

Bank's value not reflected by stock price — chairman

By Tim Richard
staff writer

Despite shareholder complaints about the skidding stock price, a two-year decline in earnings and a "Taj Mahal" of a new headquarters in Troy, the chairman of Standard Federal Bank sees "better days ahead."

Thomas W. Ricketts said core earnings — mortgage loans, consumer banking and credit cards — plus tight management make his thrift institution one of the best in the state and the nation.

Ricketts called the recent \$7.50 stock price "goofy," adding that the 113-branch bank in Michigan and Indiana is on the federal list of approved buyers of troubled thrifits. A former mutual bank, Standard Federal converted to stock at about \$10 three years ago and has been priced as high as \$12.50 on the market.

"TERRIBLE PUBLICITY" has been partly to blame, Ricketts told the annual meeting Tuesday, citing the failure of thrifits in Texas and bad commercial real estate investments by New England thrifits.

"The thrifits in Michigan have not been tainted. Nobody in Michigan has been indicted," he said.

In the first quarter of 1990, Standard Fed's net income dropped 24 percent, from 42 cents (\$1.9 million) to 32 cents (\$9.7 million).

But he said four cents of that drop was due to a single factor — the federal Financial Institutions Reform, Recovery and Enforcement Act, which took effect last fall.

FIRREA means higher premiums on deposits, higher construction costs and a lower dividend on Standard Fed's Federal Home Loan Bank Investments.

"It's costing us 16 cents (per share annually) to bail out those banks in Texas, although we had nothing to do with it," Ricketts said.

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— Thomas W. Ricketts
Standard Federal chairman

Here are other shareholder questions and Ricketts' answers:

Q. Why are you "so glowingly optimistic in a company that seems to be sliding off?" Net income fell from \$67.4 million in 1987 to \$53.3 million in '88 to \$45.7 million last year.

A. Look at the middle lines and notice there are no flash in the pan earnings from sale of assets. For example, gains on sales of originated loans dropped from \$6.6 million to \$1.1 million to \$410,000 in those years.

"We've been trying to build core earnings. We have a marvelous branch network. We dominate the home lending field. We have no troubled loans," setting another state mortgage lending record.

Q. What is the cost of this Taj Mahal of a new building?

A. \$95-million for the land and building at 2600 W. Big Beaver Road, and it could be sold at a gain but won't be. SF has its operations and headquarters in a single building. In contrast to Comerica, First Federal and NBD, which have separate operations buildings.

"We're in the golden corridor, near Somerset Mall, K mart and VW. We have no country club memberships, no chauffeurs."

Besides being efficient to heat, cool and light, the "no nonsense, state-of-the-art" building helps attract employees.

Q. Are you planning any more acquisitions and mergers after the 1989 acquisitions in Kalamazoo and Monroe?

A. "We're a midwestern company," based in Michigan and Indiana. Possibly Illinois and Ohio thrifits will be acquired "but not Arkansas or Texas or Florida."

The credit card business will be housed in the Troy headquarters, not in a state where the usury interest rate limit is higher.

Q. Your ownership of stock is less than 50 percent of your earnings of \$600,000. A new member of the board owns 100 shares, less than 5 percent of a director's compensation.

A. "Every penny I have in this world (other than home) is in Standard Federal Stock and CDs. I own no other stock." Historically, SF has paid low executive salaries.

"We do not nominate directors on the basis of the amount of stock they buy," but for their services.

Q. In defense of management, there are marketplace pressures on the stock price — Magellan Fund is selling 50,000 shares of SF per day.

"A. Magellan Fund is selling SF shares to raise cash. But every quarter, "the pros" are buying more SF. Three years ago, only 15 percent of shares were owned by institutional investors; today 64 institutions hold 61 percent of the stock.

Series helps parents, teens to talk

Parent/Adolescent Life Skills (PALS), a new educational series for young men and women 12-19 years old and their parents or responsible adults, is being presented by Catholic Social Services of Oakland County.

The six-week series brings parents and adolescents together to learn new ways of communicating and building relationships, especially around issues of "growing up."

Subjects covered include physical, emotional and social development of adolescents, peer relationships, responsible attitudes and behavior, personal goals, self-esteem and assertiveness. The program includes informative presentations, films and group discussion.

For six consecutive Saturdays, from 1:30-4:30 p.m. beginning April 28 and ending June 2; and the Centennial Middle School, 62500 Nine Mile Road, South Lyon, for six consecutive Tuesdays from 7-8:30 p.m., beginning April 24 and ending May 29. The series is funded by a grant from the Department of Social Services.

For information on registration, call Stephanie House, 674-2203.

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