Corporate Governance
In Turmoil: The Texas Savings
And Loan Debacle
Of The Eighties

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Abstract

We present an exploratory study of changes in board composition of Texas savings and loan associations during the tumultuous 1980s. The purpose of the study is to explore the relationship between director turnover and S&L failure. While director turnover constitutes a board attribute that is concrete and conspicuous to the outside world, very few studies have examined its role as a potentially informative indicator of board performance. This is in sharp contrast with the extensive research on executive turnover and succession.[1]

Are Boards Failing?

The current corporate restructuring wave has revived the debate about the effectiveness of boards in governing the publicly owned corporation. While restructuring can take many forms -- including divestment, reorganizations, and equity/debt-restructuring -- they are driven by a single dominant motive: to realign corporate goals and strategies with stockholders' interest in long-term value creation. As reported in Chatterjee & Kosnik (1995), Hoskisson & Turk (1990), and Johnson, Hoskisson, and Hitt (1993), corporate restructuring signals to the outside world a board's failure to adequately monitor and discipline management's performance. That is, to the extent that restructuring aims to correct existing sources of inefficiency, boards are "de facto" guilty of ratifying the less-than-optimal strategies that contributed to these inefficiencies. Jensen (1986) and Gibbs (1993) find that strategies of overdiversification or management's misuse of excess free cash flow of-

ten illustrate such governance failures. Michael Jensen's (1986) seminal work on the general failure of internal control systems (including boards) further fueled the debate as in Jensen (1993) on the effectiveness of board governance.

For stockholders and interested constituencies, researchers' disillusionment with the performance of governing boards raises questions about the early warning signals of less-than-optimal board performance. Mueller (1982) considers how outsiders might judge a company's "board worthiness" accurately and in a timely manner. Prevailing evidence suggests that visible indicators of problematic governance eventually surface in the form of corporate crises such as bankruptcy, restructuring, and executive turnover. For instance, GM's board terminated the contract of CEO Robert Stempel in 1992 after tolerating years of operating losses and strategic failures.

Similarly, reorganizations at IBM and Eastman Kodak were started only after years of lax strategic management and dwindling financial performance.

Many consider corrective restructuring plans as offering "too little, too late" (Jensen, 1993). However, this delay in the feedback on board performance is inherent to the process of corporate governance by boards; that is, a board's oversight role focuses on corporate-level, strategic decisions which are long-term in orientation. Thus, governance research is faced with the challenge of identifying manifest board attributes and events that allow outsiders to reliably assess the performance of a board prior to the eventual outcome of their long-term strategic decisions. Traditional board research has focused predominantly on outside director representation, board size, interlocking directorates, and personal/business affiliations between directors and incumbent management as potential proxies of board effectiveness. However, despite the extensive scope of this research, ambivalence remains concerning the signaling value of these and other board attributes due to mixed research findings.[2] We therefore turn to a board attribute that has received little attention in the extant governance literature, director turnover.

Board Turnover: Stimulus or Omen?

An extensive literature on the role of executive turnover has yielded two competing succession theories (see Haveman, 1993). According to the succession-crisis theory, executive succession is disruptive for organization performance because it increases uncertainty and conflict, and it lowers morale among organization members. As such, turnover is expected to reinforce the "downward spiral" triggered by emerging performance problems (Hambrick and D'Aveni, 1988). In contrast, the succession-adaptation hypothesis advocates the merit of executive turnover by emphasizing the beneficial effects of managerial diversity on the quality of strategic decision making and an organization's responsiveness to environmental changes (Virany, Tushman, and Romanelli, 1992). Preliminary research on the role of board turnover has highlighted the same tension between the benefits and drawbacks of succession.

Two governance studies, Gibson (1990) and Hermalin and Weisbach (1988), have observed a negative relationship between board turnover and firm performance.[3] Based on their findings, board turnover could be interpreted as an early warning signal of pending trouble. Despite their fiduciary duty to a company's major stockholders, directors' interest in protecting their own reputations and minimizing legal liability may motivate them to abandon rather than rescue a sinking ship. Director turnover further undercuts a board's accumulated knowledge and understanding of a company's operations, thereby undermining the quality of its strategic decisions. In contrast, Goodstein and Boeker's (1991) study of strategic change in 300 hospitals found that director turnover promoted the hospitals' success in responding to changing market conditions between 1980 and 1986 by expanding their scope of service. Their finding suggests that turnover could contribute to board diversity, which in turn could promote successful strategic change by reducing organizational inertia, strategic myopia, or politically motivated resistance to change. The authors' interpretation is supported by the strategic change literature and the literature on group performance, such as Tushman and Romanelli (1985), which advocate member diversity as a positive force for creative decision making and problem solving.

