

MINUTES OF THE MEETING
BUSINESS AND INDUSTRY COMMITTEE
MONTANA STATE SENATE

The meeting of the Business and Industry Committee was called to order by Chairman Frank W. Hazelbaker on Monday, January 19, 1981, at 10:00 a.m. in Room 404 of the Capitol.

All members were present with the exception of Senators Boylan and Kolstad.

Senate Bill 2, sponsored by Senators Himsl and Regan was presented by Senator Himsl. Senator Himsl gave a brief history of the Bill, explaining that in the last Session of the Legislature, a Resolution was passed which allowed an independent study by a committee for the branching of financial and thrift institutions in the State. He cited Section 32-3-104, Montana Codes Annotated, which provides authority for a credit union to maintain additional offices and to allow a hearing procedure if the application is denied by the Department of Business Regulations. (See attached handout). Senate Bill 2 would eliminate discrimination, giving the State credit unions the same privileges as those allowed Federal credit unions.

Testimony was then given by Jeffery Kirkland, Director of Governmental and Community Relations for the Montana Credit Unions League. He stated that this Bill is the result of nearly a year of hearings, and would allow State-chartered credit unions to establish an additional office or offices. At this time he passed out written testimony, a copy of which is attached. In summary, Mr. Kirkland asked that the committee vote on this Bill "Do Pass".

Mr. Gene Rice, Chairman of the Montana Credit Unions League and Manager of the State Credit Union in Helena, then testified. After introducing himself, Mr. Rice gave a brief explanation of the functions of Federal and State credit unions. He stated: "There is no section of the Act which clearly spells out 'branching'. In Montana, because of the size of the state, a branch office could be a great service to the consumers. Credit unions, regardless of whether they have one office, or several, are very limited, due to the membership requirement". He gave as an example, the State credit union in Helena, which covers the following counties: Big Horn, Broadus, Choteau, Garfield, Golden Valley, Granite, Jefferson, Judith Basin, Lewis and Clark, Lincoln, Meagher, Musselshell, Petroleum, Pondera, Rosebud, Stillwater, Sweet Grass and Deer Lodge. He stated that credit unions do not have overlapping fields of membership, and he explained that, because of this, Yellowstone, Cascade, Gallatin and Missoula Counties are excluded from this group. Mr. Rice advised that because of the size of the group (18-25), no business would expand its funds to branch, the area being too small. He cited Powell County as a possibility

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for branching. Mr. Rice further explained that if this were determined feasible, it is possible that a single office space would be rented to establish a branch office in Deer Lodge. The only purpose of this would be to better serve the membership. It would give a member a more convenient location, as well as allowing the credit union to establish a better relationship with its members. Mr. Rice then urged the Committee to give this Bill a "Do Pass".

At this time, Senator Regan, one of the sponsors of this Bill, explained that State-chartered credit unions, as compared to Federal-chartered credit unions, are at a disadvantage. She said that credit unions have the right to branch, but that this delineates our method of branching. In conclusion she stated that the Bill stands by itself and on its own merits.

After discussion by the Committee, it was moved by Senator Dover and seconded by Senator Regan that we recommend this Bill with a Do Pass".

QUESTION: For: Five - Against: One

Senate Bill 2 PASSED.

There being no further business, Chairman Hazelbaker adjourned the meeting.


FRANK W. HAZELBAKER, Chairman

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ROLL CALL

BUSINESS and INDUSTRY

COMMITTEE

47th LEGISLATIVE SESSION -- 1981

Date 1-19-81

NAME	PRESENT	ABSENT	EXCUSED
Goodover, Pat - Vice Chairman	x		
Hazelbaker, Frank - Chairman	x		
Blaylock, Chet	x		
Boylan, Paul		x	
Dover, Harold	x		
Kolstad, Allen		x	
Lee, Gary	x		
Regan, Pat	x		

Each day attach to minutes.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

NAME:

DATE:

ADDRESS:

PHONE:

REPRESENTING WHOM?

APPEARING ON WHICH PROPOSAL:

DO YOU:

SUPPORT?

AMEND?

OPPOSE?

