communication" and expansion of unchecked powers OTS and RTC have assumed since enactment of the Financial Institutions Reform, Recovery and Enforcement Act in August 1989.

Dent was among panelists at the House committee's field hearing on the condition of the Texas economy and the prospects for its recovery.

CONTINUED FROM 1D

RTC was created to sell or liquidate insolvent thrifts.

Each operates as an independent agency responsible to its own board, he said.

Dent said in his report that OTS serves no useful purpose.

It should be abolished in its present form and absorbed as a division of the OCC, with authority to regulate only nationally chartered thrifts.

Dent also recommended dismantling RTC and using the FDIC's division of liquidation to resolve troubled thrifts.

He advised Congress to order a cost analysis of RTC activities so that reliable conclusions can be made about its effectiveness.

Surveys and reports from thrift managers indicate that RTC is charging excessive fees, squandering resources and escalating administrative costs of the insolvent thrifts under its management, Dent said.

One thrift's assets deteriorated from $80 million to $13 million after nine months in the RTC conservatorship program, Dent said. The thrift's losses increased by $1.7 million and its annual operating expenses grew by $530,000, he said.

Dent said it is difficult to analyze the problem because of RTC's refusal to release records and financial information.

The "cloak of secrecy" beneath which RTC operates extends to its bid process, Dent said.

RTC will not coordinate marketing efforts with Dent's office, as does the FDIC, and does not communicate with its bidders, Dent said.

One bank learned from a competitor that it had been the successful bidder on a thrift, Dent said.

Bank officials had difficulty contacting anyone at RTC to confirm or deny the bid status, he said. Also, they were unable to arrange a meeting with RTC staff the day before the thrift was closed, he said.

Also, Dent recommended that thrifts should be resolved more quickly, as are most failed banks, rather than conserved under RTC management for months.

A total of 32 insolvent Louisiana thrifts have been placed in the RTC conservatorship program since the beginning of 1989 but only 14, including thrifts resolved Friday, have been resolved, OFI records show.

RTC-managed thrifts are losing significant amounts of money and value, Dent said.

Conversely, most insolvent banks have been resolved more effectively, Dent said, with OCC announcing a closure and FDIC announcing the acquisition of the bank on the same day.

Why RTC does not use this method "is one of the questions, and nobody can find out the answers," Dent said.