In this study, we take another look at board turnover by studying its role in the failure of Texas S&Ls during the 1980s. The research question driving this study can be formulated as follows: *Did board turnover provide us with an early warning signal of the relative success versus failure of Texas S&Ls in coping with the turmoil in the thrift industry during the 1980s?* We examine this question by comparing board turnover rates between solvent and failing Texas S&Ls during the turbulent 1980s. Because the available research evidence on board turnover is very limited as well as mixed in its conclusions, an exploratory study seems most appropriate at this stage of the research path (McGrath, 1979).

The Texas Savings and Loan Industry in the 1980s

During the 1980s, the savings and loan industry in Texas faced the ultimate test of governance and management effectiveness. Between January 1, 1985, and September 30, 1987, 284 insolvent thrifts throughout the nation were assisted or in the process of being assisted by the federal Savings and Loan Insurance Corporation (FSLIC). [4] The losses in the Texas thrift industry exceeded the problems in any other state. From 1985 to year end 1989, a total of 71 Texas savings and loan associations were either liquidated or merged with other savings and loan associations. According to Harris (1990) over half of the $39 billion in total thrift resolution costs in the 1985 to 1988 period were incurred in Texas.[5]

The turmoil in the savings and loan industry was a direct result of the deregulation of savings and loans in the early 1980s. Traditionally, prevailing federal and state laws restricted the lending services provided by savings and loan associations to home mortgage loans. In 1980, The Depository Institutions Deregulation and Monetary Control Act removed restrictions on the interest rates paid by banks and thrifts, inducing intense competition among financial institutions to attract deposits. A year later, the Federal Home Loan Bank Board allowed thrifts to offer variable-rate mortgages so that their revenues could keep pace with the higher interest rates paid on deposits. In 1982, the Garn-St Germain Depository Institutions Act allowed savings and loan associations to branch out into commercial, business, and consumer loans, and invest up to 40% of their assets in loans secured by non-residential real estate. As a result of the deregulation, savings and loan associations were pitched into direct competition with banks. S&L management and boards were granted expanded discretionary power to create a new niche and devise a competitive strategies in a deregulated market that differed considerably from the past.

Improper response to deregulation by thrift managers and directors is responsible for much of the apocalyptic turmoil in the savings and loan industry in the 1980s. An investigation by the General Accounting Office (GAO) of 26 S&Ls that represented the largest losses (over 57% of the total estimated $20 billion loss incurred by all U.S.

thrifts between 1985 and 1987) revealed that:

"for virtually all the failed thrifts included in our review, serious internal control deficiencies existed in various aspects of the thrifts' operations prior to failure. Each of the weaknesses related to some aspect of thrift operations [that] was directly within the control of the board of directors or thrift management" (General Accounting Office, 1989, p. 17)

Methodology

Sample

In this paper we compare annual board turnover rates for two groups of Texas S&Ls for the 1980-1989 period. One group is comprised of 34 Texas S&Ls that were consistently solvent and maintained positive retained earnings from 1985 through 1989. These S&Ls constituted the only Texas institutions that maintained unimpaired capital during the second half of the decade.[6] Hubbard (1992), using annual financial statement data on individual Texas S&Ls, found that these 34 S&Ls remained very traditional by investing primarily in conventional home mortgages, avoiding risky direct investments, and shunning brokered deposits as a source of funds. The solvent S&Ls rejected the trend toward asset diversification in favor of the historical savings and loan model. A second sample of 36 Texas S&Ls was chosen randomly from the remaining 230 Texas S&Ls in 1985, all of which experienced problematic performance in the 1987 to 1989 period. An examination of this second random sample of S&Ls revealed that by 1989 that solvency had become the exception for Texas S&Ls. Accordingly, by the end of 1989 all but six of the S&Ls in the second sample had failed or had been absorbed by other institutions in federally assisted mergers. The database the authors accessed for screening Texas S&Ls to identify the solvent institutions and for retrieving financial data on the randomly selected institutions was provided by Sheshunoff and Company, Inc., of Austin, Texas. The data provided by Sheshunoff are end-of-year call reports (financial statements) of all Texas S&Ls.