COMMENTS:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

TESTIMONY OF
JEFFRY M. KIRKLAND
MONTANA CREDIT UNIONS LEAGUE
SENATE BILL 2

SENATE BILL 2
TESTIMONY OF JEFFRY M. KIRKLAND
DIRECTOR OF GOVERNMENTAL RELATIONS
MONTANA CREDIT UNIONS LEAGUE

BEFORE THE SENATE BUSINESS & INDUSTRY COMMITTEE
ON MONDAY, 19 JANUARY, 1981

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, FOR THE RECORD I AM JEFF KIRKLAND, DIRECTOR OF GOVERNMENTAL AND COMMUNITY RELATIONS FOR THE MONTANA CREDIT UNIONS LEAGUE. OUR LEAGUE IS A TRADE ASSOCIATION REPRESENTING 133 OF 136 CREDIT UNIONS IN MONTANA. 108 OF THOSE ARE FEDERALLY-CHARTERED, AND 25 ARE STATE-CHARTERED.

SINCE SENATE BILL 2 WOULD AFFECT ONLY THE 25 STATE-CHARTERED CREDIT UNIONS, IT IS ON THEIR BEHALF THAT WE STAND IN SUPPORT OF THE BILL.

SENATE BILL 2 IS THE RESULT OF NEARLY A YEAR OF HEARINGS HELD BY THE LEGISLATURE'S INTERIM STUDY COMMITTEE ON THE BRANCHING OF FINANCIAL INSTITUTIONS AND, QUITE SIMPLY, WOULD ALLOW A STATE-CHARTERED CREDIT UNION TO ESTABLISH AN ADDITIONAL OFFICE OR OFFICES UPON PRIOR WRITTEN NOTICE TO THE DEPARTMENT OF BUSINESS REGULATION.

THE DEPARTMENT WOULD HAVE TO APPROVE THE ESTABLISHMENT OF ANY ADDITIONAL OFFICE UNLESS IT HAD COMPELLING REASON FOR DISAPPROVING IT. AND COMPETITION WITH ANOTHER FINANCIAL INSTITUTION WOULD NOT BE A SUFFICIENTLY COMPELLING REASON FOR DISAPPROVAL.

THE REMAINDER OF OUR TESTIMONY WILL SHOW THAT SENATE BILL 2 WOULD SET NO PRECEDENTS BUT WOULD SIMPLY ESTABLISH SOME CLEAR-CUT

GUIDELINES FOR A VERY SUBJECTIVE AND DISCRETIONARY PROCEDURE FOR ALLOWING CREDIT UNIONS TO ESTABLISH BRANCHES THAT HAS BEEN PRACTICED IN THE PAST.

BUT BEFORE DISCUSSING THE MERITS OF THE BILL, I WOULD LIKE TO ACQUAINT YOU WITH SOME INTERESTING BACKGROUND MATERIAL THAT SHOULD HELP TO BRING THE ISSUES WE'RE DEALING WITH INTO BETTER PERSPECTIVE.

FACT: FEDERALLY-CHARTERED CREDIT UNIONS CAN ESTABLISH BRANCH OFFICES IRRESPECTIVE OF STATE LAW. THAT MEANS THAT 110 OF MONTANA'S 136 CREDIT UNIONS CURRENTLY HAVE THE AUTHORITY TO ESTABLISH BRANCHES. IN FACT, FOUR FEDERAL CREDIT UNIONS IN MONTANA DO HAVE BRANCH OFFICES.

FACT: FEDERALLY-CHARTERED SAVINGS AND LOAN ASSOCIATIONS CAN ESTABLISH BRANCH OFFICES IRRESPECTIVE OF STATE LAW. THAT MEANS THAT ALL 13 OF MONTANA'S FEDERAL S&LS CURRENTLY HAVE THE AUTHORITY TO BRANCH. IN FACT, ALL 13 HAVE ESTABLISHED A TOTAL OF 44 BRANCH OFFICES THROUGHOUT THE STATE.

FACT: THE NATIONAL CREDIT UNION ADMINISTRATION (THE FEDERAL AGENCY THAT REGULATES AND SUPERVISES FEDERAL CREDIT UNIONS) LEAVES THE AUTHORITY FOR A FEDERAL CREDIT UNION TO ESTABLISH A BRANCH OFFICE ENTIRELY IN THE HANDS OF THE CREDIT UNION'S BOARD OF DIRECTORS. IN ESSENCE, THE DECISION TO ESTABLISH A BRANCH OFFICE IS SIMPLY A BUSINESS DECISION OF THE BOARD.

