Savings and loans may be emerging from two dim years

By Richard Baudouin

Most of 1982 was a continuation of 1981 for Lafayette and Lake Charles savings and loans. Loan and deposit growth was flat or non-existent.

So what is the source of all of the optimism for 1983? Simple. Since the third quarter of last year, the interest rates which savings and loans must pay to attract deposits has come tumbling down. And that means that their cost of funds is now more in line with the low-yielding mortgage portfolios which were causing the thrifts so many problems during the high interest rates of the last two years.

For example, the 6-month money market certificate was paying 8.7 percent interest at the end of February. A year ago that same instrument yielded 13.9 percent.
encouraging signs.

"In the loan committee meeting this week, we had three proposed construction loans on homes. I don't mind telling you that there have been many, many weeks gone by when there weren't any," says McAnulty of Louisiana Savings.

And if all of that wasn't enough to warm the hearts of thrift executives, the deposit situation may be turning around as well. With the institution of the so-called money market investment account on December 14, the savings and loans at last were given a vehicle to compete against the brokerage-sponsored money market funds which had been eating away at their deposit base like so many Pac-Mans the last several years.

A number of thrifts reported healthy inflows of cash into their coffers during the first month of the existence of the new account. Much of it was new money, presumably from brokerage house accounts. First Federal in Lake Charles, for example, picked up $3 million in net savings inflow in the first month of 1983, compared with a decrease of $100,000 during the same period a year ago.

Marcus A. Pierson, III, executive vice-president of First Federal, puts it succinctly, "We have a little breathing room."

No return

But not much. All of the good news of the last several months does not mean that the thrifts can return to the halcyon days of the last four decades. No more will a savings and loan executive take in money at a fixed rate, lend it out two percent higher and leave work at 2 p.m. to play golf.

As the savings and loans go marching back into war in 1983 after two years of retreat, they will find that the battle ground is substantially changed. Because of financial deregulation, they can now offer a wide variety of financial services to their customers than ever before.

It has now become incumbent on every savings and loan to define its place in the market and then push those services which it can offer most effectively.

And nowhere is the changing role of the savings and loan illustrated better than in Lafayette. There virtually every marketing approach being undertaken by the thrift industry in Louisiana is represented.

There are two old standbys—Lafayette Building Association and Home Savings and Loan—struggling to update their operations in an environment which is threatening to pass them by. There are branches of the "Super-Thrifts" like Dixie Federal, First Financial of New Orleans, Union Federal, and Sunbelt Federal who are quickly becoming indistinguishable from commercial banks. Evangeline Federal, a newcomer to the market, has adopted a marketing direction very much similar to the Super-Thrifts.

Home Savings is a good example of this phenomenon. Billeaud says he's moving away from a total dependence on mortgage financing as a revenue base for the association and has begun to provide interim financing for builders and even some consumer credit, in small amounts. But up to this point he has shied away from aggressively pursuing purely commercial loans, although new federal regulations clearly allow him to do so.

But there is nothing timid about the entry of the Super-Thrifts into the wide open world of commercial finance. During 1982, three aggressive savings and loans—headquartered elsewhere in the state—opened up shop in Lafayette, Dixie Federal and First Financial of New Orleans and Sunbelt Federal of Lake Providence are positioning themselves to offer a full line of financial services.

Robert Ayers, who manages First Financial's Lafayette branch, says there is fundamentally no difference between his operation and a traditional bank. He does all types of real estate financing, will establish a line of credit secured by a business's inventory and can even handle financing for an oilfield service company.

Has First Financial, which goes under the name First Homestead in New Orleans, been disappointed in

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the savings and loan is preparing to move into a three-story building it is constructing on Johnston Street and has been unable to sign any tenants at this point.

A vastly different approach has been chosen by Union Federal Savings and Loan, which chief executive Noel Bajat says is ready to get back in the game, after a year of hibernation.

"We will become very heavily involved in developing real estate, either on our own or in conjunction with the developers," says Bajat. More specifically, Bajat will be providing interim construction financing for builders, taking an equity position in developments and originating permanent financing and selling it on the government-sponsored secondary market.

"We will probably look like a mortgage banking firm," says Bajat.

