

3 of 40 DOCUMENTS

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HEADLINE: Bank Bailout Request Further Tarnishes Texas

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BODY:

Stung by bankruptcies among its most prosperous residents, a record clip of bank failures and a criminal investigation of its savings and loans, Texas' fabled financial brilliance has dimmed further now that the state's largest bank-holding company is seeking a federal rescue.

And analysts say the worst isn't over.

"We do have some other banks that are in trouble. I have no reason to think we've hit the bottom of the problem," analyst Herb Jones, senior vice president of the Dallas-based investment firm Eppler, Guerin & Turner, said Wednesday.

Dallas-based First RepublicBank Corp., with \$33.2 billion in deposits and 134 banking facilities across the state, acknowledged Tuesday its deteriorating loan portfolio and difficulty in raising deposits forced it to seek federal help.

Gerald W. Fronterhouse, chairman and chief executive officer, said a loss of \$1 billion in deposits since the beginning of February contributed to the bank's decision.

Also Tuesday, Houston-based First City Bancorporation of Texas Inc. extended its deadline for debt holders to redeem their securities at a discount under a rescue plan representing the second-largest bank bailout in U.S. history.

The number of Texas bank failures, meanwhile, continues to soar, from 26 in 1986 to 50 in 1987, along with the collapse of two unregulated banks, and is clipping along at 15 so far this year.

Losses continue to mount at existing banks _ with the seven largest bank-holding companies losing a combined \$2.6 billion last year. By contrast, all Texas banks lost \$883.2 million in 1986.

And regulators say more than one-third of the state's 281 savings and loan institutions are insolvent. The FBI and the U.S. Justice Department are investigating some of the thrifts, called the largest white-collar probe in Southwest history.

Separately, there have been the bankruptcy court petitions of such notables as former Gov. John Connally, U.S. Treasury Secretary under President Nixon, and his lieutenant governor, Ben Barnes; oil heir Cullen Davis of Fort Worth, heart surgeon Denton Cooley; some businesses of the billionaire Hunt brothers; former Dallas Cowboys owner Clint Murchison; and the Western Co. of North America, owned by Texas Rangers owner Eddie Chiles.

Texas, Jones said, used to brag that everything in the state was bigger, better, the best.

"We can't say that now. We look at the Northeast and see their growth is far superior to ours. That was never supposed to happen," he said.

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Although there are signs the state's battered economy is rebounding and the energy industry is revitalizing, analysts say the banking industry lags, coping with mistakes made one to three years ago and the troubles in real estate.

"Real estate is still a real thorn here," Jones said. "I expect some further weakness in the real estate sector."

First RepublicBank's plea for federal aid is a "bittersweet story," said Alan Coleman, director of the Southwestern Graduate School of Banking at Southern Methodist University.

The good news is that new capital will be brought into the state, along with new faces and new investors. But the bad news, he said, is that "it's very tough on the people struggling with the problems here."

He foresees continuing troubles for the banking industry in 1988 and 1989.

Jones said he believes a major financial institution will come into Texas and take over First RepublicBank, if the Federal Deposit Insurance Corp. makes it an attractive deal.

"It's a very desirable institution, at a price," Jones said. "A lot of worms are in there still. Will the FDIC pick them up? That's the question. I think they will. They're going to have to."