

Banks to get millions for storm rebuilding loans

Associated Press
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NEW ORLEANS — Corporations will deposit millions of dollars in small banks along the Gulf Coast, under a plan by a company that services community banks. The idea is to provide capital for rebuilding loans following last year's hurricanes.

Under the Gulf Coast Rebuilding Challenge, officials hope to channel at least \$1 billion into the region over the next five years for loans to homeowners and businesses. At the same time, the program aims to help community banks, which lost customers and deposits after hurricanes Katrina, Rita and Wilma.

The plan is being pushed by Arlington, Va.-based Promontory Interfinancial Network, which operates a certificate of deposit placement service that lets member banks swap funds so large deposits can qualify for full FDIC coverage. A formal announcement was planned Monday in New Orleans.

"This is a win for everyone," said Eugene Ludwig, a former U.S. comptroller of the currency and now Promontory's head. "Corporations and others will be able to change people's lives for the better just by depositing funds using a Gulf Coast bank, with eligibility for full coverage by the Federal Deposit Insurance Corp."

Essentially, the deposits of corporate funds will give banks additional assets with which to make loans.

Home mortgage giant Fannie Mae, the nation's second-largest financial institution after Citigroup Inc., already has committed \$50 million in deposits.

"It's not only important for the substance — real money going into these banks — we also think it's important as a symbol," said Kenneth J. Bacon, Fannie Mae's executive vice president for housing and community development. "It's been over a year since the hurricane hit and it's receding from the headlines."

Large multistate banking companies quickly overcame problems from the hurricanes because of their large amounts of deposits, but many community banks need to replace deposits taken by residents and businesses that did not return following the storms, Bacon said.

"You saw a lot of your depositors leave. You saw a lot of your businesses leave," Bacon said. "These banks were affected disproportionately."

Officials said 37 community banks in the Gulf Coast region are eligible for the program, and more than 300 may qualify. Eligible banks must have less than \$500 million in assets and be located in areas designated by the federal government as affected by the storms. They also must be members of the Promontory network.