### Intriguing development

But perhaps the most intriguing development in the savings and loan industry locally last year was the acquisition on October 11 that Acadia Savings and Loan of Crowley was merging with Republic Federal Savings and Loan of Lafayette and First Federal Savings and Loan of Rayne. The FSLIC smoothed the way for the merger with Republic, which had been experiencing serious financial problems, through $670,000 in cash assistance.

The bold move by Acadia, which seven months earlier had absorbed Acadiana Savings and Loan in Kaplan, resulted in an increase in the thrift's assets from $53 million at the end of 1981 to $117 million one year later.

There is considerable speculation as to why Acadian Chairman Edmund Reggie, a flamboyant politico and financier, engineered the mergers. He says that after experiencing the same losses as other traditional savings and loans during the last several years, Acadia decided that survival could only come with a much larger asset base.

"We think that the only way we can get out of this is by lending in large sums," says Reggie. "We've got to lend our way out of this." Consequently, Acadia has begun to downplay the traditional home mortgage loan and instead is seeking larger credits with shorter maturities. On the deposit side, Acadia is offering one of the best yields on the money market fund in the area.

But other observers see a much larger design in the Reggie maneuvers. They note that the former Crowley city judge is chairman of Lafayette Bank and Trust, a competitor of Crowley and owns a substantial interest in banks in DeRidder, Metairie and New Orleans, where his son serves as president of Colonial Bank and Trust.

As the halls of financial regulation come tumbling down and barriers to intra-state branching are lifted, they speculate, Reggie may convert Acadia to a stock-chartered institution and then sell it to a larger bank holding company which would emerge from his interests.

"That's always a possibility," says Reggie, although he notes that considerable changes would have to take place in state and federal banking laws before such actions could legally take place. But he adds, "it's not part of a game plan, but we would always be willing to stop and listen." The over-the-counter consideration, he insists, is what would improve the association's competitive posture.

### Not exciting

In Lake Charles, the game is not nearly so exciting. There the market is dominated by two savings and loans—Louisiana Savings and First Federal. Both are fairly well-positioned to cope with the deregulated financial environment.

Louisiana Savings gained a toe-hold in the Baton Rouge market in late 1981 by merging with Home Savings and Loan. In 1982 the association was converted from a mutual charter, after it was owned by depositors and mortgagees, to a stock charter under which shareholders own the institution.

At First Federal, there is a recognition that new directions are needed to survive in the savings and loan industry today. Like many other thrifts, First Federal has brought a commercial banker, executive vice president Marcus Pierson, into top management.

The real question mark in Lake Charles is Metro Federal Savings and Loan. Metro ended 1982 with its liabilities exceeding its assets by almost $600,000, a precarious situation to say the least. Metro was rocked during the year by the resignation of its chairman and a number of board members.

There have been numerous reports that Metro is a candidate for a merger, not unlikely considering its deteriorating financial condition, First Federal was rumored as a possible white knight, and First Federal was also reportedly negotiating a takeover of Metro. But both of those bets appear to be off: First Federal is planning to open a branch in Lake Charles sometime this year.

The Federal Home Loan Bank Board, which oversees savings and loan operations, declined to comment on the matter—as is their custom in such cases—and Metro president Martin Gillert could not be reached for comment.

Although there may be isolated examples in 1983 of associations like Metro being taken over, it appears that for the most part the 'merger mania' which seized the industry during 1981 and 1983 has cooled off. In Louisiana alone, some 21 savings and loans were merged out of existence in the last two years.

The reason for the decrease in this activity is two-fold. Most troubled institutions have already been taken over. And with interest rates plummeting, marginal thrifts have been given a new lease on life.

But you can bet that a wide-open housing market in Lafayette will attract out of town savings and loans eager to provide financing for developers. For example, a thrift out of Covington is bankrolling a condominium development on Surrey Street. There are reports that a Memphis-based operation will establish a loan production office—which does not need regulatory approval—in Lafayette.

For veterans of the industry like Billeaud, there is a resignation about the invasion of out-of-towners to what was once a quiet little preserve for the savings and loans. One year ago, Billeaud was sharply critical of regulators who were allowing crops of new associations to emerge in Lafayette right and left. But today he has mellowed. Says Billeaud with a shrug, "I used to worry. Keep my hands in all the holes. But now I don't worry. You can't stop them. They're going to come in"