No buyer steps in for Shreveport bank

Advocate news services

Shreveport’s only minority-owned bank has become the first in nearly 17 years to close in Louisiana without a buyer.

The 5,100 people with insured accounts at Security National Bank may begin withdrawing their money at 10 a.m. Monday at the bank’s main office, the Federal Deposit Insurance Corp. said.

Closing the bank was the FDIC’s “last resort,” said Larry Boertje, closing manager for the FDIC.

“That is the least desirable road to take, but we were not able to get an acceptable offer,” he said late Sunday.

The FDIC closed the bank Friday but continued negotiations Saturday with the only potential buyer in hopes of working out a deal which would let business continue as usual for depositors.

Depositors were told not to write checks on their accounts during the weekend.

“We had so little time,” Boertje said. “Over the course of the weekend, the customers had no access to their money. We have a responsibility to get that money to them. We have to try to minimize the hardship on the customers.”

The bank had total assets of $19.4 million and about $18.5 million in deposits. Nearly all of that money was insured, but about 25 depositors had more than the FDIC’s $100,000 limit for insurance, an FDIC statement issued on Saturday said. The excess added up to about $200,000, it said.

“Owners of such uninsured deposits will share proportionately with the FDIC in proceeds realized from liquidation of the failed bank’s assets,” it said.

Customers will need to provide proof of their accounts, said FDIC spokeswoman Andrea Plater.

Boertje said he expected most of the bank’s customers to be paid within the next two weeks.

“It’s going to be a busy couple of days,” Boertje said. “At the end of next week we will send out notices to those customers who haven't come in, asking them to come in or make arrangements to get their money by mail.”

Security National was the 19th Louisiana bank to fail this year, but the first since early 1973 for which the FDIC was unable to find a buyer beforehand. Three other payouts were made in the 1930s, as the Great Depression wound down.

Unsafe lending practices, inability to hire and keep capable management and inadequate oversight by the board of directors were among the problems which led to Security National’s demise, FDIC official Robert Herrmann said Friday.

“The depressed local economy, to some extent, aggravated the bank’s existing weaknesses,” said Herrmann, senior deputy comptroller for bank supervision.

Federal authorities have been aware of the bank’s problems since early 1986.

Herrmann said the comptroller’s office tried to straighten it out, but the bank wiped out its capital trying to fix its problems.

Former bank board chairman Roy Lester said the bank wasn’t able to find enough investors when it was founded in 1980, and the debt caused continued instability.

In 1988, Wes Godfrey, one of the original shareholders, got controlling interest, replaced Lester and a number of other directors, recapitalized the bank and became chairman of the board.

“They got the bank for pennies on the dollar... Somewhere along the line they obviously dropped the ball,” Lester said.

Godfrey, the bank’s chairman of the board, could not be reached for comment. Calls to his home were answered by a machine.

Another former director, John Settle, has filed two suits against the bank’s current management concerning bank operations. One of the suits, he said, led to an investigation by the Securities and Exchange Commission.

Herrmann said the comptroller’s office tried to straighten it out, but the bank wiped out its capital trying to fix its problems.

Former bank board chairman Roy Lester said the bank wasn’t able to find enough investors when it was founded in 1980, and the debt caused continued instability.

In 1988, Wes Godfrey, one of the original shareholders, got controlling interest, replaced Lester and a number of other directors, recapitalized the bank and became chairman of the board.

“They got the bank for pennies on the dollar... Somewhere along the line they obviously dropped the ball,” Lester said.

Godfrey, the bank’s chairman of the board, could not be reached for comment. Calls to his home were answered by a machine.

Another former director, John Settle, has filed two suits against the bank’s current management concerning bank operations. One of the suits, he said, led to an investigation by the Securities and Exchange Commission.