# MINUTES OF THE MEETING
# BUSINESS AND INDUSTRY COMMITTEE
# MONTANA STATE SENATE

February 18, 1981

The meeting of the Business and Industry Committee was called to order by Chairman Frank W. Hazelbaker on February 18, 1981, at 10:00 a.m. in Room 404 of the State Capitol.

All committee members were present.

Chairman Hazelbaker introduced Senator Himsl, who defines Senate Bill 5, which is to authorize branch banks and additional bank drive-in and walk-up facilities subject to specified limitations and requirements.

Senator Himsl states that he is from District 9, Kalispell. He advises that Senator Regan is really the sponsor of this Bill. There are divided philosophies and economic differences on this issue. He added that he had just received a Petition from the City of Troy, asking for banking services in their community.

PROPONENTS:

None.

OPPONENTS:

Harold Pitts, representing the Montana Independent Bankers, stated that he is opposed to this Bill.

Phil Sandquist of the First Security Bank of Bozeman, said that he has been with the bank for 35 years. He said that it has always been an independent bank. He wonders who wants monopoly banking, and he adds that it is the First Bank of Minneapolis which now controls 41% of the Montana assets. He refers to the State of Arizona, which has three banks that now control 87% of the total assets in that state. He said that in a branching system you have no more bank presidents nor local directors nor stockholders. He asks, is this a de-regulation? I feel that it is a shift of banking controls from Montana to out of state. We are losing control of Montana companies and deposits. The money will not be in the community for the benefit of local borrowers. Independent banks have local control, and you have small business. The community bank has a local Board of Directors who control the functions of the bank. Once this Bill is passed, there is no way to back up. No state has ever established bank branching by the vote of the people. I refer you to the state of Colorado, which put branch-banking to the people, and it was voted down, three-to-one. Branching has always been put in by a legislative action; not by the people. This Committee will make an important decision that will affect a lot of money. He added that he hopes that we will not allow out-of-state companies to line their pockets with Montana money!

Jack King of the Valley Bank of Kalispell, said that a report to the Independent Bankers of America indicated that out of 14,000 banks, 1,250 banks branch, and 11,000 banks do not branch. In branching states there is one branch for every 4,449 people, but the branch never competes with parent or sister banks, so that you have only come competitive bank for every 52,000 people. Currently, Montana has one bank for every 4,700 people.

In Montana we not only have unit banks available, but each of our banks represent an independent entity.

This Bill's passage will lead to:

1. Reduction of independent banks.
2. Concentration of independent assets. Unless Montana is ready to reconize that Montana bank systems have been and still do the best possible job for Montana, banks can keep our assets from being wallowed up by out-of-state corporate banks.

QUESTIONS FROM THE COMMITTEE:

Senator Lee to Senator Himsl: The reasoning behind this Bill is that the Interim Committee has forecast a trend to branch banking. Is that correct?

Senator Himsl, yes, that is true.

Senator Lee: Is another reason behind this Bill the Federal Depository Act of 1980?

Senator Himsl, This committee was set up at the request of the Legislature two years ago at the request of the banking industry.

Senator Lee: You mean this was begun before the Banking Act of 1981, and it had nothing to do with this?

Senator Himsl: That is correct.

Senator Kolstad then asked Senator Himsl if, in regard to the new language in this Bill on page nine, what would be a compelling reason for disallowing a branch - are there any? Senator Himsl said that if there were too many banks in the first place, if they couldn't get enough insurance to protect the public, in my opinion the community need was not served. It could be denied, but not just because it was competing with somebody else.

Senator Kolstad then asked Senator Himsl if competition is not one of the criteria. The distance is the main criteria, is that correct, and Senator Himsl replied that it could be, or it could be whether or not the bank that was doing this was solid enough.

Senator Goodover said: I have a question for the gentleman from Kalispell (Jack King): You indicate that the banks can handle Montana's financial concerns without going to out-of-state interst. How do you explain that Montana banks have been sold in the last several years? Don't these banks usually change hands to go wherever the money is?

Jack King replied, usually, but they have to move in the area and handle this.

Senator Goodover replied: This is true of my business.

Senator Himsl explained: This is a compromise Bill; there is a lot that you do not know about the banking business. He said that he has been in this business for 33 years, and his family was in it before this. Most banking relations are to increase dividends to the stockholder. The local people on the Board have an input in their decisions. People who serve on these boards can exercise their influence. He said that he has seen a lot of changes in the banking business, and he is a bit afraid of what we will see soon. Savings and Loans and Credit Unions have expanded, and they are branching. Bankers cannot wait and not do anything! He referred to Merrill, Lynch and Sears Roebuck in the work that they are now doing in this area. He said that he is not sure that this Bill is the Bill we want, but it should be looked at as a means of addressing a problem which will not go away. He also said that if you want to compete, you will have to use the same rules and structures. Fifteen percent of assets of our country in banks are now held by foreign interests; Britain, Hong Kong, Saudi Arabia, France and Italy, as well as others.

Senator Hazelbaker then introdued Senator Regan who introduced Senate Bill 247. She explained" We had this Bill drafted more in response to what Federal regulation is going to do rather than because of what we may want to do. It will allow state banks to branch if national banks are allowed to do so.

PROPONENTS:

Harold Pitts, representing the Montana Independent Bankers Association, said that he is in favor of this Bill, as did Ed Jasmin, President of the Northwestern Bank of Helena.

QUESTIONS FROM THE COMMITTEE:

None.

At this time Senator Hazelbaker introdued Jay Fabrega, Chairman of the Business and Industry Committee in the House. Representative Fabrega explained that he represents District 44, Great Falls. He described the Bill which he is introducing, House Bill 183: This Bill allows detached facilities with limitations based on distance and location. He explained that this is the compromise of the compromise. As he said, detached facilities are not branch banks; services which they provide are limited, whereas branch banks can supply all services.

He explained that two amendments were put on the Bill as introduced: one struck the provision allowing a detached facility to conduct transactions opening deposit accounts, and the other dealt with applications. This is simply to allow banks to extend their facilities to serve the customers that they presently have. If you have a detached facility, you can save money and customers.

PROPONENTS:

Warren Vaughn, Vice President of the First Northwest Bank of Billings. Mr. Vaughn said that he supports Senatoe Bill 5 and House Bill 183. He stated that the Montana Bankers Association has had difficulty with this; the Montana Bankers Association has passed a Resolution which said that they will not take a position on this Bill nor any Bill. We need fairness for all financial instituions - we need equality. The most important issue is competition and service, which, as used here, are almost synonymous. There are 12 National Savings and Loans, which have 53 branches, and there is now, in effect, the Federal Monetary Deregulation Act. This gives the Savigns and Loans the privileges that the banks have. In the 1980's, everyone will be investigating the area of commercial service. Senate Bill 2 has received approval; this is for statewide branching of credit unions. Equality is necessary among banks, and especially banks which operate as a unit bank. The may be owned locally, by one family, a number of people in the community, or by someone in another state. There is also the chain bank, which is tow or more banks which have a common ownership or control. This may be someone in the community, someone in another community, an individual, or someone in another state.

The alrgest type of banking structure is a holding company which is a corporate banking structure which owns many banks and may be formed either in-state or out-of-state.

Generally, he said, banks are state or national, and operate as a company bank. He explained that in the period of time that it has taken House Bill 183 to come from the House to the Senate, two banks in the State of Montana changed their status. Of the 160 banks in the State of Montana, there are only 27 banks owned by out-of-state holding companies. The most important factor for that is the matter of competiton for service. Some would have you believe that a unit bank or a chanin bank cannot compete with other banks or holding companies. In every large town there are one or more large out-of-state holding companies or banks. Independent banks do compete, and they do well. We hear that there are horrible things about size and concentration. In Montana we have one nationally chartered savings and loan. This savings and loan as branches from Superior in the West to Sidney in the East. We have a holding company which is owned in Minneapolis First Bank or Northwestern Bank System. We have an instate holding company in Billings. These three banks in Billings control 36 of the banking assets in Laurel - Yellowstone County. Fifty-six communities in the State of Montana have only one bank. The well-managing smaller banks are about to compete against large banks. We all want to do a good job, and we want to make a profit. No type of bank has a monopoly on good service. The small bank has no apology to make for its service in the State of Montana. Costs of establishing a facility or a new bank are two: a place to do the business - land - and the structure and the capital. If you open a detached facility, you are immediately relieved of the expense of a capital investment which a branch requires. We have five downtown banks. In conclusion, we want fairness, equality and competition. We should be looking for more ways to compete, and for less reasons to quarrel. This is a modest change - this is a compromise.

PROPONENTS:

Dick Burke, of Western Analysis Incorporated, Helena, said that he is in favor of economic developement and capital formation. He said that his firm did a study on competition between financial institutions. We have found out that economic performance in this state has been lagging compared to nationally. We have limited employment opportunitites. Local economics rely largely on capital availability and formation. You have to have capitol for economic growth and economic development. Sixty percent of all the new jobs in this state since 1970 are in firms that employ less than 50 people. Small business development is the concern of every department of local government. New businesses are critically dependent on the availability of capital in the local area. House Bill 183 and Senate Bill 5 are related to capital formation in one simple way: They both are trying to ease the restrictions on banking in this state. Competition in an industry is dependent upon ease of entry of new firms into that area. One benefit is that when competition is greater, as opposed to less, the consumer benefits. The more competition, the more benefit to the consumer. Mr. Burke stated that he believes that House Bill 183 is a good step for Montana. He said that it is an approach to make the state banking laws less restrictive. It will generally improve the comparative situation of the banking system in this state.

Ann Angelique, a concerned citizen from East Helena, stated that there are times in the Winter when it is difficult to drive into Helena to bank. This has been an easy Winter, but sometimes it is not so easy. The Rocky Mountain Development sends a bus to East Helena, and the older ladies use it to get into town. Energy and gasoline are a problem. She said that if they had a bank out there, they would save energy.

Bonnie Evans, a concerned citizen from the Helena Valley, stated that there are 2,500 homes in the valley. Recently one of the local savings and loan associations set up a branch in a local super market, which is convenient for the valley residents. The banks cannot do this, and it is not fair to the people who want to stay with their local banks.

