La. S&Ls lose (less) money

By DOUGLAS DEMMONS

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Louisiana's savings and loans lost $206 million, the state's four largest thrifts each losing $50 million during the first half of 1986, continuing a downward spiral that already has resulted in the closure of six thrifts.

While the majority of the state's 102 federally insured savings institutions posted at least modest profits by the end of June, the losses at many were staggering. "A turnaround in Louisiana depends on factors which are completely outside the thrift and banking industries' control," said industry analyst Bill Ferguson of Homestead, Dallas. Ferguson said operating losses would continue for some time. "It would appear that most of the S&Ls are on their way to identifying their problems," said industry analyst Bill Ferguson of Homestead, Dallas.

Ferguson said operating losses would continue for some time. "A turnaround in Louisiana depends on factors which are completely outside the thrift and banking industries' control," he said, referring to the depressed oil and real estate markets, and a national deflationary trend. "I'm not sure we've seen these kinds of conditions in the U.S. before."

The state's four largest thrifts each declared multi-million dollar losses. Dixie Savings, with $1.28 billion in assets, lost $4 million; Pelican Homestead, with $1.05 billion in assets, lost $3 million; First Financial Bank of New Orleans, with $786 million in assets, lost $18 million; and Horizon Federal, with $749 million in assets, lost $3.5 million.

First Financial's balance sheet also reflected $61 million in federal assistance in the form of income capital certificates. Horizon didn't exist until May, when the Federal Home Loan Bank of Dallas closed Sun Belt Federal Bank and created the new thrift. Five more thrifts were closed in June and merged with Horizon.

Horizon is being run by Dixie Management Co., a subsidiary of Dixie Savings, until the Federal Savings and Loan Insurance Corp. is ready to sell it to private owners. When Horizon was created, the numerous non-performing loans of Sun Belt were removed and placed in receivership, and Horizon was to be a "squeaky clean" thrift. Horizon President Joe Oilee said the institution lost money because it is not yet able to declare income from money recovered on the bad loans that Horizon is to share with the FSLIC.

"We expect to continue to operate at a loss until those claims are liquidated," Oilee said.

Horizon, which had been based in Sun Belt's old Florida Boulevard offices, moved its administrative offices to Metairie from its former location in the Metairie office building. Oilee said Horizon had been concentrating on making residential mortgages.

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and consumer loans, but has yet to undertake any marketing efforts to attract depositors.

"Horizon is in a holding pattern pending the infusion of private capital," Olree said.

When Horizon was created, federal regulators said they had provided it with income capital certificates, but refused to disclose how much.

The second-quarter figures show that Horizon received only $1 million in the government-backed certificates. Olree said the relatively small amount shows a change in FSLIC strategy that seeks to put more responsibility on local managers to turn things around.

Ferguson said that regulators probably will not be very active in Louisiana and the Southwest until at least next year when the FSLIC is to be recapitalized.

FSLIC also may wait until the economy rebounds before taking too many corrective steps, he said, so that the true value of the ailing thrifts' assets can be assessed.

At least two thrifts have large negative net worths and have come under tighter control by regulators within the last year.

Evangeline Federal Savings and Loan of Lafayette declared a $.6 million loss, leaving its net worth at a negative $17.3 million.

Evangeline President and Chief Executive Officer Cordell White said the thrift's problems are the result of the depressed economy and "poor underwriting" of loans made by previous administrators.

White took over last December, about a month after the thrift signed a supervisory agreement with the FSLIC.

White said Evangeline had been making too many speculative construction and development loans that financed 100 percent of the projects.

"We were financing everything," he said.

Evangeline lost $10.9 million last year. Its assets have shrunk from $56.4 million at the end of 1985 to $47.6 million at the end of June.

White said regulators plan to help the thrift by converting it to a stock institution and pumping private capital into it. Such a method would be far less expensive for the FSLIC than closing Evangeline, he said.

"I think we have an excellent chance," White said. "I don't think the Federal Home Loan Bank would have gone this far with us otherwise. We're really here at their pleasure."

Firstbanc Federal in Gonzales listed a negative net worth of $11.7 million on $44 million in total assets. The stock-held savings bank reported losing $464,000.

Bob Grissom, chief lending officer of the savings bank, said a massive loan loss reserve set up by the thrift accounts for the net worth.

Firstbanc anticipates problems with numerous commercial, residential and development loans it has made in south Louisiana, he said.

Firstbanc signed a supervisory agreement with the Federal Home Loan Bank in February that placed lending restrictions on the institution, he said.

There are no current plans to try to raise additional capital through the sale of stock, Grissom said, adding that collection efforts are being made on the problem debt.

Among Baton Rouge thrifts, Capital-Union Savings reported a modest $56,000 in income at the end of June. Capital-Union reported $513 million in assets.

Citizens Savings and Loan reported $218,000 in income on $77.8 million in assets.

First City Savings and Loan reported a $356,000 loss on $29.6 million in assets.

First Federal Savings and Loan reported a $3.4 million loss on $46.5 million in assets.

River City Federal Savings Bank reported a $1.5 million loss on $83.8 million in assets.

**INCOME-LOSS CHART, 31**

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