

Is Southeast Texas insulated from the nation's economic problems?

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March, 22, 2009

Why does Southeast Texas continue to seem like a lush green island surrounded by a sea of red ink?

What makes us so clever while the rest of the country resembles a rube in the big city whose pocket was picked clean?

"We're doing OK," said Bill Darling, the new market president for Capital One in Southeast Texas.

"Texas and Louisiana are somewhat insulated. There hasn't been the wild speculation or price appreciation in the real estate market. Banks, including Capital One, hasn't participated in it."

Darling said his frame of reference is local.

"Where I get my information is from my clients. We had a phenomenal year in 2008. We're not seeing the same level of growth, but we are seeing opportunities," he said.

Southeast Texas truly must be different from the rest of the country.

While Capital One Financial Corp., based in McLean, Va., has accepted \$3,555,199,000 in the federal government's Troubled Asset Relief Program, the local bank branches still are providing capital for growth, Darling said.

"We have clients buying equipment, growing their businesses," he said. "I'm hearing some cautiousness from clients, but certainly not despair."

True, there are clouds on the horizon - last week Motiva Enterprises said it was slowing down its \$7 billion expansion, which could disrupt employment and planning for local vendors, suppliers and subcontractors.

That, in turn ripples out to other businesses.

Darling uses phrases like "bread-and-butter banking" to describe how local financial institutions have approached their lending.

Businesses around here also are "salt of the earth," he said, meaning few established businesses are going to overextend to the point of failure.

However, the clouds on the national economy could envelop Southeast Texas as well if the deficit, as a percentage of Gross Domestic Product, becomes unsustainable, as Moody's economy.com's chief economist Mark Zandi warned last week.

"I think deficits of 5 percent (of GDP) are unsupportable," Zandi said. "It will lead to higher interest rates to the point where it will force policymakers to make changes."

The Congressional Budget Office is estimated a deficit of \$9.3 trillion for the years 2010 to 2019, dangerously high, the CBO said.

And banks are in precarious shape, having lost \$32.1 billion in the fourth quarter of 2008. Just a month ago, The Federal Deposit Insurance Corp. had estimated the losses at \$26.2 billion.

But Southeast Texas keeps rocking along, shielded somehow.

Perhaps it is the unglamorous real estate market setting a pace as torrid as a mall walker.

Perhaps it's because there never was much subprime lending here, if any at all.

Maybe it's because the region floats on a petrochemical sheen that shows like a slick rainbow in a puddle.

Pat Parsons, chairman and chief executive of locally owned CommunityBank of Texas, is matter-of-fact about the lack of turmoil in Southeast Texas.

"People should not have a problem getting a loan for a good project that makes sense," he said.