Dutch Elmdahl, representing First Western Bank of Billings, said that this bank has been in existence for 20 years. He explained that it was hard to get started, but they are now affiliated with the First Bank of Minneapolis. He stated that he recently went to Hysham, Glendive, Sidney and Malta, where he found eight independent banks that have no objections to a banking bill such as this. He commented that North Dakota has 70 facility banks. In regard to his bank, they just want to serve existing and prospective customers. When they started they were the only facility on the West Side; now there are two other banks, three savings and loans and two credit unions. The effect of this Bill will not influence Hysham, Libby and Stevensville; he emphasized that he is not talking about a branch banking bill.

Bill Andrews, former President of the Northwestern Bank of Helena, spoke in favor of House Bill 183. (Please see handout). He said that the handout is from the Montana Banking Association. He explained that the purpose of this is to give existing banks the opportunity to follow their customers. He advised that we see a great need at this time to extend our facilities. The Law gives existing banks protection. The regulatory authority must approve this, and they do not permit this to the detriment of another bank. He said that he has never heard of a bank that has failed because of too much competition; the vast majority of business and professional people, and other people, would all like to have more facilities closer to their homes and businesses. The only business that he knows that is opposed to this is the small banks - they do not want the competition.

Ed Jasmin, President of the Northwestern Bank of Helena, stated that this bank has been in Helena since 1898. He said that he is proud to represent the Northwestern Bank. He advised that two years ago the White House instituted a study on banking in the United States, and he distributed copies of this. (Please see handout). He referred to page two, under introduction, and he read this out loud. He explained that California leads in newly-chartered banks, and it has the largest branching network. He added that nationwide branching is being considered.

Harry Latin, of the Conrad National Bank of Kalispell, also spoke in favor of this Bill. He advised that last year the trade area in Kalispell shrank. Credit unions increased, and savings and loan companies increased their facilities. The two independent banks are under community owenrship, but a third one coming in has one-person-ownership. He is definitely in favor of the Bill. He feels that it will be a benefit for competitive purposes, and he urges "Do Pass".

<u>OPPOSITION:</u>

Harold Pitts, representing the Independent Bankers of the State of Montana, stated that contrary to what these gentlemen are sying, we just want to exist along with these banks. They have grown and blossomed, along with the rest of the state, but he does not think that they need to expand. (Please see handout). He doesn't think that there is enough public support for this type of operation. This Bill is really a perennial Bill; it has been in the Legislature almost every session since 1965. Last year this Bill was defeated by this body. If these banks really want to render a service to their communities, there is legislation on the books which would permit them to to this. He refers to the Electronic Funds Transfer Act. He then refers to Senator Pat Regan and stated that she was a great help in passing this Bill. He said that they could expand on this Bill, but it will not permit them to reach their ultimate goal, which is just branch banking. There are only about 10 cities in the State of Montana, which will be affected by the passage of this Bill. There are about 162 banks in the State of Montana; 25 of them are owned by out-of-state holding companies. Eighteen of the 22 largest banks in this state are owned and operated by the three largest holding companies in the country. (Please see handout). They haven't lost ground by the establishment of new banks in their communities. Western Bank Corporation is the multi-banking state holding corporation in the United States. They operate in 11 states. Every member of this Committee received a letter. In Yellowstone County there are 13 banks - 10 signed this letter. They oppose the passage of House Bill 183. Only a small fraction of the dividends come back to the stockholders in Montana. In local banks the majority of dividends comes back to stockholders in the State of Montana. It would cost a minimum of $250,000 to set up a branch bank. This has to be paid for by someone. It is more expensive to operate a branch bank than a unit bank. He does not think that there is any necessity for changing this. He encourages a "Do Not Pass" recommendation on House Bill 183.

Don Hagler, owner of Hagler's Mortuary, Helena, Montana, and a mortician, said that he likes the detached facility, but he does not like the distance involved. You could have a bank tie up 4,000 feet. Zoning enters into this. Banks are zoned for certain areas. Banks could buy a corner; that eliminates competition; he is against a Law which limits competition.

Dan Edwards, of the Frist Western Bank of Bozeman, stated that it is hard work to put up the capital fora new bank; this takes risk and sacrifice. He feels that they should not have to take the disrimination of a new bank opening up without this same type of difficulty. These banks have to be set up in accordance with the regulations imposed by the Deaprtment of Business Regulations. His bank is owned by 90% Montana residents; all decisions are made locally. They feel that this is an important part of our banking system.

Warren Schniver of the First State Bank of Whitefish, advised that they are opposed to the Bill. This Bill, as it is proposed, would expand into a branching Bill which would have a definite effect upon the small banks which they represent. It would cause a hardship on the banking community without giving any additional services to the consumer which is not requested in this Bill.

Jack King, Chairman of the Valley Bank of Kalispell, said that he feels that Montana is already well-served by banking facilities. Other states, as compared to Montana, have no better service. The object of this Bill is to develop more facilities, which we do not need. (Please see handout). The entire idea of a bank statement is to look at your capital and surplus account. Most independents are approaching the 50% maximum for capital expentirues. Rent in a good public location is not inexpensive. A drive-in window can run from $5,000 to $15,000. You will not buy this on a contract; you have to lease it. You are regulated by the FDIC and the Department of Business Regulations in the State of Montana. You also have to have permission to open a new bank to service outlying areas. There are banks already doing this, and they are owned by Montana citizens. Most of these are perimeter banks. He gives the Evergreen Bank of Kalispell as an example. The downtown banks are trying to set up another facility to service their customers. Most services are already provided. Some big chains have a problem with this to. The Bank of Montana in Billings has a new building. They have spent a lot of money, but they cannot build any drive ins Some consideration should be given to the Montana people who are attempting to do something for the people of the state right now. He urges "Do Not Pass".

John Scully, representing the Montana Independent Bankers Association, stated that they are definitely opposed to this, as well as to Senate Bill 5. He said that the large banking interests, compared to the independent banks, are charging the consumer 2% more. It has been suggested that you should really look at this Bill, and see that it really has nothing to do with branching. North Dakota has had a situation allowing facility banking. This was in existence many years ago. They are going to expand this now, and make them branches. Minnesota is promoting for an all-out branching effort in the State of Minnesota. No one has talked about competition as to what we are competing for. A bank is dealing with someone else's money; it is not your money. The competition is not a service to the consumer; it is competiton for the deposit. When times are tough, you cannot get a loan. When things are good, you can get money. Mr. Burke's firm was hired by the Governor, and he was also hired by the proponents of this Bill to make a case for branch banking. In regard to competition, credit unions and savings and loan leagues are competing for the dollar. The banking system is supposed to protect the deposits of the people in the state. Branching is a monopolistic practice. He feels that Senator Himsl is right; what is in the best interest of the people who are served, and my opinion is that the best service is to provide a financial institution when it is needed in the community. We should maintain and control Montana dollars in the state. This is the field of the big boys. The only level to stop this at is at the State level; he opposed Senate Bill 183.

George Bullbeck of the Western Bank of Billings, said that he opposes Senate Bill 5 and House Bill 183.

Phil Sandquist of the First Bank of Bozeman, urges "Do Not Pass".

<u>QUESTIONS FROM THE COMMITTEE:</u>

Senator Goodover to Warren Schriver from Whitefish: Will Senate Bill 183 affect you?

Warren Schriver replied, yes, it is opening the door because we are in the process of changing locations in our banks. We are at our maximum of the capitol surplus for building. It would not allow us to have an extended facility.

Harold Pitts asked: What did it cost the bank here to put in the facility at the Capitol Hill Shopping Center: Paul Caruso bought property across the street from there; he paid around $300,000, and now he has to get $250,000 to put a building on it for a drive-in facility.

Senator Goodover stated that he understood that it was around $20,000, and Mr. Pitts agreed that that is probably right.

Senator Goodover commented: I served on the Interim Committee for this. Most of the people who have never had branch banking are not in favor of it. People who have had branch banking favor it.

Senator Lee asked Mr. Elmdahl: Does your company have banks in North Dakota, and Mr. Elmdahl answered that it does.

Representative Fabrega said that the Hearing has been to the point. He commended the people who oppose this. He said, if you accept the logic of the opposition, it might cost more to build facilities, but there are savings, e.g., gas. If you do this, you should limit the openings of businesses that serve the consumer. The banks are having a fight, and other financial institutions are taking advantage of this. It is up to you to make the determination as to whether or not it is in the best interest of the voters. He added that he prefers dealing with people, not with machines. Representate Fabrega then added: If you tie House Bill 183 and Senate Bill 247, you would have a solution, if Congress were to allow inter-state branch banking. If the Congress should authorize interstate banking, the fiscal work of a detached facility would be no different than a branch bank. There is a difference; the detached facility does not allow them to get information. These same stories were heard in the Minnesota Legislature. This was proposed. (He then reads a letter regarding this situation.) The 1977 Detached Facility Bill was extremely controversial.

At the conclusion of the meeting there was some discussion about holding Executive Session, but because the meeting had been so lengthy, Chairman Hazelbaker decided to call an Executive Session at a later time.

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

FRANK W. HAZELBAKER, Chairman

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ROLL CALL

BUSINESS and INDUSTRY COMMITTEE

47th LEGISLATIVE SESSION -- 1981 Date Feb. 18, 198

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| 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 | | |
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Each day attach to minutes.

NAME: Harold Pitts DATE: 2-18-81

ADDRESS: Helena

PHONE: 442-7109

REPRESENTING WHOM? Montana Independent Bankers

APPEARING ON WHICH PROPOSAL: H.B #183

DO YOU: SUPPORT? ______ AMEND? ______ OPPOSE? X

COMMENTS: ______

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Harold Pitts DATE: 2-18-81

ADDRESS: Helena

PHONE: 442-7109

REPRESENTING WHOM? Montana Independent Bankers

APPEARING ON WHICH PROPOSAL: S.B #5

DO YOU: SUPPORT? ______ AMEND? ______ OPPOSE? X

COMMENTS:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Vonnie Evans DATE: 2-18-81

ADDRESS: 705 Motsuff Road

PHONE: 442-3484

REPRESENTING WHOM? self

APPEARING ON WHICH PROPOSAL: SB5; SB 247 + HB183

DO YOU: SUPPORT? X AMEND? ________ OPPOSE? ________

COMMENTS: I support HB183 as a pro-Competitive compromise measure

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: [illegible] DATE: [illegible]

ADDRESS: [illegible]

PHONE: [illegible]

REPRESENTING WHOM? [illegible]

APPEARING ON WHICH PROPOSAL: AB 153

DO YOU: SUPPORT? X AMEND? OPPOSE?

