Minority-owned firm buys failed S&L

Commissioner of Financial Institutions
Fred Dent.
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Ernest Johnson, standing, introduces board members of Life Savings Bank, which acquired failed First Federal Savings & Loan of Scotlandville on Friday. From left are, Rev. Dwight Pate, a Life Savings board member, Johnson, Ernie Ladd and J. Richardson Bobb, Life Savings' general counsel.

By MUKUL VERMA
Advocate business writer

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The loan, backed with Life Bancshares
stock, comes due in May 1991 and will be
paid through the earnings and sale of Life
Bancshares stock, Johnson said.
Life Bancshares raised its portion of the
capital with a stock issue. The firm has the
authority to sell 1 million shares of common
stock at $3 per share, sold through
minimum blocks of 500 shares. The firm
currently has 300 stockholders, Johnson
said.
Under the federal regulations, 51 percent
of the stock must be minority controlled for
the thrift to be classified as a minority
institution. Johnson, however, said Life
Bancshares is still actively seeking capital
from white investors.
"You can never have too much capital"
he said.
With Friday's acquisition, Life Savings
receives all the deposits — about $35
million in 4,400 accounts — and has 90 days
to inspect and choose First Federal's loans,
Johnson said.
Life Savings is paying the RTC a
premium of $35,500 — 0.2 percent of the

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failed institution's core deposits — for the right to receive the insured deposits.

First Federal was deemed insolvent and conserved on March 16, 1989. First Federal had total assets of $36.4 million and total liabilities of $57.7 million. At the time of Friday's transaction, was estimated to be $18.5 million.

To facilitate the transaction, the RTC will advance an additional $6.5 million to Life Savings and keep $5 million of the closed institution's assets. The ultimate cost to the RTC for the transaction is estimated at $33.9 million.

Life Savings will be operated by John M. Lee Jr. Lee previously worked for defunct Capital Bank & Trust Co. in Baton Rouge.

"He was accepted by the regulatory agency," Johnson said of Lee. "After you look at his qualifications, 28 years in banking, and his commitment to making this effort work, he was the one to choose. And he does have a commitment to the financial success of our organization."

Initially, Life Savings will concentrate on mortgage lending. Eventually, the thrift will expand its services into consumer loans and credit card services, Johnson said. Life Savings, however, will only have limited commercial loan exposure.

"I don't think that the fact that we will be a minority institution will attract business," Johnson said. "I think it will be our service. We are going to provide checking services, offer Mastercard and Visa, travelers checks and look at some other services that the board has recommended.

"At first, we will concentrate on operations," he said "... Immediate future will be to stabilize the institution at where it is now. And after we start turning a profit, then there will be possibility of expansion.

"I think we will have a niche in this market," Johnson said. "People that we are going for are not necessarily only in the minority community, but people who have a need for a financial institution that is not so large and can show compassion and consideration."

Johnson said the thrift industry's troubles don't concern him. "We are strong in our belief that we can make it," he said. "The three years that it took reaffirmed our faith that we could make it. With hard work and good planning, you can succeed. Basically, it's been an easy process to raise capital. And this movement has come out of the church.

Johnson attempted to acquire failed Capital Bank three years ago and began working on the First Federal acquisition in February 1989.

"We are going to open up for business Monday morning and we expect to start receiving deposit accounts. And we are going to take care of business."

First Federal opened on Harding Boulevard and Scenic Highway Nov. 1, 1956.

In 1953, Dr. Felton G. Clark, then-president of Southern University, met with a group of businessmen and let them know that the black community was not getting its fair share of home ownership, Louis Eames, First Federal's chief operating officer, said in a 1981 Morning Advocate article.

To get a charter, a group spearheaded by Clark, raised $291,000 in capital, $41,000 above the needed amount.

"We used to have articles in our black papers that you could open an account with a dollar, and we would give our phone number. If you can't come to us, we'll come to you. And I'd get in my car and go to their houses," Eames said in 1981.

Eames was the first to break through color barriers by becoming the first black person to receive a master's degree in business administration at LSU, graduating in 1954. He passed away March 19, 1990.

"I remember sweeping the floor, putting the trash out, cleaning the counter off, typing the letters, being the clerk, being the teller, the whole works," Eames said in 1981.

In 1981, according to Morning Advocate reports, First Federal was beginning to feel the pinch of having to pay higher interest rates.

At the end of 1989, the Scotlandville savings and loan reported a loss of $4.7 million for the year and a capital deficit of $21.21 million, according to Sheshunoff Information Services, a Texas firm that tracks thrift performance.

The new firm, Life Bancshares, will be watched over by a nine-member board of directors. Sitting on the board are Johnson, a local attorney and the chairman of Life Bancshares; Joe N. Jenkins, Life Bancshares' treasurer; Pamela Taylor-Johnson, a local attorney and Ernest Johnson's wife; Patricia Gail Woods, a real estate broker with Century 21; Dr. M. Melvin Murrill, physician; Rupert Richardson, president of the state NAACP chapter; Issac C. Thomas, a local businessman; Dwight D. Pate, pastor of Church Point Ministry and Margo Fleet, an attorney.