Appendix Tables 1 and 2 list the S&Ls for the two samples. The tables also include locational characteristics, asset size, type of charter, and board change statistics for each sample S&L. Since all S&Ls in our sample are located in Texas, all of them were exposed to similar adverse conditions in the financial markets, the oil and gas industry, and the real estate market. The group of failing S&Ls were located in Texas counties that, on average, were more densely populated. Also, most of the problem S&Ls had significantly larger asset bases in 1985 than consistently solvent S&Ls and more were chartered as stock corporations (72.2%) rather than mutuals. We controlled for these differences in our analysis. Appendix Figure 1 illustrates the performance dichotomy of both sets of S&Ls as it tracks the average year-end, pre-tax rates of return on assets of each sub-sample from 1981 to 1989.

Analysis

From 1980 to 1989, we reconstructed the annual board composition for each S&L in the samples from data published in various issues of the *Texas Savings and Loan Directory*. Based on year-to-year comparisons, we calculated three turnover variables: (1) board reductions (departing directors who were not replaced in the same year); (2) board additions (new directors who did not replace departing directors); (3) board successions (new directors who replaced directors who had departed the same year).

First, we compared annual rates of board reductions, additions, and successions for solvent S&Ls and problem S&Ls using univariate analyses: We calculated the Z test of equality and the X^2 (Chi square) test to assess the equality of the turnover rates for both classes of S&Ls.[7] We verified the results of the univariate analyses through multiple regression analysis of board turnover (total number of board turnover events per year) as a function of S&L solvency (dummy variable: 1 = solvent, 0 = not solvent), while controlling for asset size, stock versus mutual status, and county population. We did not find any significant differences in traditional board attributes (including CEO duality and board size) between solvent and problem S&Ls. Therefore, we did not include other board-related control variables.

Results

Table 1 reports the means, standard deviations, and Pearson product-moment correlations for the variables included in the study for all 70 S&Ls.

The univariate statistical analyses are reported in Table 2. According to the results of both statistical tests, non-solvent S&Ls experienced significantly more departures of directors than solvent S&Ls in 1981, 1982, 1985, and 1986. In 1981, 1982 and 1986, significantly more directors were replaced on boards of problem S&Ls than at the consistently solvent S&Ls. Board additions

Table 1
Correlation Matrix of Variables Related to Board Changes in Texas S&Ls

Variables	Mean	Std. dev.	1	2	3	4	5
1 Board changes/year	1.070	0.845	1.000				
2 Solvent=1, Other=0	0.486	0.503	-0.532	1.000			
3 ln total assets	11.635	1.146	0.575	-0.374	1.000		
4 Stock=1, Mutual=0	0.557	0.500	0.376	-0.342	0.124	1.000	
5 ln county population	11.246	1.456	0.533	-0.414	0.606	0.317	1.000

Notes: Asset data were obtained from Sheshunoff Information Services, Inc., Austin, Texas. County data were recorded from the 1992-93 Texas Almanac and Industrial Guide. Assets and population are expressed in natural logarithms.

Table 2
Turnover Activity in Boards of Directors of Consistently Solvent versus Insolvent S&Ls, 1981-89

	1981	1982	1983	1984	1985	1986	1987	1988	1989
Reductions of directors:									
Solvent S&Ls	5	8	7	9	12	4	15	2	8
% of total directors	1.89%	3.00%	2.60%	3.33%	4.48%	1.53%	5.68%	0.79%	3.20%
Insolvent S&Ls	18	23	17	10	43	37	25	10	6
% of total directors	5.59%	7.17%	5.56%	3.32%	14.24%	13.36%	9.77%	4.20%	5.61%
Z test	*2.292*	*2.252*	1.767	0.007	*3.939*	*5.166*	1.747	NA	NA
Chi square	*5.255*	*5.072*	3.122	0.000	*15.517*	*26.690*	3.053	NA	NA
Additions of directors:									
Solvent S&Ls	8	10	8	7	5	7	3	0	2
% of total directors	3.03%	3.75%	2.97%	2.59%	1.87%	2.68%	1.14%	0.00%	0.80%
Insolvent S&Ls	17	8	13	12	18	12	9	3	1
% of total directors	5.28%	2.49%	4.25%	3.99%	5.96%	4.33%	3.52%	1.26%	0.93%
Z test	1.340	0.878	0.813	0.927	*2.479*	1.036	1.807	NA	NA
Chi square	1.894	0.574	0.739	0.817	*6.896*	1.530	3.440	NA	NA
Replacements of directors:									
Solvent S&Ls	3	3	5	12	11	6	16	1	10
% of total directors	1.14%	1.12%	1.86%	4.44%	4.10%	2.30%	6.06%	0.40%	4.00%
Insolvent S&Ls	26	24	5	17	15	21	12	6	0
% of total directors	8.07%	7.48%	1.63%	5.65%	4.97%	7.58%	4.69%	2.52%	0.00%
Z test	*3.853*	*3.665*	0.206	0.654	0.493	*2.805*	0.694	NA	NA
Chi square	*14.845*	*13.429*	0.042	0.428	0.243	*7.866*	0.481	NA	NA