FACT: THE FEDERAL HOME LOAN BANK BOARD (THE AGENCY THAT REGULATES AND SUPERVISES FEDERAL S&LS) HAS DONE AWAY WITH ITS RULE THAT A FEDERAL S&L MUST APPLY IN ADVANCE FOR A BRANCH OFFICE.

ACCORDING TO THE FEDERAL HOME LOAN BANK BOARD, THE DECISION TO ESTABLISH A BRANCH OFFICE SHOULD BE A BUSINESS DECISION FOR THE S&L, NOT A DECISION FOR THE REGULATOR.

FACT: STATE-CHARTERED CREDIT UNIONS HAVE POTENTIAL BRANCHING AUTHORITY, BUT ONLY ON AN INDIVIDUAL, CASE-BY-CASE BASIS. THAT POTENTIAL AUTHORITY HAS BEEN CONFIRMED BOTH BY MONTANA'S ATTORNEY GENERAL AND BY THE COURTS. THE AUTHORITY FOR A STATE-CHARTERED CREDIT UNION TO ESTABLISH A BRANCH, HOWEVER, IS ENTIRELY AT THE DISCRETION OF THE DIRECTOR OF THE DEPARTMENT OF BUSINESS REGULATION. AND THERE ARE NO CLEAR-CUT GUIDELINES FOR THE USE OF THAT DISCRETIONARY AUTHORITY.

FACT: BOTH NATIONAL AND STATE BANKS ARE PROHIBITED FROM ESTABLISHING BRANCH OFFICES IN MONTANA. THE McFADDEN ACT--A FEDERAL LAW--CONTROLS NATIONAL BANKS' ABILITY TO BRANCH, MANDATING THAT NATIONAL BANKS HAVE TO ABIDE BY THE BRANCHING STATUTES OF THE STATE IN WHICH THEY ARE LOCATED. SINCE MONTANA HAS A STRICT PROHIBITION AGAINST BANK BRANCHING FOR STATE BANKS, NATIONAL BANKS ARE PROHIBITED FROM BRANCHING, TOO.

AS I MENTIONED, SENATE BILL 2 CONCERNS 25 STATE-CHARTERED CREDIT UNIONS AND WOULD GIVE THEM BASICALLY THE SAME BRANCHING AUTHORITY ENJOYED BY BOTH FEDERAL CREDIT UNIONS AND FEDERAL S&LS. HOWEVER, I HAVE STATED THAT MONTANA'S 25 STATE-CHARTERED CREDIT UNIONS HAVE POTENTIAL BRANCHING AUTHORITY, SO THE LOGICAL QUESTION IS "WHY IS THERE A NEED FOR A BILL SUCH AS SENATE BILL 2?" TO ANSWER THAT, A SHORT HISTORY OF BRANCHING FOR STATE-CHARTERED CREDIT

UNIONS IS IN ORDER.

IN RECODIFYING MONTANA'S CREDIT UNION STATUTES IN 1975, THE 44TH LEGISLATURE ENACTED SECTION 32-3-206, M.C.A., WHICH STATES IN PART THAT "THE DIRECTOR (OF THE DEPARTMENT OF BUSINESS REGULATION) MAY AUTHORIZE ANY CREDIT UNION TO ENGAGE IN ANY ACTIVITY IN WHICH SUCH CREDIT UNION COULD ENGAGE IF IT WERE OPERATING AS A FEDERAL CHARTERED CREDIT UNION AT THE TIME SUCH AUTHORITY IS GRANTED."

SECTION 32-3-206, OCCASIONALLY REFERRED TO AS THE "WILD CARD" STATUTE, GOES ON TO SPELL OUT THE PROCEDURE FOR THE DIRECTOR'S GRANTING SUCH AUTHORITY: "UPON RECEIPT OF A WRITTEN REQUEST FROM ANY STATE-CHARTERED CREDIT UNION, THE DIRECTOR SHALL EXERCISE SUCH POWER BY THE ISSUANCE OF A SPECIAL ORDER, THEREFOR, IF HE DEEMS IT REASONABLY REQUIRED TO PRESERVE AND PROTECT THE WELFARE OF SUCH INSTITUTION AND PROMOTE THE GENERAL ECONOMY OF THE STATE."