COMMENTS:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Fact Sheet
Senate Bill #239
Insurance Premium Finance Company Act

## INTRODUCTION

The Premium Finance Act authorizes the creation of Insurance Premium Finance Companies, provides procedures for investigation and licensing of applicants, regulating premium finance transactions and sets interest rates and late charges.

## NATURE OF BUSINESS

An Insurance Premium Finance Company (hereinafter "finance company") is a business that finances insurance premiums for a person or business requiring insurance. The finance company pays the insurance premium to the insurance company on behalf of the insured. The insured then repays the premium plus the finance charge in periodic installments to the finance company. This financing arrangement may be used by businesses wishing to acquire insurance as well as consumers.

Many states have acts similar to the present Bill including Minnesota, Washington, Oregon and Oklahoma.

Montana does not have a statute authorizing the financing of premiums and it is presently prohibited by the Commissioner of Insurance. Attorney Generals Anderson and Woodahl respectively ruled that the Retail Installment Sales Act and Consumer Loan Act do not generally regulate the financing of premiums. Notwithstanding this situation, Insurance Premium Financing is being conducted in Montana under the guise that the transactions are being entered into outside the state under the laws of states that do regulate the financing of premiums.

## THE ACT

### Licensing

Applicants for a Premium Finance License file an application and pay a $100.00 annual license fee to the Commissioner of Insurance. The Commissioner makes an investigation of each applicant to insure that they are of good character and will comply with the requirements of the Act.

Since some financial institutions are regulated by other state and federal law, savings and loan associations, banks, trust companies, licensed finance companies, credit unions and resident insurance agents are exempted from the Act's provisions. For example, banks and savings and loans often finance insurance premiums when an individual purchases a house; finance companies finance insurance premiums with sales under the Retail Installment Sales Act. Insurance agents would be regulated under Senate Bill 210 which will allow them to charge interest on unpaid receivables after 30 days. The Insurance Premium Finance Act is necessary to allow the financing of insurance premiums in transactions that do not involve a loan, credit sale or an otherwise unregulated lender.

The Commissioner may revoke or suspend a license if after an investigation determines that the license was obtained by fraud, misrepresentation on the application, the licensee is untrustworthy or incompetent or the company has violated any provision of the Act. The records of premium finance companies must be maintained for at least three years and shall be open to examination and investigation by the Commissioner.

## Regulating the Finance Contract; Charges

Section 7 of the Act establishes requirements for premium finance contracts including the size of the print (8 point) and the disclosure of applicable finance charges. The finance or service charge may not exceed interest at the nominal rate of 21%, plus a set-up charge to a maximum of $12.50 per premium finance agreement, which need not be refunded upon cancellation or prepayment. If an insured prepays his premium loan prior to the due date the unearned contract charge shall be refunded in accordance with the Rule of 78's. A delinquency charge of $1.00 to a maximum of 5% of the delinquent installment but not more than $5.00 may be assessed on any payment that is more than 5 days late. A premium finance agreement may also provide for the payment of attorneys fees and court costs if the agreement is referred to a private law firm for collection.

## Cancellation

If a contract contains a clause authorizing cancellation of insurance upon default, the finance company may cancel any insurance contract listed in the agreement by giving 10 days written notice to the insured of the intent to cancel the policy unless the default is cured. The insurance agent or broker is also to be mailed a notice.

The Act also protects other parties interested in seeing that an insurance policy is maintained. The Act recognizes statutory, regulatory and contractual restrictions providing that an insurance contract may not be canceled unless notice is given to a governmental agency, mortgagee or other party. The insurer is to give the prescribed notice to these parties on or before the second business day after the day it receives the notice of cancellation from the finance company and shall determine the effective date of cancellation taking into consideration the number of days of notice required by these parties to complete cancellation.

In the event of cancellation, the unearned premium is returned to the finance company to be applied to the debt of the insured. If a surplus remains the finance company shall refund any surplus larger than $1.00.

Finally, the Act recognizes the UCC provision stating that no filing of a premium finance Agreement or recording of a premium finance transaction is necessary to perfect a security interest in the agreement.

MONTANA STATE AFL-CIO
AFL CIO
APRIL 29 1956

Box 1176, Helena, Montana

JAMES W. MURRY
EXECUTIVE SECRETARY

ZIP CODE 59601
406-442-1708

Room 100 "Steamboat Block"
616 Helena Ave.

TESTIMONY OF DONALD R. JUDGE, MONTANA STATE AFL-CIO, ON SENATE BILL 295, FEBRUARY 5, 1981, BEFORE THE SENATE COMMITTEE ON BUSINESS AND INDUSTRY

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I am here today to express the strong support of the Montana AFL-CIO for Senate Bill 295, which provides that all motor vehicles purchased by the state of Montana must be manufactured and assembled in the United States.

We are in full agreement with the intent of this bill; that Montana taxpyers' dollars be spent in the United States to help our economy and protect the jobs of United States workers.

The state of Montana purchases an average of 500 motor vehicles per year with an annual cost of about $400,000. It is essential that this money be spent on United States made motor vehicles.

The nation's auto industry is in desperate straits, with car sales hitting a 19-year low in 1980. Foreign car makers sold 2,368,400 cars in the U.S. in 1980, up 4 percent from last year and a record 26.4 percent of the U.S. car market. The United States Commerce Department reports that U.S. merchandise imports totalled 252.8 billion for 1980, while exports totalled only $220.5 billion, a difference of $32.3 billion.

The theme of the 1980 elections was "jobs" for American workers. Montana can help do its part with the passage of Senate Bill 295.

We urge you to support American products, American workers and American industry by voting in favor of Senate Bill 295.

NAME: A.E. (DUTCH) OMDAHL DATE: 2/18/81

ADDRESS: 1st BANK- WEST BILLINGS, Billings

PHONE: 245-5101

REPRESENTING WHOM? 15 First Bank System Banks in Montana

APPEARING ON WHICH PROPOSAL: HB 183

DO YOU: SUPPORT? ✓ AMEND? ______ OPPOSE? ______

COMMENTS: See attached

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

My name is Dutch Omdahl, President of First Bank West Billings, a 20-year old active Bank with assets of $37,500,000. My Bank is an affiliate of First Bank System.

In January of this year it was my pleasure to visit with Bankers east and northeast of Billings from Hysham to Glendive to Sidney, Culbertson, Wolf Point, and Malta to name a few of the Bank towns in the area on which I called. In spite of utterances to the contrary, I found eight Independent Bankers who found no fault with facility Banking as proposed under HB 183.

As a country boy from Starkweather and Devil's Lake, North Dakota, the son of an Independent Banker and a correspondent banker for the First of Minneapolis, I have seen what facility banking can do for communities. They have 70 odd facility banks in the state of North Dakota.

As far as our Bank is concerned, we want the ability to better serve existing and potential customers in our area.

Twenty years ago ours was in all practicality, the only financial institution on the west end. Today, there are two Savings and Loan branches, three credit unions and two other banks. It is particularly important that we have the opportunity to expand in a facility way to compete with those branches of the Savings and Loans as well as with the Credit Unions.

HB183 will not have any effect on Independent Banks in Laurel, Worden, Scobey, Stevensville, Hysham, Libby, and the like.

And finally, HB183 is <u>not</u> a Branch Banking Bill as some would have you believe.

Thank you!!

NAME: Warren Vaughn DATE: 2-18

ADDRESS: % 1st. N.W. Nat. Bank - Bldg.

PHONE: 657 3570

REPRESENTING WHOM? 1st. N.W. Bank

APPEARING ON WHICH PROPOSAL: H.B. 183

DO YOU: SUPPORT? X AMEND? ______ OPPOSE? ______

COMMENTS:

support

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: W B Andrews DATE: 2-18-81

ADDRESS: 350 No Last Chance Gulch - Helena

PHONE: 442-5050

REPRESENTING WHOM? Northwestern Bank - Helena

APPEARING ON WHICH PROPOSAL: HB183 - SB5 - & HB324

DO YOU: SUPPORT? ✓ AMEND? _____ OPPOSE? _____

COMMENTS:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Mr. Chairman:

I am W. B. Andrews, representing the Northwestern Bank of Helena and speaking in strong support of H.B. 183.

You will recall the Legislative Interim Committee on Branch Banking was appointed two years ago to study the subject of expanded facilities for commercial banks. The committee requested the Montana Bankers Association to recommend a bank facility bill that the bankers could support. The recommended bill, although not unanimously endorsed by the M.B.A. directors, is identical to H.B. 183.

The purpose of the bill is to give existing banks a chance to follow their customers and provide convenient banking services as population shifts occur within communities. Many of the concepts of Montana banking law were carried over from early days before we even imagined shopping centers, drive-in banks and our complete reliance on the automobile. Today we see a great need to extend our service to these outlying business centers and we feel frustrated at being limited to having a facility no more than 1,000 feet from our bank.

There seems to be a prevalent myth that under this law large banks would rapidly expand and gobble up the smaller banks. Nothing could be further from the truth. In the first place the law gives existing banks the protection of a 1500 foot buffer zone around the bank. Secondly, the appropriate regulatory authority must approve the location of any bank, branch or drive-in and approval would not be granted to the detriment of an established bank. Thirdly, banks don't die because of competition; they sometimes fail because of poor management, fraud or community decadence. In 30 years of banking I haven't heard of a single bank in America that has failed because of too much competition. Since its inception nearly 50 years ago, the F.D.I.C. has liquidated only 5 banks in Montana and none of them were closed because of too much competition.

A fact we often overlook is that H.B. 183 allows an outlying bank to establish a drive-in closer to a downtown area, thereby gaining access to an expanded market. This is indeed a two-way street wiih benefits for the customers of banks of all sizes and locations.

My experience tells me the vast majority of business and professional people, employees, housewives, elderly people, farmers and ranchers would like to have more banking facilities closer to their homes and businesses. The only group I know of opposing more convenient banking is the Independent Bankers Association whose members are interested in preserving their own little monopolies.

