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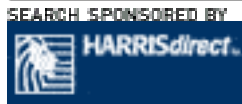
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A Bank Rebuilds

## Since Hurricane Katrina Rolled In, the Cash Has Rolled Out

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By [GARY RIVLIN](#)

Published: October 5, 2005

BATON ROUGE, La., Oct. 4 - Those first few weeks after the storm proved to be exhausting but heady times for Alden J. McDonald Jr., the chief executive of [Liberty Bank](#) and Trust, the largest black-owned bank in New Orleans. Two weeks after the storm, Mr. McDonald predicted that within days he would be reopening several of his eight branches in New Orleans.

But he never did. Optimism is harder to come by five weeks after Hurricane Katrina. Mr. McDonald and his staff remain stuffed into a makeshift warren of offices here, struggling with the new reality of running a bank where

the customer base has scattered and the money seems only to flow out.

The strain seems to be taking its toll. Speaking recently in his office, his voice sounded creaky, his eyes appeared heavy with fatigue. "Many things," Mr. McDonald said, expelling a long sigh, "are taking much longer than we had initially anticipated."

Mr. McDonald has agreed to allow a reporter to chronicle his efforts over the coming months to rebuild in New Orleans. He sat behind a large wooden desk and for much of that time he used his fists to prop up his head. Maybe it only seemed as if his head would hit the desk with a thump if he lowered his arms. When told he looked exhausted, he said, distractedly, "I'm supposed to get a haircut at some time today."

Money still flowed into Liberty in the early days after Katrina as customers deposited final paychecks and severance checks. The bank even managed to post nearly \$3 million in loans two weeks after the hurricane as a tiny fraction of Liberty's customers turned to the bank for a mortgage on a home in a newly adopted town.

But those rays of hope proved largely false. Deposits have slowed considerably since the first few weeks. Customers, meanwhile, continue to withdraw whatever savings they have, forcing the bank to rely on its reserve funds, which are deep but not limitless. And after that one robust week, the bank's loan business, Mr. McDonald said, "is down to almost nothing."

Everywhere he looks, Mr. McDonald sees his bank leaking money, like a boat whose hull has been blasted with holes. Liberty spent \$500,000 to buy a new mainframe computer and software to replace equipment destroyed by flooding, and has so far paid \$70,000 to a firm providing emergency computer backup services.

Before the hurricane, the bank collected roughly \$150,000 in loan fees and took in \$50,000 a month in A.T.M. charges. It logged another \$70,000 charging monthly service fees.

But Mr. McDonald has temporarily waived those monthly service fees for any customer living in an area with hurricane damage - or four in every five Liberty customers. And, of course, Liberty is not booking closing costs and other fees on loans it cannot make, nor can it collect charges for an A.T.M. network that has been down for more than a month.

One potential source of good news are all those charges customers are piling up on Liberty-issued credit cards, which means more commissions for the bank. Except Mr. McDonald is convinced that any extra fees the bank collects will pale compared with the bad credit card debt it will be writing off in the coming months.

"These are nervous times for the bank," said Norman C. Francis, Liberty's board chairman and one of its founders. "We'll be able to survive minimally, by doing business with the city and big corporations and what have you, but the question is, can we continue to serve as a community bank, which was always our reason for existing."

The company's large corporate clients, which include the likes of [Aetna](#) and [American Express](#), have assured Mr. McDonald that they will continue banking with Liberty. Still, to ensure that the bank will have enough money to

start writing loans when people are ready to rebuild, Mr. McDonald, who has run Liberty for more than 30 years, began reaching out to an extensive network of contacts around the country last week in search of well-heeled depositors.

"My plan is to have friends and corporations and other banks around the country send me \$100,000 deposits," Mr. McDonald said. "If I can convince 200 people and corporations to do this, that's \$20 million to replace funds that moved out of the community."

There were headaches and frustrations everywhere Mr. McDonald turned in the blur of those first days. There were backup tapes he sent out ahead of the storm that were missing for nearly a week and every day seemed to bring another excuse from the local phone company.

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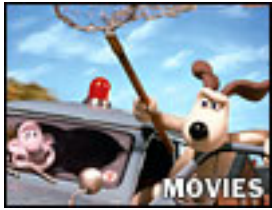
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But there were also daily victories. His main operations center, a low-slung, one-story building on the east side of New Orleans, filled with water to the ceiling, destroying his million-dollar central computer system. Yet in less than two weeks, the bank was back on the national network of A.T.M. machines. Customers were able to reach a makeshift call center, even if doing so required persistence.

Optimism has been harder to come by now that the employees have had a chance to see the damage wrought by the stinking waters that flooded five of Liberty's branches, and the vandalism that damaged two more.

Less immediate problems that had been designated "Week 3 issues" were renamed "Week 4 issues" - until they were recast as matters bank workers hoped to address in this, the fifth week after Katrina.

Those include essential functions like working A.T.M.'s (as of Tuesday, customers could still get access to their accounts only from non-Liberty machines), and the reinstatement of an advanced online banking center that - before the storm - rivaled those of much larger banks. Mr. McDonald had previously projected that the A.T.M.'s and the Web site would be up two weeks ago. Mr. McDonald said [BellSouth](#) had told him it lacked capacity on existing phone lines and would need to lay new cable.

The storm team that gathers each day in Mr. [McDonald's](#) office is, five weeks later, still dealing with a long list of other basic tasks that includes the retrieval of the cash, dirty and wet, sitting inside five waterlogged branches. Late last week, he was assembling teams to venture into the city to clean and count whatever money each branch had on hand. He still needed to dispatch teams to sift through the muck and see what records can be recovered.

Part of the holdup, Mr. McDonald said, is that only a small fraction of the 150-employee work force he had employed just before the storm has been able to find housing in the Baton Rouge area. "I've got 65 people - that's more than 40 percent of my people - who want to work but can't find housing," Mr. McDonald said. Another quarter of his workers have not bothered to check in since the storm. Helping employees find affordable housing in an area already overwhelmed by refugees is yet another item on Mr. McDonald's to-do list.

For all the money leaking out in recent weeks, nothing seems to gall him as much as the tens of thousands he has been forced to pay for computer backup. Knowing that service would cost a minimum of \$50,000 a month, he ordered a new mainframe computer almost immediately after learning that his had been destroyed. A new central computer would allow the bank to reconnect its A.T.M. machines and offer online bill paying and other banking services.

The new system was scheduled for delivery in mid-September. The truck arrived at Liberty's temporary headquarters more or less on time - except it carried with it only half the shipment. Another week would pass before the remaining parts arrived. A software glitch caused further delays.

Even in the best of circumstances, the money paid to the backup firm would eat at Mr. McDonald. But these, of course, are hardly the best of times for Liberty. "I'm losing money right now," Mr. McDonald said, "and I don't like losing money."

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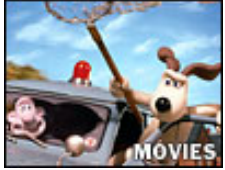
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