UPON PASSAGE INTO LAW, SECTION 32-3-206 REMAINED UNTESTED UNTIL AUGUST 1978 WHEN THE ATTORNEY GENERAL WAS ASKED BY THE DEPARTMENT TO RENDER AN OFFICIAL OPINION CONCERNING ITS EFFECT ON THE ABILITY OF STATE-CHARTERED CREDIT UNIONS TO ESTABLISH BRANCH OFFICES.

ON 3 OCTOBER 1978 THE ATTORNEY GENERAL HELD THAT STATE-CHARTERED CREDIT UNIONS ARE NOT AUTHORIZED TO OPEN BRANCH OFFICES ABSENT AUTHORIZATION FROM THE DEPARTMENT. "IT SHOULD BE NOTED, HOWEVER, THAT THE DEPARTMENT DOES HAVE THE POWER, ON A CASE BY CASE BASIS, TO ALLOW CREDIT UNIONS ORGANIZED UNDER MONTANA LAW TO BRANCH."

FOLLOWING ENACTMENT OF SECTION 32-3-206 BUT PRIOR TO THE ATTORNEY GENERAL'S OPINION, HOWEVER, ON 2 JUNE 1976 THE PRESIDENT OF MONTANA STATE HOSPITALS CREDIT UNION WROTE TO MR. HAROLD PITTS, WHO WAS AT THAT TIME DIRECTOR OF THE DEPARTMENT OF BUSINESS REGU-

LATION, ASKING FOR PERMISSION FOR THE CREDIT UNION TO ESTABLISH A BRANCH OFFICE AT GALEN STATE HOSPITAL, SOME THREE OR FOUR MILES FROM THE CREDIT UNION'S MAIN OFFICE AT WARM SPRINGS STATE HOSPITAL.

ON 7 JUNE 1976 MR. PITTS REPLIED, "BECAUSE OUR PRESENT MONTANA CREDIT UNION ACT CONTAINS NO PROHIBITION OF A CREDIT UNION HAVING A MEMBER SERVING FACILITY DETACHED FROM ITS PRINCIPAL OFFICE, WE HAVE NO REASON TO QUESTION YOUR PLAN OF HAVING A 'SERVICE OFFICE' LOCATED AT GALEN STATE HOSPITAL FOR THE PURPOSE OF EXTENDING YOUR CREDIT UNION'S SERVICES MORE CONVENIENTLY TO YOUR MEMBERS LOCATED AT GALEN."

HOWEVER, MR. PITTS MADE THE DISTINCTION BETWEEN A BRANCH OFFICE AND A MEMBER SERVICE FACILITY, IMPLYING THAT A BRANCH OFFICE IS A FULL-SERVICE OFFICE WHILE A MEMBER SERVICE FACILITY "SHOULD BE LIMITED TO RECEIVING PAYMENTS ON SHARES, RECEIVING PAYMENTS ON LOANS, TAKING APPLICATIONS ON LOANS, PERFORMING COLLECTION ACTIVITIES, AND OTHER NORMAL DAILY TRANSACTIONS THAT DO NOT REQUIRE IMMEDIATE DECISIONS BY YOUR CREDIT COMMITTEE, MANAGER, OR OFFICERS."

AND SO MONTANA STATE HOSPITALS CREDIT UNION IN 1976 BECAME THE FIRST AND ONLY STATE-CHARTERED CREDIT UNION TO IMPLEMENT A BRANCH OFFICE OR "MEMBER SERVICE FACILITY."

AGAIN, IF THE ATTORNEY GENERAL HAS CONCLUDED THAT STATE-CHARTERED CREDIT UNIONS HAVE POTENTIAL BRANCHING AUTHORITY AND IF PRECEDENCE HAS BEEN ESTABLISHED BY THE DEPARTMENT OF BUSINESS REGULATION TO ALLOW STATE-CHARTERED CREDIT UNIONS TO ESTABLISH BRANCH OFFICES OR MEMBER SERVICE FACILITIES, WHY THE NEED FOR SENATE BILL 2?

