S&L agency watching Louisiana closely

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The depressed savings and loan industry in Louisiana is being watched more carefully now to avoid further damage to the federal insurance fund, the president of the Federal Home Loan Bank of Dallas said.

"I think there's a closer scrutiny now because of the level of potential impact on the FSLIC (Federal Savings and Loan Insurance Corp.)," Roy Green said in an interview with the Morning Advocate. Green said lower interest rates are the hope for the future for the industry nationwide, but that in Louisiana, "this turnaround has been complicated considerably by the economic conditions."

"We are trying very carefully to keep on top of the examination process, the monitoring process on all institutions, so that we can act more promptly against those institutions that unquestionably would impact on the FSLIC," Green said.

The bank's board, which regulates the savings and loan industry, has closed six savings institutions in Louisiana since May and turned over their insured deposits to the newly chartered, Baton Rouge-based Horizon Federal Savings and Loan Association.

Horizon, Green said, will be sold to recoup as much as possible of the loss the FSLIC has absorbed from the closures.

"We are making an effort to get that institution to a point where it can be sold or merged to another outside party, reducing basically its operations to core deposits that are community-based with a corresponding good asset base that could be a saleable product," he said.

Green said Horizon likely would be converted from a mutual association to a stock-held institution for such a sale, hopefully within a year.

He said the thrift, the third-largest in the state, is expected to shrink in size as high-cost brokered deposits transfer to thrifts that offer higher interest rates.

The thrifts that were closed and formed Horizon's deposit base had been pumped up substantially with brokered funds.

Green said other threats in Louisiana are in danger of collapse if the economy does not improve soon.

"The economy is such down there, and"