Notes:
1. Bold italics indicates significance at the 0.05 level or better.
2. The critical Z value for significance at the 0.05 level is 1.96.
3. The critical value of chi square for significance at the 0.05 level is 3.840 with 2 degrees of freedom.
4. Statistical analysis of 1988 and 1989 were omitted because of the small remaining sample of insolvent thrifts.

Table 3
Multiple Regression Analysis of Board Changes as a Function of S&L Solvency

Regression Statistics:

R Square	0.501	Observations	70
Adjusted R Square	0.471	F test	16.338
Standard Error	0.615	Significance	0.000

Dependent variable: Average board changes per year

Variables	Coefficients	Standard Error	t Statistic	P-value
Intercept	-2.930	0.884	-3.316	0.001
Consistently solvent = 1, Other = 0	-0.456	0.170	-2.682	0.009
ln total assets	0.270	0.083	3.252	0.002
Stock = 1, Mutual = 0	0.329	0.162	2.026	0.047
ln county population in 1985	0.079	0.068	1.163	0.249

were not significantly different between the two samples except in 1985 when problem S&Ls added significantly more directors to their boards than solvent S&Ls.

In the regression analysis shown in Table 3, the coefficients for all variables, except the natural log of county population, were significant at the 0.05 level or better. As expected, board changes per year were a negative function of S&L solvency (p<0.01), a positive function of (the natural log of) S&L assets (p<0.01), and of stock versus mutual charter (p<0.05). That is, between 1980 and 1989, Texas problem S&Ls experienced significantly higher levels of board turnover than their solvent competitors.

The annual turnover data reported in Table 2 further indicate that board turnover among problem S&Ls occurred in two distinct waves. The first phase of board turnover took place in 1981-1982, immediately following dramatic changes in federal and state regulations for the savings and loan industry. During this time, Texas S&Ls that would ultimately become insolvent replaced respectively 8% and 7% of their directors, compared to a 1% replacement rate for consistently solvent thrifts. This replacement rate compares to an average turnover rate reported in Hermalin and

Weisbach (1988) of one out of 13 directors per year for a random sample of publicly-traded firms between 1971-1983 (i.e. a 7.7% probability of a director's departure per year).

The second phase of increased board turnover among problem S&Ls took place in 1985 and 1986. During these two years, respectively 14% and 13% of directors of problem S&Ls left the board without being replaced, compared to departure rates of, respectively, 4% and 1.5% for the consistently solvent S&Ls. As illustrated in Appendix Figure 1, the performance of Texas S&Ls deteriorated drastically during this period; pre-tax rates of return turned negative in 1985. Operating losses and asset repossession rates increased every subsequent year. Although the problem S&Ls added and replaced significantly more directors in 1985 and 1986, the rates of addition and replacement are considerably smaller than the rate of non-replaced departures.

Clearly, the turmoil in the S&L industry, combined with the increased legal liability and public scrutiny of thrift management, made it difficult to recruit new directors. As a result, the average board size among the problem S&Ls declined consistently after 1984 from an average 8.38 directors in 1984 to 5.5 directors in 1989. In con-

trast, the average board size of consistently solvent Texas S&Ls remained relatively stable during the same time period, ranging from 7.88 directors per board in 1984 to 7.17 directors per board in 1989. The observed shrinkage in board size for organizations in decline is consistent with Gilson's (1990) finding of declining board size for bankrupt and financially restructured firms.