I MENTIONED THAT THE AUTHORITY OF THE DIRECTOR OF THE DEPART-

MENT IS DISCRETIONARY UNDER SECTION 32-3-206. AND IT IS. SHOULD A CREDIT UNION APPLY FOR A BRANCH, THE DIRECTOR MUST MAKE A DECISION. HOWEVER, WITHIN THE WORDING OF THE LAW, THAT DECISION MAY BE PURELY SUBJECTIVE. THE LAW DOES NOT ESTABLISH CRITERIA WITHIN WHICH THE DECISION MUST BE MADE. THE LAW DOES NOT STIPULATE A TIME FRAME WITHIN WHICH THE DECISION MUST BE MADE. AND THERE IS NO RECOURSE SHORT OF EXPENSIVE LITIGATION SHOULD THE DIRECTOR DENY THE APPLICATION. IN FACT, THE DIRECTOR NEED NOT EVEN EXPLAIN TO THE CREDIT UNION WHY HE DID OR DID NOT APPROVE THE APPLICATION.

AND IF THAT IS NOT DISCRETIONARY IN THE PUREST SENSE OF THE WORD, I DON'T KNOW WHAT IS.

SENATE BILL 2 WOULD ADDRESS THAT PROBLEM BY ESTABLISHING SOME CLEAR-CUT GUIDELINES. THE BILL WOULD SET NO PRECEDENTS NOR ALLOW STATE-CHARTERED CREDIT UNIONS ANYTHING THAT IS CURRENTLY PROHIBITED UNDER STATE LAW.

THE BILL WOULD MANDATE THAT THE CREDIT UNION NOTIFY THE DEPARTMENT IN WRITING OF ITS DECISION TO ESTABLISH A BRANCH. THE BILL WOULD ALLOW THE DEPARTMENT TO DISAPPROVE THE APPLICATION IF IT HAD COMPELLING REASON OR REASONS--FROM A REGULATORY OR SUPERVISORY STANDPOINT--FOR SUCH DISAPPROVAL. AND THE BILL WOULD ALLOW THE CREDIT UNION RECOURSE UNDER THE CONTESTED CASE HEARING PROVISIONS OF THE ADMINISTRATIVE PROCEDURES STATUTES SHOULD THE DEPARTMENT TURN DOWN ITS APPLICATION.

WHY WOULD A CREDIT UNION WANT TO ESTABLISH A BRANCH OFFICE? FOR ONE REASON ONLY, AND THAT REASON CAN BE STATED NO BETTER THAN BY RESTATING MR. PITTS' PHRASE FROM HIS LETTER TO MONTANA STATE HOSPITALS CREDIT UNION, "...FOR THE PURPOSE OF EXTENDING YOUR

CREDIT UNION'S SERVICES TO ITS MEMBERS...."

BUT BRANCHING IS BRANCHING, ACCORDING TO SOME, BE IT BRANCHING BY CREDIT UNIONS, S&LS, OR BANKS. AND WE HAVE BEEN ASKED BY A NUMBER OF LEGISLATORS WHY SENATE BILL 2 DOES NOT CONTAIN THE SAME TYPES OF GEOGRAPHIC AND POPULATION-BASED LIMITATIONS ON ESTABLISHING BRANCHES THAT ARE CONTAINED IN SEVERAL BILLS ADDRESSING BANK BRANCHING.

CERTAINLY, THE BANK BRANCHING BILLS DO CONTAIN GEOGRAPHIC AND POPULATION-BASED LIMITATIONS, BUT THE "COMMON BOND" REQUIREMENT UNIQUE TO CREDIT UNIONS IMPOSES ITS OWN PRACTICAL LIMITATIONS. AND THOSE LIMITATIONS ARE INHERENT WITHIN SENATE BILL 2.

UNLIKE OTHER TYPES OF FINANCIAL INSTITUTIONS THAT CAN DRAW FROM AND COMPETE FOR THE GENERAL DEPOSITOR BASE OF A COMMUNITY OR AN AREA, A CREDIT UNION IS STRICTLY LIMITED AS TO ITS NUMBER OF POTENTIAL MEMBERS IT COULD SERVE IF EVERY PERSON WITHIN THE CREDIT UNION'S FIELD OF MEMBERSHIP WERE A MEMBER. THAT IS DEFINITELY A PRACTICAL LIMITATION.

ON PAGE 8 WE HAVE LISTED 23 OF MONTANA'S 25 STATE-CHARTERED CREDIT UNIONS AND SHOW THE CREDIT UNION'S ACTUAL NUMBER OF MEMBERS AS OF SEPTEMBER 1980 AS WELL AS ITS POTENTIAL NUMBER OF MEMBERS IT COULD SERVE IF EVERY PERSON ELIGIBLE FOR CREDIT UNION MEMBERSHIP WERE A MEMBER. YOU CAN SEE THAT THE NUMBER OF PERSONS EACH CREDIT UNION CAN POSSIBLY SERVE IS STRICTLY LIMITED.