My bank believes it could do a better job in its community if it could bring its services closer to its customers. H.B. 183 is a long step in that direction and I urge this committee to give favorable consideration to this bill.

Thank you.

NAME: Pat Melby DATE: 2-18-81

ADDRESS: Fourth Floor Mont. Bank Bldg., Helena

PHONE: 442-7450

REPRESENTING WHOM? Northwestern Banks

APPEARING ON WHICH PROPOSAL: SB ?, HB 182, SB 219

DO YOU: SUPPORT? ✓ AMEND? ______ OPPOSE? ______

COMMENTS: Support HB 182 as a companion measure

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Ed Jasmin DATE: 2-17-81

ADDRESS: 626 Monroe, Helena Montana

PHONE: 442-5050

REPRESENTING WHOM? Northwestern Bank of Helena

APPEARING ON WHICH PROPOSAL: HB 5 HB 249, HB 183

DO YOU: SUPPORT? ✓ AMEND? ______ OPPOSE? ______

COMMENTS: Support HB 183 as good for Montana and as a compromise.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Mike Mulroney DATE: 2-18-81

ADDRESS: 4th Flr. Montana Club Bldg.

PHONE: 442-7450

REPRESENTING WHOM? Northwestern Banks

APPEARING ON WHICH PROPOSAL: SB-5, HB183, SB-247

DO YOU: SUPPORT? Yes AMEND? ________ OPPOSE? ________

COMMENTS: Support HB-183 as a compromise measure.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Homer Pitts DATE: 2-18-81

ADDRESS: Helena

PHONE: 443 7109

REPRESENTING WHOM? Montana Independent Bankers

APPEARING ON WHICH PROPOSAL: S. B. 247

DO YOU: SUPPORT? X AMEND? ______ OPPOSE? ______

COMMENTS: ______

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Werner Schreiber DATE: 2/18/81

ADDRESS: First State Bank, Whitefish, mt.

PHONE: 862-2551

REPRESENTING WHOM? First State Bank

APPEARING ON WHICH PROPOSAL: Oppose SB 5, HB 183

DO YOU: SUPPORT? ______ AMEND? ______ OPPOSE? ✓

COMMENTS: ______

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

NAME: Harry Lattin DATE: 2-18-81

ADDRESS: 336 Northridge Kalispell Mont

PHONE: 755-5001

REPRESENTING WHOM? Conrad Nat'l Bank

APPEARING ON WHICH PROPOSAL: HB 183

DO YOU: SUPPORT? ✓ AMEND? ___ OPPOSE? ___

COMMENTS:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Philip R. Sandquist DATE: 2-18-81

ADDRESS: 1503 So Grand, Bozeman

PHONE: 587-6641

REPRESENTING WHOM? First Security Bank of Bozeman + Mont. Independent Bankers

APPEARING ON WHICH PROPOSAL: SB # 5 + HB # 183

DO YOU: SUPPORT? ________ AMEND? ________ OPPOSE? ✓

COMMENTS: ________

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: A. J King DATE: 2-18-81

ADDRESS: 335 Lake Hills Dr - Kalispell

PHONE:

REPRESENTING WHOM? Valley Bank - Mt. Independent Bankers Assoc

APPEARING ON WHICH PROPOSAL: SB5 - HB 183

DO YOU: SUPPORT? AMEND? OPPOSE? X

COMMENTS:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

## Bill Summaries

SB 5 would allow banks to branch or establish additional detached facilities. The number of additional facilities or branches would be governed by the population of the city where the main banking premises are located. The facilities could not be closer than 1,500 feet to an existing bank or farther than 3 miles beyond the city limits of the city in which the main bank is located. The state banking board would handle applications for branch banks and would have to approve an application unless a compelling reason for disapproval was fund. Competition would not be sufficient reason.

SB 247 would allow state banks to branch, with the consent of the department of business regulation. Branching would be subject to the same conditions imposed on national banks, if national banks are allowed to branch without regard to state law.

HB 183 would allow banks to establish additional detached facilties, the number of which would be determined by the population of the city in which the main bank is located. Distance restrictions from other facilities are imposed. A facility could not be located more than 3 miles beyond the city limits of the city in which the main bank is located. The department of business regulation would have to approve applications and determine that a new facility would not have an adverse effect on the solvency of an existing financial institution.

# FACT SHEET

The people have decided against branching.

In Colorado's November 4 referendum, voters decisively rejected a proposal to lift all restraints from branching. The margin was three to one against the proposition. This matched the vote against statewide branching in Missouri 22 years ago. The branching proposition failed to carry a single county in Colorado.

**Virginia** opened its doors to statewide branching and holding company acquisitions in 1961 and within 20 years lost 134 of its 207 unit banks. Only 73 unit banks were operating in Virginia in 1978.

**North Carolina**, with no restrictions on branching or acquisitions by multibank holding companies, lost all but 17 of its 100 unit banks within 20 years. While banking offices increased four-fold, the total number of banking firms dropped 55 percent.

Statewide banking would syphon off deposits and deprive local agriculture and business of loan funds they need. It would concentrate wealth in money centers in Minnesota and elsewhere.

Statistical evidence from federal government agency sources demonstrates clearly that branching results in high levels of concentration and leads to domination by a few large institutions.

Concentration of bank deposits and loan powers curtails the ability of small local institutions to respond to community needs, and threatens ruinous overextension by aggressive dominant banks. In small towns and villages, those purported to benefit most from expanded branching, banking offices do not increase.

> **Side effects of branching are: higher costs to the consumer, saver and borrower; higher concentration of deposits and loan powers, and the outflow of deposits from rural communites to the bigger cities.**

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# REASONS TO \ OTE NO

1 **IT COSTS MORE.**
A recent report by Califorr a's superintendent of banks makes surpri: ng disclosures. Their study revealed that "tł ə larger state-wide banks almost without e: ception charge significantly higher rates than smaller banks." A study showed thc the state's five largest banks consistently c ıarged at least 2% more on comparable ı onsumer loans than the seven smallest nor hern California banks surveyed.

2 **MONOPOLY.**
Branch Banking leads to mc ıopoly banking — it's happened in New ' ork, California, and in other states that l ave permitted branching. For example, ir Arizona, three giant banks now control 85° of the banking business in that state. And jı ıt six years after allowing branch banking ir Ohio, Virginia, and Florida, there are 40° › FEWER banks competing with the giants in those states. The fewer banks, the fewer s əurces of credit for you. Branch Banking re ɪuces competition and reduces your optic ıs.

3 **MONTANA'S LEGISLATURE RE IECTED BRANCH BANKING.**
Since 1927 Montana has f atly prohibited branch banking in this stat·. In 1968 Montana Legislature repealed a loophole being considered by branch bank monitors. Since then our elected representatives have turned down branching on each occasion.

4 **LOCAL CONTROL IS LOST.**
Your loans come from bank deposits. Don't you think your deposits should be kept at your home bank for use in your community? If branch banking passes, your deposits could leave your community and your loan will require the approval of an executive sitting in one of the monopoly banks.

5 **BUREAUCRACY REPLACES PERSONAL SERVICE.**
Branch banks are run by big central control banks that are simply not interested in your community. The branch bank manager just can't make decisions like your local bank president can. Montana's independent community banks give you access to your banker. Branch banking means the big banks get bigger and less efficient. You become just a number in their big bank computer instead of a real person.

# What About Congress?

The comments of the new leadership of the House and Senate Banking Committees make it very clear that the interstate banking issue will not be on the front burner of the Congress. House Banking Committee Chairman St. Germain has promised the issue a hearing, while stressing that "interstate branching, to understate the case, is a highly emotional issue, and I do not think that this Committee will be making major changes without the most thorough study of its own." Senate Banking Committee Chairman Garn in a recent TV interview stated, among other things, "**I fear in the long run that we will see 10-12 big banks in this country that have thousands of branches all over the nation. That is the real threat, in my opinion, to small banks and small savings and loans. . . . I am not willing to give up some tremendous personal services [offered by smaller institutions] in return for being dominated by 10 or 12 superbanks from whom I don't think you will get the same services.**"

In this connection, it also is worth noting that when Mr. Eizenstat reported to the September ABA Banking Leadership Conference the President's decision not to release the politically sensitive report in the middle of a hotly fought election campaign, Eizenstat stated: "**. . . there does not appear to be any organized support within the Congress for legislative action on the major structure issues at this time.**" He called upon the ABA to address these bank structure issues and this process is underway in the ABA at both the national and the state level.

**CONSOLATED REPORT OF CONDITION of /ALLEY BANK of Helena, Montana 59604 at the close of business on December 31, 1980**

**ASSETS**

:ash and due from depository institutions . . 350,000
J.S. Treasury securities . . . . . . . . . . . . . . . . 370,000
'ederal funds sold and securities
purchased under agreements to resell . . . 950,000
Loans: Total (excluding
unearned income) . . . . . . 5,152,000 .
Less: allowance for
possible loan losses . . . . . . . . 2,000'.
Loans, Net . . . . . . . . . . . . . . . . . . . . . . 5,154,000
lank premises, furniture and fixtures, and
other assest representing bank premises . . 400,000
\ll other other assets . . . . . . . . . . . . . . . . . 142,000
'OTAL ASSETS . . . . . . . . . . . . . . . . . . . . . 7,366,000

**LIABILITIES**

)emand deposits of individuals,
partnerships, and corporations . . . . . . . . 1,709,000
'ime and savings deposits of individuals,
partnerships, and corporations . . . . . . . . 3,652,000
)eposits of United States Government . . . . . . 16,000
)eposits of States and political
subdivisions in the United States . . . . . . . . 850,000
:ertified and officers' checks . . . . . . . . . . . . 103,000
Total Deposits . . . . . . . . . . . . . . . . . . . . . . 6,330,000
Total demand deposits . . . . 1,928,000
Total time and
savings deposits . . . . . . . . . . 4,402,000
All other liabilities . . . . . . . . . . . . . . . . . . . . . . 82,000
TOTAL LIABILITIES (excluding
subordinated notes and debentures) . . . . 6,432,000

**EQUITY CAPITAL**

Common Stock
No. Shares authorized—10,000
No. Shares outstanding—10,000 (par value) 400,000
Surplus . . . . . . . . . . . . . . . . . . . . . . . . . . . . 400,000
Undivided profits and reserve for
contingencies and other capital reserves . 154,000
TOTAL EQUITY CAPITAL . . . . . . . . . . . . . . . . . 954,000
TOTAL LIABILITIES AND EQUITY CAPITAL . 7,366,000

**MEMORANDA**

Amounts outstanding as of report date:
Time certificates of deposit in
denominations of $100,000 or more . . 304,000
Average for 30 calendar days (or calendar month) nding with report date:
Total deposits . . . . . . . . . . . . . . . . . . . . 6,245,000

I/We, the undersigned officer(s) do hereby declare that his Report of Condition (including the supporting chedules) is true to the best of my knowledge and belief.