Discussion

Like several recently published studies on corporate failure and bankruptcy (e.g. Daily and Dalton, 1994; Gilson, 1990), the turmoil in the S&L industry during the 1980s -- particularly in Texas -- provides us with a unique opportunity to explore the role of governance. As indicated above, the 34 consistently solvent S&Ls in our sample ignored the diversity of opportunities offered by the newly deregulated environment and opted for the traditional model of a locally-based, mortgage-lending savings and loan association. In other words, the consistently solvent Texas S&Ls in our sample were managed considerably more conservatively and were more risk-averse than other Texas S&Ls. Our findings suggest that their conservative strategic orientation was combined with a stable governance structure; that is, the consistently solvent S&Ls experienced significantly less board turnover than their problematic counterparts. This finding is consistent with the conclusion of a report by the General Accounting Office (1989, p. 15), suggesting that failed S&Ls nationwide experienced greater turmoil in their internal control than surviving S&Ls. We also observed that growing uncertainty in the S&L market and declining S&L performance were associated with increasing turnover rates among directors. These findings are consistent with study results reported by Hermalin and Weisbach (1988) and Gilson (1990).

At first sight, these observations contradict the conclusions of strategic change research such as Goodstein and Boeker (1991) who advocate management and board turnover as a force which facilitates an organization's adaptability to environmental change. Or, as Brady and Helmich (1984) state: "The tendency of boards not to

change at all is in itself a threat to constructive change strategies." Interestingly, our findings actually may lend credence to this viewpoint. Although S&L solvency was positively associated with relative board stability rather than board change, Hubbard's (1992) analysis of S&L financial statements suggests that the likelihood of S&L survival in Texas in the 1980s was promoted by a conservative strategy that emphasized the traditional financial services of an S&L. That is, successful adaptation to the changing regulatory and market conditions basically implied a "no-change" strategy. Board stability apparently reinforced this conservative strategic orientation. One plausible explanation for this observation is that board members' long tenure on the board induced a sense of escalated commitment to successful strategies of the past.

It is generally accepted in organization research, such as Cohen (1993), that board members' tenure in an organization reinforces their commitment to traditional courses of action. Typically, such escalated commitment is perceived as a detriment to organizational success and survival (Staw, 1981). For Texas S&Ls during the 1980s, however, such commitment turned out to be a virtue rather than a sin. A more positive interpretation of the observed board stability at solvent institutions is that the directors' cumulative experience in thrift management may have helped them to accurately judge the challenges of the newly deregulated market and avoid the traps of rapid expansion and diversification.

In addition, it is highly plausible that constituencies viewed board stability at S&Ls as signals of confidence and control. In a time when the S&L market was in flux, such signs of stability could have been critical in re-establishing customer confidence in thrifts. Resource-dependency theory (Pfeffer and Salancik, 1978) emphasizes the importance of a board's role in creating legitimacy for financial, service, and non-profit organizations. In periods of decline and adversity, this boundary-spanning role of boards becomes even more essential for an organization's survival.

Conclusion

This study of the Texas S&L industry yields two major conclusions concerning the future direction of governance research. First, research findings on the desirability of certain board attributes or procedures cannot be interpreted without regard for an organization's strategic orientation. While board turnover may have been beneficial for the successful turnaround of hospitals during the 1980s, it is associated with the demise of many Texas S&Ls during that same time period. Board stability clearly is a significant characteristic of the consistently solvent thrifts.

Secondly, the study of corporate governance in conditions of organizational crisis or decline can contribute to our understanding of the strategic role of corporate boards. Past board research has underscored mainly its role as a boundary spanner and as an internal monitor of management performance (e.g. Walsh and Seward, 1990; Zahra and Pearce, 1989). Case studies of board functioning during sudden or gradual corporate crises (e.g. Lorsch and McIver, 1989) suggest that effective and timely governance by boards creates an organizational buffer that facilitates an organization's successful response to environmental challenges. In a hostile environment, a board's accurate assessment of an organization's weaknesses and external threats and its vigilance in strategic decision making may constitute the difference between survival and failure.

Suggestions For Future Research

Although our interpretations of our statistical findings are grounded in well-developed conceptual and empirical organization research, they also call for additional research. Clearly, the most promising avenue to pursue these issues is more longitudinal and field research on boards of directors which explores the dynamics of board operations as well as the profiles and motives of its members. Also, a strategic contingency model of board governance is needed to incorporate the findings of board research and delineate the conditions under which certain board structures and governance procedures are most effective. As Boyd (1995) suggests, organization life cycle, industry conditions, and competitive strategy are among the contingencies with potential relevance for governance.