ON PAGES 9 THROUGH 11 WE HAVE AGAIN LISTED THE SAME 23 STATE-CHARTERED CREDIT UNIONS ALONG WITH A CONCISE DESCRIPTION OF THE "COMMON BOND" THAT EACH MEMBER MUST BE A PART OF TO QUALIFY AS A MEMBER. WHILE SEVERAL OF THE "COMMON BONDS" ARE SOMEWHAT EXTENSIVE,

STATE-CHARTERED CREDIT UNION MEMBERSHIP

SAMPLE: 23 of Montana's 25 state-chartered credit unions. Information drawn from September 1980 survey data.

Credit Union	Actual No. Members	Potential No. Members	Actual vs. Potential
1. Artcraft Reporter	72	80	8
2. Billings Conoco	837	1,925	1,088
3. Billings District Telephone	1,464	1,500	36
4. Billings Student	180	6,000	5,820
5. BN	1,900	unavailable	unavailable
6. Columbus Hospital	573	700	127
7. Flathead U.S. Employees	980	2,000	1,020
8. Gazette Employees	258	unavailable	unavailable
9. Lincoln Co. School Employees	238	350	112
10. Lincoln Federal Employees	635	1,000	365
11. Mission Range	221	270	49
12. Missoula Government Employees	2,700	5,000	2,300
13. Montana Army National Guard	676	unavailable	unavailable
14. Montana Central	4,769	10,000	5,231
15. Montana State Hospitals	526	825	299
16. Northwest Humble	940	2,000	1,060
17. Rimrock	1,115	5,100	3,985
18. State Capitol Employees	4,489	15,000	10,511
19. Valley	13,500	30,000	16,500
20. Yellowstone Teachers	3,412	5,000	1,588
21. Zonolite Employees	233	750	517
22. Freighters	296	400	104
23. Grange	96	1,000	904

STATE-CHARTERED CREDIT UNION FIELDS OF MEMBERSHIP

SAMPLE: 23 of Montana's 25 state-chartered credit unions. Information drawn from September 1980 survey data.

Credit Union	Field of Membership
1. Artcraft Reporter	Art Craft employees and Reporter, Inc. employees and members of their immediate families.
2. Billings Conoco	Continental employees, members of their immediate families, and retirees supervised out of Billings office; credit union employees and members of their immediate families.
3. Billings District Telephone	Mountain Bell employees in the Billings District and members of their immediate families.
4. Billings Student	Ninth to 12th graders currently enrolled in School District 2.
5. BN	BN Railroad employees and their immediate families, employees of affiliates of BN and their immediate families, and credit union employees.
6. Columbus Hospital	Employees of Columbus Hospital and members of their immediate families, credit union employees and members of their immediate families, and oragnizations of such persons.
7. Flathead U.S. Employees	Federal employees working or residing in Flathead County; employees of Montana Fish and Game and Forestry Resource Division who work or reside in Montana; persons residing in Flathead County who are retired from any federal government service; credit union employees; and members of immediate families of all above groups.
8. Gazette Employees	Employees of the Billings Gazette and members of their immedaite families.
9. Lincoln Co. School Employees	Lincoln County School Employees and members of their immediate families.
10. Lincoln Federal Employees	Federal employees in Lincoln County and members of their immediate families.
11. Mission Range	Residents of the community of Charlo and residents living within a 15-mile radius of Charlo.

STATE-CHARTERD CREDIT UNION FIELDS OF MEMBERSHIP (cont.)

