Louisiana is now one of only a handful of states that have a unique new financial institution known as a banker's bank, but apparently no one can say for sure just what effect it will have on the state's banking system.

State and federal banking officials are generally optimistic about the future of the banker's banks, but with only six others in the country, and all but one appearing in the last three years, there is no lengthy track record to examine.

Those that have been in operation have done very well so far, said Pam Frisbee, an economic analyst with the Federal Reserve Bank of Atlanta.

Banker's banks - created when a number of banks pool capital - have helped small, independent banks to compete effectively with their larger financial neighbors, she said.

State commissioner of financial institutions James Hayes said the increased competition could benefit Louisiana, but there has never been a banker's bank here before.

"There's no way to accurately predict what will happen," He said. "I think you're going to see some strain in the fraternal nature of banking."

The Louisiana Independent Bank, which opened in Baton Rouge Monday, is the first banker's bank in Louisiana, and the seventh in the nation. It is the first federally chartered such bank in the nation, according to LIB.

One of the main requirements of a banker's bank is that it can do business only with other financial institutions. It cannot do business with the general public:

"They are set up primarily to serve the independent banks," Ms. Frisbee said.

A banker's bank in effect takes the place of a large bank in providing services and additional lines of credit to small, independent banks.

Hayes said the traditionally fraternal world of banking may be shaken as the banker's bank starts taking away some of the big banks' former customers.

"The big banks are not going to easily give up their former business with the small banks," he said. "I think initially there is going to be a lot of competition."

The competition could theoretically drive down some of the costs of doing banking, Hayes said.

Joe Quinlan, president of Louisiana Independent Bank, said he agrees that normally competition drives down costs, but he doubts the typical customer on the street will see any big changes as a result of there now being a banker's bank.

He said he expects the biggest flurry of competition to last only six months, and many larger banks may simply withdraw from providing services to smaller banks.

A typical bank customer may see some improvement in the quality of service he receives as a result of banks competing for his business, but there probably won't be much difference in the price he is charged for loans and services such as checking accounts, Quinlan said.

(See EFFECT, 3H)

Effect

(Continued from 1H)

Ms. Frisbee said that if past trends are any indication, banker's banks will continue to grow and proliferate.

Originally designed to help out the independent banks that formed it, some banker's banks are now helping independent banks in neighboring states, she said.

The nation's first banker's bank was in Minnesota in 1975. There are currently only 298 independent banks in that state, but the banker's bank there now serves 473 banks.

Since 1980 banker's banks have cropped up in Colorado, Florida, Texas, Ohio and Wisconsin. There is also one that has been approved in Pennsylvania but has not yet opened.

"They're all doing real well," Ms. Frisbee said. "I have not heard of any problems that any have had. I think they are going to continue to do well for the independent banks."