Regulators close Bank of the South

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Bank of the South was declared insolvent and closed Wednesday by state banking regulators, the fifth bank in the state to fail in 1991.

Most of its assets and deposits were acquired by Morgan City-based First National Bank in St. Mary Parish.

The failed bank's headquarters on Airline Highway and single branch location in Greenwell Springs were scheduled to reopen at 9 a.m. Thursday as branches of FNB.

Former Bank of the South customers automatically became customers of the FNB and deposit accounts remained insured to the federal limit of $100,000, state Commissioner of Financial Institutions Larry L. Murray said in a prepared statement.

Bank of the South, formed in 1979, began losing money in 1986 and its capital fell below regulatory minimum levels in 1987, chief state bank examiner Doris Gunn said.

The bank failed because of loan losses resulting from the depressed local economy, particularly the decline in the real estate market, and the high cost of carrying and disposing of foreclosed property, Murray said.

Bank of the South lost $643,000 in 1990 and another $188,000 through the first six months of 1991, according to the latest data available from Sheshunoff Information Services Inc., a Texas firm that tracks bank performance.

FNB plans initially to retain Bank of the South's 33 employees, said Milford Blum Jr., FNB's president and chief financial officer.

"As we go along, over a period of time, we'll evaluate everybody," he said. "But for the time being, we're going to need everybody."

The acquisition brings FNB's holdings in Baton Rouge to three branches and nearly $50 million in assets, "which makes us a little bigger player," Blum said.

FNB first entered the Baton Rouge market in May 1989 with the acquisition of failed First National Bank of East Baton Rouge Parish.

FNB operates its headquarters and five branches in St. Mary Parish and a branch in New Iberia, Blum said.

The Bank of the South acquisition boosted FNB's total assets to $202 million, Murray said.

FNB hopes to acquire a fourth Baton Rouge site to round out its holdings, Blum said.

"We have kind of saturated St. Mary Parish," he said.