Louisiana in top five states in U.S. for banking crimes

The real estate boom of the late 1970s and banking deregulation created unprecedented opportunities for bank fraud that has made Louisiana one of the five most active states in the country for banking crimes, according to the Federal Bureau of Investigation.

The other leading states for financial crime are Texas, California, Florida and Oklahoma, according to Tony Adamski, the FBI's chief of financial crimes in Washington, D.C.

Adamski said nationwide bank losses through fraud and other criminal acts soared from $382 million to $1.1 billion from 1984 to 1986, the last figures available.

In Baton Rouge, the Sun Belt Federal Bank real estate boom of the late 1970's and early 1980's was followed by the institution's collapse in 1986. The collapse led to a three-year federal investigation that has resulted in the conviction of Sun Belt's former president, Larry Tullos, another officer and three businessmen, including Sidney Fazio, who is an attorney.

Earlier this month, a federal grand jury indicted two developers who borrowed $10.8 million from the savings bank for allegedly falsifying loan statements.

The bank failure also has spawned a number of lawsuits, including a $30 million suit filed by the Federal Savings and Loan Insurance Corp., which had to pay off Sun Belt's insured depositors.

The FSLIC is accusing Sun Belt's former directors and officers of alleged kickbacks, insider loans, fraud, racketeering and "massive negligence."

A federal grand jury has been hearing testimony in the case of another failed Baton Rouge bank, Metropolitan Bank and Trust, which state regulators closed in November 1986.

Last year, the Federal Deposit Insurance Corp. fined the bank's directors for violating banking laws in a case concerning a $1.5 million loan made to a company owned in part by the bank's chairman, Joseph A. Dazzio.

The FBI is investigating another Metropolitan loan to Rivercity Corp. of Louisiana, a real estate development firm.

At last count, the FBI already had 357 bank failures under investigation. Such investigations and their subsequent prosecutions, often take years.

With 3,000 investigators for a total of 14,000 banks "the rise in fraud is overwhelming the regulatory agencies," according to former FBI agent Joseph Wells.

Wells said banks prone to insider abuses share several common characteristics — rapid growth, a concentration of loans in one area, usually real estate; stock closely controlled by a small group of investors and heavy borrowing by the bank's insiders.

Once a bank has been closed by regulators, it is fairly easy for investigators to determine whether crime played a part in the bank's failure, Wells said.

"Because real estate values are very subjective, they are easy for crooked appraisers to inflate," Wells said. "This is a pattern that repeats itself wherever there is heavy real estate speculation."