N. La. bank fails as farms falter

To reopen today under new management

The depressed farm economy in rural East Carroll Parish is to blame for Friday's order from the state banking commissioner closing the Bank of Dixie, officials said.

The doors of the small commercial bank, which reported $55 million in assets as of June 30, were ordered closed at 2 p.m. Friday. The bank will reopen Saturday morning under the management of Louisiana Delta Bank of Ferriday, said Federal Deposit Insurance Corp. spokesman Bill Olcheski in Washington.

"No one will lose a penny of their deposits," said Kenneth Pickering, Louisiana's Commissioner of Financial Institutions.

"The big problem was that some people were having difficulty in repaying their loans," Pickering said at an afternoon news conference in New Orleans. Pickering said the FDIC would take over responsibility of the bad loans, relieving the new bank of that burden.

Central Louisiana Capital Corp. of Ferriday, which owns Louisiana Central Bank of Ferriday, took over the bank. The bank's new president, Hardy Spence, and the new chairman of the board, Richard Campbell, joined Pickering at the news conference.

Spence said the bank would reopen Saturday morning — an unusual step that he said was taken to reassure depositors that the bank was in good shape.

Asked if he feared a run on the bank, Spence replied: "I don't anticipate that at all."

He said $300,000 in coins and currency was shipped to the bank Friday to prepare for the Saturday reopening.

Depositors in the failed bank, with assets totaling $38.3 million, will automatically become depositors of the Louisiana Delta Bank, subject to court approval, Olcheski said.

Despite rumors that a closing was imminent, there was no run on the bank, said Ken Gorham of the Federal Deposit Insurance Corp. office in Dallas, Texas.

"We were standing on the sidelines, but nothing materialized," he said, noting the bank closed at 2 p.m., earlier than usual Friday. "It will reopen for business Saturday. Depositors will hardly know the difference."

"The only difference is that the FDIC will end up with a substantial number of loans to liquidate," he added.

Louisiana Delta Bank will assume about $36.2 million in 1,100 deposit accounts and has agreed to pay the FDIC a purchase premium of about $1.5 million, Olcheski said.

It also will buy certain of the failed bank's loans and assets for $25.7 million, he said.

To ease the changeover, the FDIC said it will advance $8.9 million to the Louisiana Delta Bank and will retain assets of the failed bank with a book value of about $12.6 million, Olcheski said.

The FDIC said it expects to recover a substantial part of its outlay by liquidating assets that weren't transferred to the new bank.

Accounts in the failed bank were insured up to $100,000 by the FDIC, which was appointed receiver, said Pickering.

Pickering said every effort was taken to save the bank.

He announced the closing in a brief statement after the bank had closed for the day.

Lake Providence, predominantly a farming community, is on the Mississippi River in the far northeast corner of Louisiana.

Graham Schneider, chairman of the only other commercial bank in the town, the First National Bank of Lake Providence, said the closure had been expected for the last three months.

He said the parish has averaged 20 percent unemployment and that neighboring West Carroll Parish has averaged even higher unemployment.

Schneider said the parish, where most farmers produce cotton, soybeans and rice, has experienced an unusually high number of foreclosures recently, many of them by the Federal Land Bank.