/s/Robert J. Faure
Operations Officer &
Assistant Cashier

We, the undersigned directors, attest the correctness of his Report of Condition (including the supporting chedules) and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.

/s/Jerome T. Loendorf
/s/Thomas F. Dowling
/s/Joan S. Poston
Directors

State of Montana, County of Lewis & Clark, ss:
Sworn to and subscribed before me this 12th day of January, 1981, and I hereby certify that I am not an officer or director of this bank.

/s/Nancy D. Rychalski
Notary Public
My commission expires 12/31/81

January 21, 1981

# Geographic Restrictions on Commercial Banking in the United States

The Report of the President

Department of the Treasury
January 1981

# I. Introduction

The United States' financial system, which today encompasses 42,000 depository institutions including almost 15,000 commercial banks, has long been distinctive for its fragmented structure. That fragmentation is a product of neither historic accident nor unencumbered market forces; rather, today's balkanized financial system is largely a result of deeply held beliefs which have been codified in Federal policy. Specifically, our diverse financial system reflects a Federal statutory framework which limits the functions of different classes of depository institutions and defers to the states on the issue of geographic expansion by banks. That framework, in turn, is an outgrowth of long-standing fear of an undue concentration of financial power in the hands of banking institutions. That is, the statutory framework that separates one class of depository institution from another, and that proscribes bank mergers and acquisitions across certain geographic boundaries, makes it more difficult for one class of institution, or for certain institutions within any class, to achieve a dominant market position.

This Administration is committed to the avoidance of an undue concentration of resources and supports the continuation of a viable dual banking system. The issue treated in this report is whether the existing framework of geographic restrictions on bank expansion is an effective, efficient and equitable way to avoid undue concentration in the financial environment of the 1980s. Put another way, given that existing geographic restraints can impede competition and reduce efficiency in many markets, could undue concentrations of financial power be avoided <u>without</u> such restraints? The Administration has concluded that market forces inside and outside banking <u>per se</u> are diminishing the effectiveness and increasing the inequities and inefficiencies produced by current geographic limitations, that the persistence of those forces will create growing pressure for change in the statutory framework in the early 1980s, and that a phased liberalization of existing restraints would serve the public interest.

Fundamental changes in today's statutory structure will not be easily achieved. Despite the increasing ineffectiveness of prohibitions on interstate banking, state boundaries on bank expansion have attained an almost mystical significance among many supporters of the present system. Existing law provides a protective umbrella, albeit an increasingly perforated one, for many institutions, and modification of that law could significantly alter existing competitive relationships. Yet the Administration views the burgeoning debate on these issues as desirable and an intensification of that debate as inevitable.

The debate is desirable because the national interest is served by a stable, strong and competitive commercial banking system, and achievement of the industry's potential to serve the public as efficient financial intermediaries will increasingly be impeded by existing geographic restraints. The Administration cannot justify on grounds of logic or economics the prohibition, on one side of a state border, of the bank's activities which are permissible on the other side of the border. Financial markets have experienced fundamental and accelerating change; businesses, households, and the financial institutions serving their needs have expanded their geographic reach; but the basic Federal statutory approach toward geographic expansion by banks has been virtually unaltered for nearly half a century. Whatever their benefits in an earlier era, the Administration regards existing geographic limitations as anachronistic in the competitive marketplace of the 1980s. The gap between the powers of commercial banks and the geographic breadth of today's financial services markets is growing, and as it grows the inefficiencies and inequities for both banks and the public they serve will become more severe.

The financial services industry is inherently an interstate business, and banking activities on the wholesale side are increasingly conducted on an interstate basis. Today, the nation's major corporations and wealthy individuals frequently effect transactions with banks across state lines; it is only the small business and household customers who continue to be deprived of the benefits of a competitive interstate banking system. [redacted] rules.

Intensification of the debate is inevitable because market forces will continue to undermine the effectiveness of artificial boundaries unrelated to those forces. Changes in the financial services markets already have substantially altered the character of the banking business. The financial system which emerged from the statutory and regulatory reforms initiated in the 1930s, and which evolved slowly through the next three decades, consisted of distinct kinds of financial institutions, offering distinct financial products, generally in limited geographic areas. Although an important role for specialized institutions continues, changes in demographics, technology, consumer preferences, regulation and the financial industry itself have eroded many of the barriers erected in the 1930s. What was once a financial system consisting of highly segmented <u>geographic</u> markets has, for many kinds of banking services, been transformed into a competitive nationwide marketplace. What was once a segmented <u>product</u> market has been replaced by head-to-head competition between banks and various nonbank institutions; indeed, there is no longer a single service or product line offered exclusively by commercial banks.

A central feature of the financial services industry today is the increasing number of banklike competitors with banklike powers offering banklike services -- but on a more flexible geographic basis than is available for commercial banks. Just as the Federal government cannot repeal the changes which market forces have produced, commercial banks cannot insulate themselves from the competition of nonbank entities. Either commercial banks will be permitted to evolve as efficient financial intermediaries and to meet the needs of the market under a modernized statutory structure, or the demands of the market will be satisfied outside the banking system by institutions not subject to the same restraints.

A decline in the commercial banks' share of the financial services market _per se_ would not necessarily be a concern of government if it reflected the inability of banks to provide services comparable to those of nonbank competitors. But it is inefficient and inequitable for government to force such a decline and deprive the public of the benefits of a competitive banking system through the retention of antiquated restraints. The realization of the public benefits which a free enterprise commercial banking system can provide requires that banks be authorized to operate full-service offices on a geographic basis which is better related to the structure of the financial marketplace of the 1980s.

Critical to any assessment of the existing statutory framework is the likelihood that the early 1980s will witness the beginning of a contraction in the number of financial institutions in the United States. A wide range of forces in the financial services industry point toward some degree of contraction, yet the existing statutory structure governing bank mergers and acquisitions simply is not compatible with a rational and orderly transistion to a more efficient banking structure. The forces for consolidation include:

- The elimination of consumer deposits as a cheap and stable source of funds, with resulting increasing cost pressures. Household depositors are increasingly rate-sensitive, and Regulation Q ceilings may no longer provide cost protection for depository institutions. At the same time, many depository institutions, especially thrifts, are not well positioned to weather periods of high and volatile interest rates (_i.e._, many institutions still have significant proportions of their assets tied up in low-yield long-term mortgages). Cost pressures, particularly on the retail side of the business, will impose the most serious strains on the profitability of many institutions, and those strains will induce a number of firms to seek affiliations with other institutions.

- Economies of scale associated with new electronic and other technologies, as well as the provision of more sophisticated services. In general, the provision of retail srvices as well as accounting and inventory methods will become more automated. In the long run, many intermediate- to smaller-size banks may be placed at a competitive disadvantage relative to large firms that can afford more sophisticated data processing systems and other electronic and electromechanical devices that can reduce unit costs. Again, some institutions will perceive their interest to lie in merging or forming servicing corporations under joint-venture arrangements in order to compete successfully with others in the financial services business.

- The penetration of the "banking" business by nonbanking entities. Competition from nonbank sources -- money funds, broker/dealers, retailers, and so forth -- increasingly will affect households' demand for narrow bank services. The result will be a potential decline in bank profitability for which some individual institutions may not be well prepared.

- Many institutions will be hard pressed to achieve the capital necessary to sustain the growth of credit in the 1980s. Current limitations on bank mergers and acquisitions not only restrict opportunites for capital infusions but, in addition, may dampen investor interest in bank equities, which in turn inhibits the ability of the industry to attract new capital.

There are several important caveats to our projection of significant consolidation. Canada, Great Britain, France and West Germany combined have less than 700 commercial banks. The Administration does not believe that the United States is likely to replicate the Canadian/Western European model. Nor does the Administration foresee a financial environment which does not include a role for the specialized lender or the community bank. In a nation committed to diversity and the avoidance of undue concentration of financial power, these institutions will continue to serve important market needs. Finally, the view that pressures for consolidation will increase should not imply that the Administration perceives such pressures to be desirable; the point is simply that they exist.

The Administration evaluated the existing statutory framework by analyzing its effects in terms of traditional public policy concerns. The ultimate test should be: What is the minimum level of government interference in market structure necessary to achieve optimum public benefits? There should be a presumption against government interference in the free market system, and consumer freedom of choice should be constrained by government only to the extent that competing public policy objectives warrant such restraint. In reaching its conclusions, the Administration based its analysis on a range of broad criteria: competition, concentration of resources, economic efficiency, competitive equity, the impact on small banks, credit availability, institutional safety and soundness, the convenience and needs of the local community, and the preservation of the dual banking system. These issues, which are discussed in depth in the research compendium attached to this report, were important in the evolution of statutes establishing geographic limitations on the structure of banking organizations.

## II. Background: History of Geographic Restraints

Prior to the Civil War, there is scant evidence of strong feelings for or against branch banking in the United States. Despite Alexander Hamilton's reservations about a lack of managerial capacity, the First Bank of the United States, organized in 1791 and headquartered in Philadelphia, established eight branches in the nation's leading cities. During this priod most state banks were established under special charters issued individually by state legislatures, so branching authority frequently varied from bank to bank rather than from state to state.

Branching was not mentioned in the National Currency Act of 1863, which provided for the chartering of national banks. However, subsequent interpretations of the Act and of its successor, the National Bank Act of 1864, prohibited the establishment of branches by national banks. This restriction on national bank branching was consistent with traditional public concern that concentration of economic power among a few large banking organizations might permit these institutions to exert undue influence over the allocation of national resources. However, over time the restrictions created competitive inequities as various states gave state-chartered banks branching powers.