Credit Union	Field of Membership
12. Missoula Government Employees	Employees of the U.S. government working in and/or supervised from within the boundary of Region I of the U.S. Forest Service; persons retired as annuitants and survivor annuitants from the U.S. government; credit union employees; and members of the immediate families of all above persons.
13. Montana Army National Guard	All full-time technicians of the National Guard; part-time guardsmen within the Helena unit; employees of the Department of Military Affairs; credit union employees; and members of the immediate families of all above persons.
14. Montana Central	Employees and officials of all other Montana credit unions; Small Employee Groups
15. Montana State Hospitals	Employees of Warm Springs State Hospital and Galen State Hospital and members of their immediate families.
16. Northwest Humble	Employees of Exxon Corporation and annuitants in the northwestern United States; and members of their immediate families.
17. Rimrock	Employees of the City of Billings and of Yellowstone County; employees of those counties adjacent to Yellowstone County; and members of their immediate families.
18. State Capitol Employees	Employees of the State of Montana living or headquartered in one of 22 listed counties; members of their immediate families; retirees from the State as pensioners.
19. Valley	Natural person members, customers, and employees of Cenex Oil Company of Billings; Farmers Union GTA Bean Division, Billings; Farmers Union GTA Feeds, Billings; Farmers Union GTA Elevator, Billings; Farmers Union Oil Co. (Cenex), Ryegate; Farmers Union Oil Co. (Cenex), Roundup; Yellowstone Valley Electric Co-op, Inc., Huntley; employees of small businesses that do business with the above co-ops who are unable to form a credit union of their own because of limited size. Natural person members and employees of Farmers Educational and Cooperative Union of America. Natural person employees of Farmers Union Insurances, Billings; Cenex Central Exchange

STATE-CHARTERED CREDIT UNION FIELDS OF MEMBERSHIP (cont.)

<u>Credit Union</u>	<u>Field of Membership</u>
	Warehouse, Billings; Cenex Fertilizer Plant, Billings; Cenex Soil Service, Billings; Cenex Exploration and Production Division, Laurel; Cenex Central Exchange, Laurel; credit union employees; and members of the immediate families of all persons listed.
20. Yellowstone Teachers	Employees of public school districts in Yellowstone County and members of their immediate families.
21. Zonolite Employees	Employees of Zonolite Co. and members of their immediate families.
22. Freighters	Consolidated Freightways drivers, dock workers, office personnel; and members of their immediate families.
23. Grange	Members of the Grange organization in Montana and members of their immediate families.

THE MAJORITY ARE VERY RESTRICTIVE AND THEREFORE PRECLUDE THE CREDIT UNION'S COMPETING FOR THE TOTAL MARKET SHARE OF AN AREA AS DOES A BANK OR S&L. AGAIN, THAT IS DEFINITELY A PRACTICAL LIMITATION.

A BANK OR AN S&L MIGHT PUT UP A BRANCH OFFICE IN THE COMMUNITY IT SERVES TO OFFER ITS CUSTOMER BASE A MORE CONVENIENT LOCATION AND/OR TO ATTEMPT TO DEVELOP A GREATER MARKET PENETRATION FOR ITS SERVICES. THAT SAME BANK OR S&L MIGHT WISH TO PUT UP A BRANCH IN ANOTHER COMMUNITY SOLELY TO PENETRATE A BRAND-NEW MARKET. IN EITHER CASE, THE BANK OR S&L HOPES TO ATTRACT NEW CUSTOMERS.

HOWEVER, A CREDIT UNION WOULD PUT UP A BRANCH TO OFFER MORE CONVENIENCE AND BETTER SERVICE TO THE VERY SAME NUMBER OF POTENTIAL PERSONS ELIGIBLE FOR MEMBERSHIP IT HAD BEFORE THE BRANCH. IT MIGHT ATTRACT POTENTIAL MEMBERS WHO WERE NOT USING ITS SERVICES BECAUSE IT WAS NOT CONVENIENTLY LOCATED, BUT AGAIN, THERE IS A DISTINCT LIMITATION AS TO THE NUMBER OF PERSONS THE CREDIT UNION CAN SERVE, NO MATTER HOW MANY BRANCHES IT ESTABLISHES.

ANOTHER VERY PRACTICAL LIMITATION WE WOULD LIKE TO POINT OUT IS THE RELATIVE SIZE OF CREDIT UNIONS COMPARED TO THAT OF BANKS AND S&LS AS IT APPLIES TO CAPITAL STRUCTURE. WHEN WE SPEAK OF LARGE CREDIT UNIONS, WE NORMALLY THINK OF CREDIT UNIONS OF \$1 MILLION OR MORE IN ASSETS. ON THE OTHER HAND, WHEN WE SPEAK OF SMALL BANKS, WE GENERALLY THINK OF BANKS OF AROUND \$15 MILLION. TO GRAPHICALLY ILLUSTRATE THE DIFFERENCE, WE HAVE RANKED THE 23 STATE-CHARTERED CREDIT UNIONS THAT COULD BE AFFECTED BY SENATE BILL 2 BY ASSETS ON PAGE 13.