Endnotes

1. See Kesner and Sebora (1994) for a review.
2. Recent literature reviews offer several explanations for this state of affairs, emphasizing inconsistent definitions of board variables as well as performance variables, and the cross-sectional nature of most studies (see Zahra and Pearce (1989) for a review).
3. For instance, Gilson (1990) observed that of a sample of 111 publicly-traded firms that declared bankruptcy or privately restructured between 1979 and 1985, only 46% of the incumbent directors and 43% of the CEOs remained with the company throughout the bankruptcy or restructuring procedure. The directors' turnover was relatively evenly distributed over time, suggesting that directors did not necessarily bail out before full disclosure of their firms' financial problems.
4. The active intervention of the FSLIC in the management and operations of insolvent thrifts came in two forms: the FSLIC facilitated the acquisition, merger, or liquidation of failing thrifts, and, in a large number of cases, replaced the thrifts' management and board.
5. A detailed analysis of the financial operating characteristics of failed versus solvent Texas thrifts can be found in studies by Gordon and Jordan (1989) and Hubbard (1992).
6. The authors identified a total of 39 Texas S&Ls with consistently positive retained earnings from 1985 through 1989. However, five of these thrifts were excluded from the present study because of missing data in the 1981-1984 period.
7. $$Z = \frac{p_1 - p_2}{\{[p_1(1 - p_1)/n_1] + [p_2(1 - p_2)/n_2]\}^{1/2}}$$
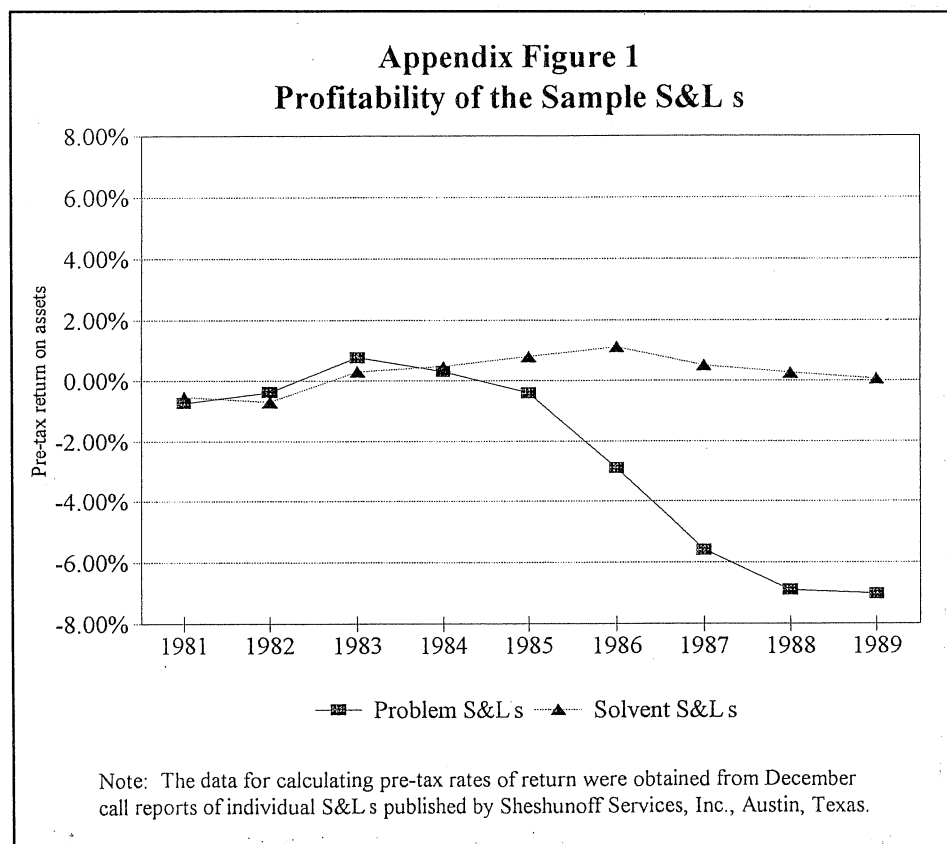
in which p_1 is board changes in the sample of solvent S&Ls as a proportion of all directors in the sample, p_2 is board changes in the sample of failing S&Ls as a proportion of all directors in the sample, n_1 is the total number of directors of all the solvent S&Ls for a given year, and n_2 is the total number of directors of all the failing S&Ls for that year. The Z value is a normally distributed test statistic so that a value of Z greater than 1.96 rejects the hypothesis of equality for p_1 and p_2 at the 0.05 level or better.

$$X^2 = \sum_{i=1}^{k}\left[(X_i - e_i)^2 / e_i\right]$$

in which X_i is the observed frequency of board turnover in a sample, e_i is the expected frequency, and k is the number of rows (2) times the number of number of comparison groups (solvent versus failing S&Ls). The rows are the number of board reductions or replacements in each of the two samples and the number of board members in the previous year not reduced or replaced for the two samples. That is, total board members in a sample less reductions or replacements represents the frequency of directors not reduced or replaced. The frequencies in the analysis of additions to boards were similar except the number of directorships not added included the total directorships for that same year. Since each X^2 calculation involves a total of four classifications, the critical value of X^2 necessary to reject the hypothesis of equality of the proportions of changes in boards of directors is 3.84 at the 0.05 level of significance.

