

# Why multiple community banks in one Southern city want to convert to stock-owned bank corporations

Article

**The news:** Three New Orleans-based mutual (or depositor-owned) banks—Fidelity Bank, Fifth District Savings Bank, and Mutual Savings and Loan—are seeking to convert to stock-owned bank corporations.

- Their motives for these conversions include growing, raising capital, diversifying loan portfolios, and potentially acquiring other banks or branch offices, per New Orleans Metro News.

**Why resort to conversions?** Mutual banks often focus on serving the local community and may prioritize depositor interests over maximizing shareholder profits. Converting to stock-owned bank corporations changes who these banks are accountable to, as well as lifting some of their limitations.

- **They could issue shares to investors, thereby raising additional capital** for expanding lending operations and investing in new products and services.
- **And it would make merging with other FIs easier.** However, they'd have to wait three years before doing so.

This means customers may not notice the changes immediately.

**The New Orleans factor:** National banking expert James Royal noted **it's unusual to see many conversions simultaneously focused in one location.** Usually, he sees five to seven conversions across the entire US per year, per New Orleans Metro News.

- Economic conditions in the city could be driving this change. According to Axios, **New Orleans is seeing the fastest population drop in the US, at 4.3% over the last three years.**
- By comparison, New York lost 2.5% of its population and Detroit lost over 3%, per World Population Review.
- Economics professor Jose Bautista told Axios that Louisiana hasn't really recovered from the pandemic, and the frequency of natural disasters in the region has added to the challenge.

**Key takeaways:** We predicted an uptick in bank mergers, and these banks are laying the groundwork for such activity.

- However, these banks are taking a path that consists of a multi-step process requiring regulatory approval, per American Banker.

- And it's not necessarily going to get easier after the conversion. Community banks that change ownership and expand risk losing touch with customers who value hometown-style service and personalization.

**Level of Confidence in Their Primary Banks\*  
According to US Adults, by Bank Type and  
Generation, March 2023**

% of respondents in each group

**Bank type**



**Generation**



■ Very confident      ■ Not too confident  
■ Somewhat confident      ■ Not confident at all

*Note: numbers may not add up to 100% due to rounding; \*in their banks' ability to provide them with all of the money in their accounts if they requested it*  
 Source: Morning Consult as cited in company blog, March 15, 2023

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