### A. The McFadden Act

In 1927 Congress adopted the McFadden Act, which authorized a national bank to branch within its home city if state law permitted a state bank to do so. This legislation has come to symbolize a policy of restrictiveness regarding geographic expansion; yet it is important to note that the Act actually liberalized then-existing limits on branching for national banks.

State banks continued to have a competitive advantage in those states which permitted branching beyond a bank's home city. To remedy this remaining inequity, Congress included in the Banking Act of 1933 a further liberalization of geographic restraints on banking to permit national banks to establish branches at any place within the state where state law permitted state banks to branch. One draft of this bill would have permitted a national bank to branch anywhere within its state and into a neighboring state within 50 miles of the home office, but this provision was filibustered out of the bill.

In essence, the Banking Act of 1933 established state boundaries as the ultimate limits for bank branching and gave state legislatures the authority to determine the branching structure within each state. For purposes of the Act, a "branch" was defined as an office of a bank which receives deposits, pays checks or lends money.

### B. The Bank Holding Company Act

Prior to the Bank Holding Company Act of 1956, banks frequently achieved geographic expansion through the formation of multi-bank holding companies (BHCs). BHCs, which first emerged during the late nineteenth century, flourished during the 1920s and again in the period following World War II. Originally most holding companies were created in an effort to expand geographically within what were otherwise unit banking states. In some instances, the multi-bank holding companies also chartered or acquired banks in other states.

By 1956, the statewide and interstate expansion of some large multi-bank holding companies had generated pressure for the enactment of legislation to restrict the growth of BHCs. The Bank Holding Company Act of 1956 was the first Federal legislation to focus exclusively on the holding company form of organization. Section 3 (d) of the Act, known as the Douglas Amendment, prohibited multi-bank holding companies from acquiring a bank in another state, unless the law of the state in which the bank to be acquired was domiciled affirmatively provided for such entry. States were permitted to regulate BHC activities within their borders to the same degree as prior to 1956. In 1970, the legislation was extended to cover one-bank holding companies and was broadened to establish standards for determining the permissible "nonbanking" activities of BHCs. The term "bank" was defined narrowly in the Act to mean any institution which accepts demand deposits and makes commercial loans. Thus, nonbank subsidiaries of BHCs can operate across state lines and perform many functions of commercial banks.

The evolution of Federal laws regarding limits on geographic expansion reflected historic concerns about undue economic concentration, competitive equality among state and national banks, and the sovereignty of states. The McFadden Act and the Douglas Amendment embody these basic principles: (1) banks and BHCs generally may not operate "full-service" banking offices in more than one state, (2) within each state, state and national banks are subject to the same restrictions on geographic expansion, and (3) each state has the responsibility to determine its multi-office structure, if any. The net result is the current patchwork of state limitations on the structure of banking organizations ranging from single-office (unit banking) restrictions to full statewide branching, and a wide variety of permissible interstate BHC activities.

## III. Geographic Limitations and the Present Banking Environment

Statutory geographic restraints on bank expansion may have been responsive to the issues of public concern in the banking markets which existed when those laws were enacted. But other legal mechanisms have emerged with the potential to deal more effectively with anti-competitive behavior, undue economic concentration and other concerns regarding bank expansion. Indeed, in today's environment geographic boundaries are counterproductive: they frequently preclude pro-competitive market entry and thus undermine the competitive objectives they were purportedly designed to achieve.

Through the first half of this century communications and transportation technology naturally constrained the geographic boundaries for most banking functions. Government intervention, custom, and economic forces promoted segmentation of financial markets along product and geographic lines. In particular, geographic restrictions on banking organizations were roughly consistent with the structure of banking markets, and until recently such restrictions did not significantly distort economic behavior.

In recent decades technological advances have greatly expanded the average consumer's geographic realm and irreversibly altered patterns of social and financial behavior. The American consumer, working, shopping, and playing, is now a mobile commuter. The consumer has also become a far more sophisticated user of financial services, sensitive to interest rate differentials and to alternatives for keeping idle, non-earning balances at a minimum. Inflation has accelerated this learning process and greatly increased the range of savings and investment vehicles familiar to consumers. In sum, the days when the individual was effectively limited to and satisfied with a handful of deposit instruments at a local depository institution have ended.

The technological forces which have changed the face of American life have revolutionized the delivery of "banking" services and the scope of "banking" markets, but statutory geographic restraints are increasingly limiting the ability of the commercial banking industry to respond in this new environment. The technological, financial, and regulatory changes which have undermined the effectiveness of geographic restrictions and imposed growing competitive disadvantages upon commercial banks are described below.

## A. Commercial Bank Interstate Activity

Most commercial bank activities except for retail deposit taking are no longer subject to restraints imposed under the Douglas Amendment and the McFadden Act. For years, banks have lawfully availed themselves of various corporate devices to conduct banklike activities independent of geographic limitations. In recognition of the interstate character of the corporate financial markets, the regulatory structure has evolved to permit the largest banks to compete nationwide for "wholesale" business; it is only the retail customer who is effectively precluded from taking advantage of the benefits of a freely competitive system.

The multi-bank holding company device permits banks to expand geographically within many states with laws restricting branching per se, although such expansion is often more costly and less efficient than the straightforward establishment of a branch. Twelve bank holding companies grandfathered under the Bank Holding Company Act of 1956 continue to do business in more than one state, and the Administration has found no compelling evidence of the concerns alleged to accompany interstate banking.

More significantly, BHCs provide a wide range of banklike services across state lines through devices such as nonbank subsidiaries. The Bank Holding Company Act Amendments of 1970 effectively allow BHCs to offer virtually any banking service, except the acceptance of deposits, on a multi-state basis. Under the 1970 Amendments, BHCs have achieved nationwide networks of consumer finance, mortgage banking and other "nonbank" subsidiaries. One holding company currently operates 13 subsidiaries, including a finance company with over 370 offices in 39 states. Approximately 350 loan production offices operate in 20 states to solicit loan business at the commercial and retail levels for the parent banks. Edge Act corporations, which had assets of nearly 14 billion at the end of 1979, operate on a multi-state basis and offer both deposit and loan services related to international trade to business customers. The International Banking Act of 1978 substantially broadened the power of Edge corporations, authorizing the Federal Reserve to allow them to branch interstate and to broaden their operating flexibility.

Foreign banks have achieved an interstate presence in ways beyond those available to domestic banks, at least until the adoption of the multi-office limitations imposed under the International Banking Act of 1978 (IBA). The IBA brought future branching powers of foreign banks closer into line with those of domestic banks, but still grandfathered 36 foreign banking organizations conducting operations in more than one state. The IBA also extended foreign bank powers to create Edge corporations and engage in nonbank activities

More recently, attention has focused on the fact that a foreign bank may purchase a domestic bank, whereas out-of-state domestic banks are precluded from making such acquisitions. The available evidence suggests no compelling reason for additional legislation to prohibit or further regulate foreign acquisitions of United States banks on supervisory, community service, competitive or national interest grounds. To the contrary, such legislation would run counter to this nation's policy of non-intervention with respect to international investment, and special restrictions on foreign acquisitions could damage the interests of U.S. banks abroad and perhaps those of other U.S. investors as well. It could also have an adverse effect on the health of some financial institutions, since capital injections in cases well short of failure could be precluded by the sort of moratorium in effect from April 1 through June 30, 1980, under the Depository Institutions Deregulation and Monetary Control Act of 1980.

Yet the prohibition on interstate acquisitions by domestic BHCs has created an anomalous situation which is difficult to justify on economic grounds. A foreign bank can purchase a U.S. bank, but a domestic bank which happens to be located in a different state is precluded from making a competing offer. Indeed, the combined effect of the Douglas Amendment and existing antitrust standards is that most of the largest banks in most states cannot be purchased by any bank other than a foreign one. The public interest is not well served by a system which effectively limits to foreign institutions the opportunity to acquire or merge with many domestic banks. The interests of individual banking institutions, investors and the banking public would be enhanced by a framework providing domestic banks with greater flexibility in identifying appropriate partners for merger or acquisition on an interstate basis.

B. Thrift Institution Competition

The McFadden Act and Douglas Amendment restrict competition among banks but cannot insulate banks from the competitive impact of thrift institutions. Thrift institutions are not subject to the statutory framework which governs geographic expansion by commercial banks, but the thrifts' broadened asset and liability powers will increasingly make them direct competitors on the retail side of the banking business. Recent legislation and regulatory reforms are expanding the capabilities of thrift institutions to offer new products and services -- such as NOW accounts, large CDs and consumer lending -- competitive with those traditionally offered exclusively by commercial banks. Indeed, thrift institutions will increasingly look like retail-oriented banks in the future. As these powers are implemented, the effects of the banks' competitive disadvantage vis-a-vis geographic expansion will become more visible.

Traditionally, the Federal Home Loan Bank Board (FHLBB), which determines the branching authority of Federally-chartered savings and loan associations (S&Ls), had established branching powers for these institutions in each state similar to the branching restrictions on state-chartered S&Ls, savings banks, banks, and BHCs. But as of January 1, 1980, the FHLBB has permitted full intrastate branching by Federally-chartered S&Ls in all states. Moreover, while the FHLBB has not yet approved establishment of S&L branches outside the home state, it is considering a proposal to allow Federal S&Ls headquartered in the Washington, D.C. SMSA to establish branches throughout the District of Columbia and the parts of Maryland and Virginia in the SMSA. If S&Ls in the Washington, D.C. SMSA are freed from existing restraints on geographic expansion within the SMSA, the Administration believes that this action would serve the public interest and provide useful information on the impact of a less restricted statutory framework.

Mutual savings banks (MSBs) generally are state-chartered institutions subject to state branching restrictions. Recent legislation permits MSBs to obtain Federal charters which would allow MSBs, with FHLBB approval, to branch anywhere intrastate despite a more restrictive state law. Credit unions are mutual institutions limited to groups with a common bond or affinity and therefore tend to be small, local organizations with one office; however, if the common bond requirement is satisfied, a credit union may branch nationwide or even worldwide. For example, the Navy Credit Union, with almost $1 billion in assets, has worldwide offices.