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Appendix Figure 1
Profitability of the Sample S&L s

—■— Problem S&L s —▲— Solvent S&L s

Note: The data for calculating pre-tax rates of return were obtained from December
call reports of individual S&L s published by Sheshunoff Services, Inc., Austin, Texas.

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Appendix Table 1: Texas Thrifts That Were Consistently Solvent with Unimpaired Capital, 1980-89

# Thrift name	City	County	County Pop. 1985	County pop. 10 yr. growth	1985 Assets, (000)	Stock (S) Mutual (M)	Board changes	Years	Changes/ year
1 Angelina S&LA	Lufkin	Angelina	64,172	8.9	$29,935	S	7	9	0.78
2 Atlanta FS&LA	Atlanta	Cass	29,430	1.9	97,460	M	7	9	0.78
3 Cuero FS&LA	Cuero	DeWitt	18,903	-0.3	154,611	M	4	9	0.44
4 Dalhart FS&LA	Dalhart	Dallam	6,531	-16.4	66,160	M	5	9	0.56
5 First FS&LA	Beaumont	Jefferson	250,938	-4.6	294,151	M	6	9	0.67
6 First FS&LA	Bryan	Brazos	93,588	30.2	46,636	M	10	9	1.11
7 First FS&LA	Littlefield	Lamb	18,669	-19.3	64,900	M	2	9	0.22
8 First FS&LA	Longview	Gregg	99,487	5.5	125,282	M	9	9	1.00
9 First FS&LA	Paris	Lamar	42,156	4.3	157,902	M	5	9	0.56
10 First FS&LA	Tyler	Smith	128,366	17.9	96,919	M	4	9	0.44
11 First FS&LA	Wichita Falls	Wichita	121,802	1.1	80,909	M	8	9	0.89
12 First FSB	Lubbock	Lubbock	211,651	5.2	263,454	M	3	9	0.33
13 Fort Bend FS&LA	Rosenberg	Fort Bend	130,846	72.3	202,784	M	5	9	0.56
14 Gilmer S&LA	Gilmer	Upshur	28,595	9.7	26,998	M	5	9	0.56
15 Graham S&LA	Graham	Young	19,001	-4.6	70,999	S	12	9	1.33
16 Greater South Texas SA	Falfurrias	Brooks	8,428	-2.7	20,499	S	4	9	0.44
17 Henderson S&LA	Henderson	Rusk	41,382	5.7	70,452	M	2	9	0.22
18 Homestead SA	College Station	Brazos	93,588	30.2	28,272	S	7	9	0.78
19 Interstate S&LA	Perryton	Ochiltree	9,588	-4.8	66,895	S	10	9	1.11
20 Jacksonville S&LA	Jacksonville	Cherokee	38,127	7.7	154,327	M	4	9	0.44
21 Kilgore FS&LA	Kilgore	Gregg	99,487	5.5	89,935	M	15	9	1.67
22 Lufkin FS&LA	Lufkin	Angelina	64,172	8.9	174,054	S	9	9	1.00
23 Mid-Coast S&LA	Edna	Jackson	13,352	-2.3	20,777	S	5	9	0.56
24 Mineola FS&LA	Mineola	Wood	24,697	19.0	62,703	M	6	9	0.67
25 North Plains S&LA	Dumas	Moore	16,575	7.8	73,645	S	2	9	0.22
26 North Texas S&LA	Denton	Denton	143,126	91.1	112,939	M	2	9	0.22
27 Olympic SA	Refugio	Refugio	9,289	-14.1	30,741	S	4	9	0.44
28 Orange S&LA	Orange	Orange	83,838	-4.0	123,967	S	2	9	0.22
29 Shelby Panola S&LA	Carthage	Panola	20,724	6.3	70,172	S	4	9	0.44
30 Smithville S&LA	Smithville	Bastrop	24,726	54.7	31,526	M	2	9	0.22
31 Snyder S&LA	Snyder	Hale/Scurry	55,784	-4.4	31,342	S	6	9	0.67
32 South Texas SA	Victoria	Victoria	68,807	8.1	198,134	S	2	9	0.22
33 Sulphur Springs L&BA	Sulphur Springs	Hopkins	25,247	14.2	57,153	M	1	9	0.11
34 Terrell FS&LA	Terrell	Kaufman	39,015	33.8	24,164	M	8	9	0.89

