State closes New Iberia bank

NEW IBERIA — Banking officials shut down People's Bank and Trust of Iberia Parish on Thursday and announced that its five offices will reopen Friday as branches of The New Iberia Bank.

Banking officials say bank services will not be interrupted and that customers' money is completely safe.

People's — also located in New Iberia — went under because of loan problems caused by several years of hard times in the oil patch, Fred C. Dent Jr., the state commissioner of financial institutions, said in a prepared statement.

It is the 163rd bank in the nation to go under this year, but only the 13th to be taken over wholly, including the bad loans, said Bill Olcheski, a spokesman for the Federal Deposit Insurance Corp.

Ordinarily the FDIC takes over any bad loans, giving the new owner a “clean” bank.

However, he said The New Iberia Bank agreed to take on all of the failed bank's loans. When banks are willing to do this, he said, they buy the failed bank's assets at a discount.

In this case, he said, The New Iberia Bank is paying about $71.4 million for assets totaling $76.1 million. It also will assume about $77.7 million in 12,900 deposit accounts, said Olcheski.

“The transaction will result at a substantially lower cost to the FDIC than if the assets were held and liquidated in receivership,” Olcheski said. “Additionally because the assets and deposits will be administered by The New Iberia Bank, the failed bank's customers will have the benefit of continuous, uninterrupted service.”

There's an advantage for both the FDIC and the new owner, he said.

“The advantage to the FDIC is we don't have to go in and try to collect on the loans. The advantage to the bank is it has a much better chance collecting than we do. They know the people; they're on the scene,” he said.

New Iberia Bank's total assets are now $178 million, Dent said.

The purchase is subject to court approval.

People's was the second oldest bank in New Iberia.

Don Faught, president of New Iberia Bank, said it will be business as usual under the new arrangement.

He said the bank will keep on People's employees, and customers may use the bank's branches as they always have.

“The change will be gradual,” Fraught said, “and I doubt if some people will even know something has happened.”

People's Bank is the ninth bank to go under in Louisiana this year. Eight Louisiana banks failed in 1986.

In addition to the 163 banks around the country which failed, Olcheski said, 17 have required FDIC help to prevent their failures. He said one of those — Central Bank & Trust of Glenmora — was in Louisiana.

The FDIC gave the Glenmora bank financial help which helped its merger with People's Bank & Trusts in Natchitoches, Olcheski said.