Multibanking has arrived but few changes evident — so far

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Multibanking became a reality in Louisiana this year, but local banking officials say it will take several years for anyone to know its effect on the state's financial services industry.

Multibanking allows banks to merge with and acquire other banks, creating holding companies with assets and lending power much higher than most single banks.

Officials of banks planning mergers say multibanking will lower interest rates and improve customer services, but officials at banks that are not planning mergers say the megabanks will become less personal and will reduce the availability of credit to the average customer.

About the only thing the bankers agree on is that most of their customers will see few, if any, changes in the way they do their banking this year.

So far, 17 banks have announced plans to merge or acquire other banks under the new multibanking law. The mergers would create six separate multibanks, the largest being the result of a six-bank merger having combined assets of more than $4 billion. The two largest mergers consist of Baton Rouge (See BANKING, 4)

American Bank and Trust Company of Baton Rouge has announced plans to acquire State Bank and Trust Company of Golden Meadow.

LNB chairman C.W. McCoy said he feels that multibanking will change the way banks do business, but probably not in a way that will be noticeable to most customers.

"I don't think you are going to see any major effects as far as the customers who use banks," he said.

"The bigger the banks, the lower the interest rates," he said.

Dick Easterly, president of Baton Rouge's independent Capital Bank, disagrees.

"Easterly believes that as the megabanks get larger they will devote more of their time going after megabusiness," he said. "A very large bank needs very large clients and would rather do business with big corporations than the average citizen, he said.

A metropolitan area megabank that swallows some small rural bank will be more interested in using those funds for major business deals, leaving small banks to specialize in consumer loans or small businesses, he said.

He doubts that the megabanks will even show much interest in swallowing up small rural banks for awhile.

"It will take one or three years for the largest to digest each other," he said referring to the scramble to merge that will be taking place in the major metropolitan areas this year."