Appendix Table 2: Control Group of Other Texas Thrifts, 1980-89

Thrift name	City	County	County Pop. 1985	County pop. 10 yr. growth	1985 Assets, (000)	Stock (S) Mutual (M)	Board changes	Years	Changes/ year
1 American S&LA	Lake Jackson	Brazoria	169,587	13.0	$280,501	S	27	8	3.38
2 Bayshore SA	LaPorte	Harris	2,409,544	17.0	60,938	S	10	7	1.43
3 Bluebonnet SA\	Hempstead	Waller	19,798	18.1	28,495	S	9	7	1.29
4 Capitol City SA	Austin	Travis	416,335	37.5	247,278	S	11	8	1.38
5 Charter S&LA	Corpus Christi	Nueces	268,215	8.5	410,914	S	17	7	2.43
6 Colorado County FS&LA	Columbus	Colorado	18,823	-2.3	212,500	M	6	7	0.86
7 Deep East Texas SA	Jasper	Jasper	30,781	1.0	48,530	S	13	9	1.44
8 East Texas S&LA	Tyler	Smith	128,366	17.9	311,592	M	13	8	1.63
9 First Capital SA	Houston	Harris	2,409,544	17.0	97,521	S	18	8	2.25
10 First FS&LA	Big Spring	Howard	33,142	-2.4	183,455	M	3	7	0.43
11 First FS&LA	New Braunfels	Comal	36,446	42.2	267,361	M	3	9	0.33
12 First SA of SE Texas	Silsbee	Hardin	40,721	1.5	42,990	S	8	9	0.89
13 First Texas SA	Dallas	Dallas	1,556,549	19.0	3,695,849	S	31	7	4.43
14 Gibraltar SA	Houston	Harris	2,409,544	17.0	5,050,650	S	23	7	3.29
15 Golden Triangle S&LA	Bridge City	Orange	83,838	-4.0	58,698	S	16	9	1.78
16 Gulf Coast SA	Richmond	Fort Bend	130,846	72.3	82,334	S	10	6	1.67
17 Home S&LA	Lufkin	Angelina	64,172	8.9	346,865	S	10	7	1.43
18 Jefferson S&LA	Beaumont	Jefferson	250,938	-4.6	150,891	S	10	9	1.11
19 Lamar SA	Austin	Travis	416,335	37.5	1,853,547	S	19	7	2.71
20 Liberty County FS&LA	Liberty	Coleman	10,439	-7.0	54,156	M	9	9	1.00
21 Marshall FS&LA	Marshall	Harrison	52,265	10.0	67,471	M	7	8	0.88
22 Mineral Wells S&LA	Mineral Wells	Palo Pinto	24,062	4.1	36,042	M	5	7	0.71
23 Mutual B&LA	Weatherford	Parker	44,609	45.2	130,997	M	6	9	0.67
24 Odessa SA	Odessa	Ector	115,374	3.1	182,519	S	5	7	0.71
25 Paris S&LA	Paris	Lamar	42,156	4.3	253,737	S	21	7	3.00
26 Plano S&LA	Plano	Collin	114,490	82.7	165,684	S	2	7	0.29
27 San Angelo SA	San Angelo	Tom Green	84,784	16.1	183,739	M	12	7	1.71
28 Security S&LA	Dickinson	Galveston	195,940	11.0	85,818	S	3	7	0.43
29 Sentry SA	Slaton	Lubbock	211,651	5.2	88,390	S	7	7	1.00
30 Southern S&LA	Brownwood	Brown	33,057	4.0	211,688	S	10	7	1.43
31 Southside S&LA	Austin	Travis	416,335	37.5	43,662	S	4	8	0.50
32 Spring Branch S&LA	Houston	Harris	2,409,544	17.0	175,746	S	17	8	2.13
33 Surety SA	El Paso	El Paso	479,899	42.6	282,995	S	12	8	1.50
34 Timberland SA	Nacogdoches	Nacogdoches	46,786	17.0	46,511	S	9	8	1.13
35 University SA	Houston	Harris	2,409,544	17.0	3,836,630	S	12	8	1.50
36 Yoakum FS&LA	Yoakum	Lavaca	19,004	-1.7	52,793	M	10	7	1.43