OBVIOUSLY, MOST OF THOSE CREDIT UNIONS DO NOT HAVE THE CAPITAL STRUCTURE TO ESTABLISH AND/OR MAINTAIN BRANCH OFFICES, EVEN THOUGH

STATE-CHARTERED CREDIT UNION ASSETS

SAMPLE: 23 of Montana's 25 state-chartered credit unions ranked in order of assets. Information drawn from September 1980 survey data.

Credit Union	Assets
1. Valley	\$ 74,289,421
2. Yellowstone Teachers	8,785,751
3. State Capitol Employees	7,362,027
4. Montana Central	5,240,999
5. Missoula Government Employees	4,366,996
6. BN	3,600,000
7. Billings District Telephone	2,815,851
8. Billings Conoco	2,109,625
9. Rimrock	1,689,684
10. Northwest Humble	1,195,800
11. Flathead U.S. Employees	853,370
12. Lincoln Federal Employees	700,000 (Median size)
13. Montana Army National Guard	549,963
14. Freighters	518,409
15. Columbus Hospital	357,353
16. Zonolite Employees	299,843
17. Montana State Hospitals	282,000
18. Lincoln County School Employees	233,491
19. Gazette Employees	204,318
20. Mission Range	100,594
21. Grange	59,813
22. Artcraft Reporter	39,986
23. Billings Student	39,823

A SUBSTANTIAL SEGMENT OF THEIR FIELD OF MEMBERSHIP MAY NOT BE CENTRALLY LOCATED TO THE CREDIT UNION. HOWEVER, THE FACT THAT NOT ALL STATE-CHARTERED CREDIT UNIONS WILL BE ABLE TO ESTABLISH BRANCHES SHOULD NOT INDICATE THAT A NEED FOR CLEAR-CUT BRANCHING AUTHORITY DOES NOT EXIST. IN FACT, FIVE OF THE 23 STATE-CHARTERED CREDIT UNIONS RESPONDING TO OUR SURVEY INDICATED THAT THEY WOULD CONSIDER ESTABLISHING A BRANCH OFFICE TO BETTER SERVE THEIR MEMBERS WITHIN THE NEXT TWO YEARS.

IN CONCLUSION, SENATE BILL 2 ESTABLISHES CLEAR-CUT GUIDELINES FOR A BRANCHING AUTHORITY THAT HAS BEEN PREVIOUSLY ESTABLISHED--ALTHOUGH DISCRETIONARY AND POTENTIALLY SUBJECTIVE--BY STATUTE IN CONJUNCTION WITH AN ATTORNEY GENERAL'S OPINION AND A COURT DECISION AND BY PRECEDENT.

IT MAKES THE DECISION TO ESTABLISH A BRANCH OFFICE PURELY A BUSINESS DECISION OF THE CREDIT UNION'S BOARD OF DIRECTORS BUT ALSO ALLOWS THE DEPARTMENT OF BUSINESS REGULATION TO DISAPPROVE THE APPLICATION--NOT SUBJECTIVELY OR WITH NO WORD OF EXPLANATION BUT ONLY IF THE DEPARTMENT HAS A COMPELLING REASON FOR DISAPPROVAL. AND IT GIVES THE CREDIT UNION RECOURSE IN THE CASE OF A DISAPPROVAL.

THE GEOGRAPHIC AND POPULATION-BASED LIMITATIONS IMPOSED ON BANKS IN SEVERAL BANK BRANCHING BILLS ARE MEANINGLESS IN THE CONTEXT OF CREDIT UNION OPERATIONS, BECAUSE CREDIT UNIONS' UNIQUE "COMMON BOND" REQUIREMENT AND LEVEL OF CAPITALIZATION CREATE PRACTICAL LIMITATIONS JUST AS RESTRICTIVE AS THE LIMITATIONS PROPOSED FOR BANK BRANCHES.

FOR THOSE REASONS, WE ASK THAT THIS COMMITTEE RECOMMEND THAT SENATE BILL 2 DO PASS. THANK YOU.

STANDING COMMITTEE REPORT

January 19

1931

MR. PRESIDENT

We, your committee on BUSINESS AND INDUSTRY

having had under consideration SENATE Bill No. 2

Respectfully report as follows: That SENATE Bill No. 2

DO PASS

W.C.