



Louisiana sees fewer community banks

By: Lance Traweek, Reporter May 20, 2015 0

As the state continues to follow a national trend of community banks declining in number, local institutions are changing tactics to stay relevant amid their larger competitors.

There were 105 community banks in the state in March, according to the Louisiana Office of Financial Institutions. That's four fewer than at the end of 2014 and 14 fewer than at the end of 2010.

The decline has been steady over the last five years because of a combination of normal competition, new federal regulations, tired executives and boards and the opportunity to trade up into stocks with more liquidity or cash out, according to industry analysts.

Even so, the state's banks have continued to show improvements over the past five years.

The LOFI noted in a 2014 report that total loans and leases increased by 2.30 percent during the fourth quarter of 2014, from \$42.75 billion to \$43.73 billion – an increase of \$984 million.

Total loans and leases have gone up in 15 of the past 20 quarters, according to the report.

Average assets have rebounded from three years ago, when banks were making below .80 percent return on average assets. As of 2014, they had a 1.00 percent return on average assets, slightly below the national average.

"Those ratios will tell you that Louisiana banks and thrifts are healthy and continue to improve," said Kyle Waters, owner of Loan Evaluation Services LLC.

Still, community banks are eyeing expenses closely now that they must meet strict federal regulations enacted in recent years.

While larger banks can generate revenue in many ways, either by trading accounts or running large trust and credit

departments, community banks can't do the same, said Eddie Braun, president of Citizens Bank & Trust in Covington.

"We try to offer better services to make up for that," said Braun, adding that community banks try to find a niche to compete in.

Citizens has operated independently in St. Tammany Parish for more than 60 years and has found its calling in commercial real estate lending and rural development lending, Braun said. His bank has also found success in RV and automobile lending.

Community banks are more likely to offer more specific types of loans and services rather than being a one-stop shop like big banks. In addition, the smaller banks have reigned in expenses by sharing services.

"Instead of having full-time compliance people, we'll third-party those services out," Braun said. "This cuts down on overhead."

Braun said community banks "have a role to play" in a national market where the six largest banks control more than 80 percent of the share.

"A lot of customers demand more hands-on services they can't get from larger banks," Braun said.

"Whatever it takes to survive," he added. "Community banks are vital."

Banking executives say the largest part of the deterioration of community banks is due to regulatory changes from the Dodd-Frank Wall Street Reform and Consumer Protection Act passed in 2010 in an attempt to prevent another financial crisis.

"I don't see any relief in the regulatory area," said Braun, adding that the new regulations cost time and money. "It is certainly cutting back on a number of community banks."

Guy Williams, president of Gulf Coast Bank, said the government "jumping on board" has hurt the smallest banks and helped the biggest banks.

Williams said ramifications from these regulations have created a "burden so severe" that Gulf Coast has joined a national lobbying group called Friends of Traditional Community Banking.

Gulf Coast Bank has found a niche in the New Orleans area by granting tuition loans for families enrolling their

children in private schools.

“It has been a big and growing business for us,” Williams said. “We have an awful lot of people in New Orleans that are sending children to private schools and need help with funding.”

Gulf Coast has about 45 schools on board with the program and has added from six to eight schools per year. The tuition loan program equates about 1 to 2 percent of the company’s revenue.

Williams said diverse mortgage loans, small business lending and generating volume have continued to be at the forefront of the company’s strategy.

To sign up for free CityBusiness Daily Updates, click [here](#).

Edit

Tagged with:

CITIZENS BANK & TRUST

COMMUNITY BANKS

DECLINE

EDDIE BRAUN

GULF COAST BANK

GUY WILLIAMS

KYLE WATERS

LOUISIANA

Get the full
DJC Experience



Only
\$39!

Competitive Construction
Projects. Local Help.
Accurate Data.

Copyright © 2015 New Orleans Publishing Group | 3445 N. Causeway Blvd., Suite 901, Metairie, LA 70002 |
Phone: (504)834-9292 E-mail: mail@nopg.com

