La. S&L losses $118.4 million through June

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Louisiana savings and loan losses widened to $118.4 million through June 30, up 61 percent from the industry's collective $45.8 million loss through March 31, according to recently released data from Sheshunoff Information Services Inc.

Thrifts in East Baton Rouge Parish accounted for nearly $42 million of the state's total losses through the second quarter and included a $36.6 million loss suffered by River City Federal Savings Bank, according to Sheshunoff, an Austin, Texas, firm that tracks bank and thrift performance.

River City reported the biggest loss of any savings and loan in the state for the first half of the year. For the six-month period, the 8-year-old thrift also reported a $48.3 million negative net worth, meaning that it is in nearly $50 million.

River City's negative net worth is equal to 72.9 percent of its $66.2 million in assets and 42.1 percent of its $114.5 million in deposits and other liabilities.

Because River City is a federally chartered thrift, as are the majority of insolvent thrifts in Louisiana, a resolution of its problems must come from federal regulators.

State Commissioner of Financial Institutions Fred Dent has asked the Federal Home Loan Bank Board to look at the troubled Louisiana thrifts and devise a solution similar to the one it developed for the Texas thrift crisis. The FHLBB, through its Southwest Plan, is merging S&Ls and pumping some money into the failing Texas thrifts to trim out problems, consolidate operations and return the industry to solvency.

Dent said he expects to receive an answer from the FHLBB by the end of October.

"What I would hope is that the Federal Home Loan Bank Board and FSLIC (the Federal Savings and Loan Insurance Corp.) would come forward with a solution that would be more than a Band-Aid approach," Dent said.

"Insolvent institutions drive the cost of money up in an unreal fashion. That means the banks and the savings and loans cannot operate the way they intended to in a competitive fashion," Dent said.

Although he is the overseer of the banks and thrifts operating in Louisiana, Dent has no authority to close the troubled or insolvent thrifts in the state, he said.

Thrifts

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federally chartered savings and loans, which account for all but about five of the troubled or insolvent thrifts in the state, he said.

River City and federal regulators are working to keep the thrift going, said Thomas Hendricks, River City's president and chief executive officer.

"We're developing a plan that we think will allow River City to remain a viable institution," Hendricks said.

Hendricks, a former FHLBB vice president brought in last spring as a turnaround specialist, said he is encouraged by FHLBB Chairman Danny Wall's statement last week that the thrift crisis will cost between $45 and $50 billion to solve because it put the problems "out on the table on a national basis."

"The attention it gets and the discussion it gets should move problem institutions along," Hendricks said.

River City's problems remain its foreclosed land holdings, which cost the thrift not only money but lost opportunity.

The land "isn't yielding any income ... and the interest expense to carry it still comes through every month," Hendricks said.

Although Hendricks said he feels a little encouraged about September real estate activity, "it's not enough."

"We need some jobs," he said.

Meanwhile, Citizens Savings and Loan reported $61,000 in net income through June 30, the only one of the six savings and loans headquartered in Baton Rouge that made money during the period.

Citizens Savings' earnings compare to the collective loss of $42.1 million reported by the other five Baton Rouge thrifts, according to Sheshunoff.

Equitable Trust Savings and Loan, the most recent addition to the parish's thrift industry, reported the biggest growth during the first half of the year.

As of Dec. 31, 1987, all but one of the six thrifts were foreclosed or in the process of being taken over by the federal government. The exception is Citizens Savings and Loan, which has been able to hold on to a small portion of its business through its Southwest Plan.