C. Nondepository Institution Competition

Perhaps the most dramatic change in the structure of the financial services industry has been the recent and accelerating penetration of what was formerly the "banking" business by nondepository institutions. Brokerage firms can compete for "deposits" nationwide by paying interest on idle balances in a customer's brokerage account. This process has moved a significant step further through the development of a "cash management account", which allows an account holder to draw interest on idle balances to access the account for third-party-payment purposes by means of a check-like instrument, and to draw credit against the account by means of a credit card.

Money market mutual funds have become an important element in the competition for savers' funds. The money fund has in effect reduced the minimum denomination of a bank certificate of deposit from $100,000 to as little as $500 but without interest rate restrictions. Money funds issue what is in effect a liquid liability to savers and use the proceeds to purchase bank certificates of deposit and other high-yield, short-term, relatively riskless instruments. Many money funds allow deposits in almost any amount and most funds offer checking services -- so that the customer enjoys many characteristics of an interest-bearing transaction deposit, though one which is not Federally insured. Finance companies and retailers with a nationwide presence make loans to individuals and businesses, and such companies may issue uninsured, small-denomination, deposit-like liabilities in competition with banks. Mortgage companies, insurance corporations and credit card companies also offer products and services similar to those of banks with little or no governmental constraints on geographical expansion. As the range of nondepository institutions in the "banking" business broadens, their freedom to apply new technologies without geographic limitations will provide them with an increasingly critical competitive advantage in the 1980s.

D. Technological Advance

New technologies have the potential to virtually eliminate time and space restrictions on the delivery of financial services. Just as the telephone and airplane induced the liberalization of geographic restraints on the wholesale side of banking, off-premise electronic devices are straining geographic limits on the retail side. Recent advances in transportation, communication and computer technology have made physical proximity to the customer a less important consideration in the market for financial services. Because a customer has access to most banking functions without even entering the traditional brick-and-mortar branch, geographic restrictions based on the location of physical branches are no longer an effective means of limiting the range of banking markets. Yet the application of the McFadden Act to cover electronic banking facilities produces distortions, inefficiencies and discrimination against the retail customer.

Today, bank customers need no longer queue up at their local branch to conduct their banking business. Billions of dollars are transferred almost instantaneously to the other side of the world through sophisticated electronic networks; automated teller machines (ATMs) provide round-the-clock service and relieve customer congestion at banks; deposits are made by mail, or automatically from payroll departments using electronic tapes; customers can use the telephone to transfer funds among accounts or between institutions; in the 1980s, the consumer will be able to engage in telephone and television banking through computers at home. Over the coming decade the combination of card, telephone and mail systems is likely to be developed to provide all the banking functions currently performed by brick-and-mortar branches.

In addition to its contribution to pressures for consolidation which were cited earlier, this technological revolution has three major implications. First, technology will be a major catalyst in extending the "banking" business beyond depository institutions to include nontraditional participants ranging from retail chains to department stores to large corporations such as oil, telephone or television companies. Second, the ever more sophisticated and versatile technology available to those who choose to use it will widen the gap between the banking services the public demands, and the services many commercial banks can offer. The wider the gap becomes, the greater the incentive will be for financial institutions not subject to geographic restraints to pursue the opportunities presented.

Finally, these new technologies have the potential to reduce costs and provide increased customer convenience; but the cost convenience promise has not yet begun to be fully realized, in part due to regulatory distortions. A recent court ruling has determined electronic funds transfer (EFT) terminals to be branches for purposes of determining permissible placement of automated teller machines (ATMs) and, indeed, most ATMs are located at the site of a physical branch. Thus, the Federal statutes, as interpreted by the courts, have slowed the development of cost-saving, convenience-enhancing financial service innovations -- to the detriment both of bankers and their customers. Such limitations are most restrictive on household, small business and agricultural customers. Large corporations have access to competitive national -- even worldwide -- markets for their borrowing needs, via commercial paper, acceptance financing, or loans from a worldwide network of money center banks, and for investment alternatives such as repurchase agreements, large negotiable CDs and other market instruments. Thus, such large corporations typically do not depend on physical proximity of a brick-and-mortar branch or ATM facility to conduct their financial business.

## IV. Geographic Expansion and Public Policy Issues

Several additional issues must be considered in the analysis of geographical restrictions and the prospects of liberalization: competition and concentration, credit availability and service to the local community, the survival of small banks, the safety and soundness of the banking system, and the dual banking system. The report finds that liberalization (1) could improve competitive conditions in local markets and, subject to the establishment of appropriate controls, would not raise significantly the risk of undue concentration of economic power; (2) would increase the range of financial services available to local communities but would have little impact on credit availability; (3) does not pose a significant threat to the viability of the small bank as an institution; (4) would not have a material impact on the safety and stability of the banking system; and (5) need not threaten the vitality of the dual banking system.

### A. Competition and Concentration

The empirical studies of banking markets cited in the research compendium generally support the theoretical proposition that price and quality performance in banking is improved through greater actual and potential competition promoted by low barriers to entry, and through lower concentration of economic power in the relevant markets for banking services. Existing restraints on geographical expansion create artificial, arbitrary barriers to entry and therefore are anti-competitive. On the other hand, relaxation of these restraints could lead to increased concentration in some markets.

Higher levels of concentration have been found statewide and in SMSAs in states which permit branching than in either limited branching or unit banking states. However, even if liberalized geographic expansion does increase market concentration in some cases, the negative competitive effects of increased extant concentration likely are outweighed by the new entry potential in a jurisdiction which permits branching. That is, an aggressive firm can achieve a substantial market share in a free-branching environment, but such a firm must continue to offer low prices and high quality in view of the potential new entry (*i.e.*, a new branch) by an outside rival. The beneficial impacts on bank performance of liberalized entry are likely to be most substantial in those states where intrastate limits are now most restrictive. For example, compared to single-office banks in statewide branching states, single-office banks in unit branching states were found to have lower operating costs and pay lower interest to depositors, but charge similar rates to borrowers; that is, they have used their protected market status to earn higher rates of return. Liberalization of restrictions on multi-office expansion would remove the protective barriers to entry -- immediately increasing potential competition in all local markets, and, with *de novo* and foothold entry, eventually increasing actual competition.

Quite apart from the traditional debate over the impact of multi-office structure on concentration and competitive performance of retail banking in local markets, a concern has been expressed about the effects of concentration on national banking markets. This concern prompts some to worry about increased concentration leading to anti-competitive behavior in wholesale banking and, on a more philosophical level, about undue concentration.

Such concern is not consistent with recent historical trends, however. The domestic commercial bank share of both national and world markets for banking and financial services has been on the decline in recent years, despite liberalization in many states of intrastate banking laws. The commercial bank share of financial assets at *depository* institutions generally has also dropped. While these trends might be altered by the liberalization of existing geographic restraints, and while the potential for unrestricted branching leading to a possibly undesirable increase in national concentration in banking cannot be ignored, it is not a compelling reason to maintain the current inefficient and inequitable restrictions. The prevention of undesirable concentration in both local and national banking markets can be addressed more effectively through alternative legal mechanisms, the most important of which is the body of antitrust laws.

When the Douglas Amendment was enacted, there was some question whether banking was subject to the antitrust provisions of the

Sherman and Clayton Acts. These issues were resolved through court decisions and legislation in the 1960s, making it clear that bank expansion through acquisition was subject to the antitrust laws and, in addition, to antitrust criteria which are applied in the first instance by the bank regulatory agencies. By dealing directly with competition in individual markets, these antitrust constraints are a more sophisticated means of dealing with market concentration than are artificial state boundaries. In considering applications for branches, mergers or acquisitions, the bank regulatory agencies must consider the effects of the proposed transaction on existing competition in the relevant market areas, as well as on potential competition and probable future competition. Moreover, the regulators consider the effects on the "convenience and needs" of the bank customers, the financial condition of the expanding bank and -- if applicable -- that of the bank to be acquired, and the effects on the financial conditions of other banks.

Some question may remain as to whether the present body of antitrust laws as interpreted by the courts would apply in the case of a large bank or BHC acquiring another bank with substantial market share in another geographical market where no existing local competition is eliminated.1/ Such reservations suggest that it is undesirable to move immediately to unrestricted nationwide branching. A more moderate liberalization initially should include safeguards designed to complement existing antitrust laws, thereby allowing the pro-competitive aspects of intra- and interstate expansion to develop while minimizing the prospect of a significant increase in nationwide concentration. Such safeguards could include, for example, limits on regions or product markets to be entered or on the size or market share of banks in new geographical markets that might be acquired, in other than emergency circumstances.

B. Service to Local Communities

Multi-office expansion has been shown to be associated with more bank offices per capita and a wider range of financial services for local communities. Studies also suggest that bank expansion, on balance, can result in a greater proportion of loans to locally limited customers than where expansion is limited. Moreover, there

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1/ The Bank Holding Company Act expressly calls for consideration of "undue" concentration in acquisitions of nonbanking firms, and the Federal Reserve has applied this consideration to deny acquisition of nonbanking entities by bank holding companies. Since 1967, eleven cases have been brought before the courts to prevent mergers of banks in different markets on the basis of elimination of potential competition; none has been successful.

is no evidence to support the claim that banks use outlying branches to transfer funds to head offices in urban areas; rather, banks transfer funds among rural offices as dictated by needs.1/ These findings, combined with findings regarding more competitive bank price and profitability performance in statewide branching states versus unit banking states, demonstrate that the convenience and needs of the community may be enhanced through a liberalization of geographic restraints.

C. Viability of Small Banks

While concern has been expressed that geographic liberalization could lead to the disappearance of the small bank, such concern is not supported by evidence from the past. Economies of scale, if any, have been small, have diminished rapidly with size (with little improvement in efficiency for banks above $50 million), and have varied with organizational structure and product line. Furthermore, where branching laws have been liberalized, smaller banks have survived and even prospered under the pressures of new entry. More directly, the present broad mix of large and small, unit and branch, and independent and affiliated banks existing as competitors in the same markets is ample testimony to the ability of small banks to compete with large institutions. ~~In California, for example, despite the largest branching networks in the country, there exist over 75 independent unit banks serving local communities, and California is among the leading states each year in the number of newly chartered banks.~~ Further evidence of the staying power of efficient small banks with a hold on local loyalties is found in the resistance met by the New York City banks in their efforts to penetrate the upstate New York markets after state branching laws were liberalized in the early 1970s. In sum, permitting multi-office expansion would result in a banking industry more diversified as to size, services rendered, and organizational structures.

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1/ Furthermore, recent legislation is designed explicitly to induce insured institutions to meet the credit needs of the local communities in which they are chartered. The Community Reinvestment Act of 1977 (CRA) directs the bank supervisory agencies to consider an institution's CRA record in evaluating any application for a charter, deposit insurance, branch or other deposit facility, office relocation, merger, or acquisition. CRA also requires that, in connection with the examination of a financial institution, the appropriate supervisory agency shall "assess the institution's record and encourage it to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of such institution."

This is not to suggest that relaxation of geographic restraints would not bring about any structural changes including a reduction in the number of banks. Clearly, it would. However, structural change will occur with or without the relaxation of geographic restraints in response to market forces. Without relaxation of geographic restraints, the response to these forces will be less efficient than otherwise. With relaxed geographic restraints, commercial banks will have additional alternatives for maintaining or enhancing market share and achieving economies through geographic expansion, internally or by affiliation with other banks, large or small. Competition in banking would be protected by the antitrust laws, increased potential competition from banks, and increased competition from nonbank competitors.

## D. Safety and Stability of the Banking System

Multi-office expansion does not have any appreciable effect on the safety and soundness of individual banks. Theoretically, geographical diversification, other things equal, ought to reduce risk; however, empirical studies are inconclusive on this point. More broadly, liberalization may in fact lead to greater continuity and stability in financial markets generally. Weak or failing banks could be acquired or merged into existing banks with no interruptions or inconvenience in the provision of banking services to bank customers in the local communities, an opportunity not available if only unit banking is permitted. Moreover, the merger partners available in the presence of wider branching authority may be more consistent with antitrust considerations.

## E. The Dual Banking System

It is frequently argued that a change in existing geographic restraints would severely damage the dual banking system. Of foremost importance is the recognition that the dual banking system is not dependent upon state authority over geographic limits on bank expansion. The essence of the dual banking system lies in its provision of alternative routes of entry into the business of banking and alternative sources of regulation and supervision. The relaxation of geographic restraints need not in any way jeopardize this system.

Furthermore, liberalization of geographic restraints can be accomplished in ways that have virtually no impact on the existing prerogatives, responsibilities and activities of state bank regulators -- namely, through modification of the Douglas Amendment. By this avenue, the benefits of relaxed geographic restraints could be achieved while continuing to allow affiliated banks to choose being steadily eroded by market forces. But to the extent that restraints on branch banking succeed in impeding the expansion of retail deposit taking and related activities, those restraints are anti-competitive. And to the extent that the restraints are circumvented, that circumvention entails a cost which will weaken earnings or be passed on to bank customers. McFadden Act restraints also impose inequities on banks vis-a-vis their nonbank competitors and on the average customer vis-a-vis wealthy individuals and major corporations, for whom geographic convenience is frequently a relatively unimportant factor in establishing banking relationships.

The adverse effects of branching limitations are most pronounced in those states which continue to place tight restrictions on geographic expansion by their banks. If these restrictions continue, banks in those states may find themselves at a serious competitive disadvantage in the evolving financial services environment. In these markets in particular, significant improvements in bank competition and performance could be achieved through the relaxation of restraints on intrastate multi-office banking. Therefore, the Administration strongly urges those states to enhance the opportunities for consumers of bank services by liberalizing restrictions on intrastate geographic expansion. In addition, in principle the Administration expresses its support for interstate reciprocal compacts, although this support is tempered by the recognition that arrangements which will be perceived as equitable by two or more states are not easily achieved.

As part of a phased liberalization of existing geographic restraints, this report has recommended that the Congress focus initially on relaxation of the Douglas Amendment. However, over the longer term, the Administration recommends that the Congress consider what changes in the McFadden Act as it applies to brick-and-mortar facilities might be appropriate in view of the findings of this report. For example, the Congress might consider permitting unlimited intrastate branching or interstate branching within "natural market areas" such as SMSAs for Federally-chartered institutions.

2. <u>The Administration believes that the deployment of EFT terminals ought to be subject to less onerous geographic restrictions than those imposed on brick-and-mortar branches, and that this modification of the McFadden Act should be undertaken along with liberalization of the Douglas Amendment in the first phase of geographic deregulation.</u>

Initially, deployment of EFT terminals should be permitted on a statewide basis and within SMSAs which cross state lines for all banking services, including deposit taking. Nationwide EFT deployment should be permissible at a later date.

The expanded deployment of EFT terminals would bring added convenience to the banking public and, given sufficient volume, EFT networks should result in cost savings to both financial institutions and their customers. EFT terminal deployment would not directly alter the dual banking system; state agencies still would regulate the expansion of state-chartered firms and still would, at least at this time, determine the banking structure with respect to brick-and-mortar branches in their respective states.

There is some concern that liberalization of EFT deployment restrictions would tend to benefit the larger banks that can take advantage of scale economies. In fact, the great majority of EFT terminals at present, and probably in the immediate future, are off-line, self-contained units to which scale economies do not significantly apply. Also, sharing of EFT networks among depository institutions would mitigate any tendency for EFT development to foster a concentration of resources, and appropriate antitrust standards could be designed to minimize any such tendency.

3. Interstate BHC acquisitions to accommodate the "failing bank" problem should be authorized.

Enactment of legislation to permit the interstate purchase of a financially troubled or failing bank by another domestic bank or BHC could substantially ease the regulatory problem of finding a suitable merger partner for a troubled firm, especially if the distressed bank is a large one. Each of the Federal depository institution regulatory agencies supports enactment of such legislation, which also would eliminate the present anomaly whereby foreign banks, but not out-of-state domestic banks, may be candidates to purchase a distressed institution.

It is critically important that acquisitions of financially troubled institutions be accomplished in a manner which is efficient and which promotes competition or at least does not significantly increase concentration. Thus, the statutory framework should give the Federal deposit insurance agencies the widest possible latitude in effecting a merger between a troubled and a healthy institution -- and this means choosing from the largest possible pool of "marriage partners," including out-of-state partners.

A preferred method of achieving this end would be to adopt the draft legislation proposed by the Federal Financial Institutions Examination Council in early 1980. The proposed bill -- the "emergency bank acquisition bill" -- would expand the flexibility of the Federal regulatory agencies when deciding the disposition of large failing depository institutions and when otherwise extending assistance to troubled institutions.

The bill would amend the Bank Holding Company Act and the Savings and Loan Holding Company Act, authorizing the Federal

Reserve Board and the Federal Home Loan Bank Board to permit interstate holding company acquisitions in certain extraordinary situations. Such a situation would exist if the Examination Council determined, with at least four members concurring, that an intrastate alternative was not feasible for the acquisition of a large insured commercial bank, savings and loan association, or mutual savings bank in receivership; i.e., a commercial bank with assets in excess of $1.5 billion, a thrift with assets in excess of $1 billion, or one of the three largest such banks or thrifts in the state.

Other provisions of the proposed legislation would give the regulatory agencies more flexibility in extending assistance to troubled depository institutions. For example, the FDIC would be authorized to make loans to, purchase assets of, and make deposits in an insured bank which might otherwise be in danger of closing. The FHLBB would be allowed to suspend temporarily the requirement that the Federal Home Loan Banks semiannually carry to their reserve accounts 20 percent of net earnings. It would also be able to authorize the regional Banks to make dividend (or other) payments to their members out of their reserves, and to charter a Federal stock savings bank or S&L to acquire an association or savings bank in receivership. The NCUA would be authorized to act as conservator for a failed insured credit union, while the Share Insurance Fund and the Central Liquidity Facility would gain flexibility for the purpose of assisting troubled member institutions. The authority of the National Credit Union Administration to permit the merger of a troubled credit union with another CU also would be extended by this legislation.

In view of the pressures which the current economic and financial environment is likely to impose on many depository institutions, the Administration believes that the Congress will ultimately want to consider preserving the authority of the regulators to permit mergers between healthy bank and thrift institutions. Opportunities for cross-industry mergers and acquisitions would provide depository institutions with a degree of flexibility which may prove vital in the difficult competitive climate likely to characterize the financial services industry in the 1980s. Over the immediate term, however, the Administration regards the enactment of the limited "failing bank" legislation described above as critically important.

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*"HAVRE'S ONLY HOME OWNED – TOTAL SERVICE BANK"*

# Statement of Condition

*December 31, 1980*

| ASSETS | | LIABILITIES | |
|---|---|---|---|
| Cash and Due from Banks | $1,133,740 | Demand Deposits | $5,752,528 |
| U.S. Government Obligations | 1,794,434 | Time Deposits | 15,681,463 |
| Other Investments | 5,253,466 | Other Liabilities | 627,214 |
| Loans and Discounts, Net | 13,706,724 | Capital Reserves | 16,483 |
| Building and Equipment | 585,443 | Capital | 500,000 |
| Other Assets | 1,001,995 | Surplus | 800,000 |
| | | Undivided Profits | 98,114 |
| | $23,475,802 | | $23,475,802 |

FIRST SECURITY BANK OF HAVRE

*Statement of Condition*

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*"HAVRE'S ONLY HOME OWNED – TOTAL SERVICE BANK"*

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| | | Undivided Profits | 98,114 |
| | $23,475,802 | | $23,475,802 |

Mr. King & Mr. Sandquist said that in those states adopting branching statutes there was a <u>decline</u> in the number of <u>banks</u>. That's true but there were <u>more banking facilities</u> (i.e. branches) because of mergers and expansion of banks by opening <u>new bank branches</u>.

My name is Dutch Omdahl, President of First Bank West Billings, a 20-year old active Bank with assets of $37,500,000. My Bank is an affiliate of First Bank System.

In January of this year it was my pleasure to visit with Bankers east and northeast of Billings from Hysham to Glendive to Sidney, Culbertson, Wolf Point, and Malta to name a few of the Bank towns in the area on which I called. In spite of utterances to the contrary, I found eight Independent Bankers who found no fault with facility Banking as proposed under HB 183.

As a country boy from Starkweather and Devil's Lake, North Dakota, the son of an Independent Banker and a correspondent banker for the First of Minneapolis, I have seen what facility banking can do for communities. They have 70 odd facility banks in the state of North Dakota.

As far as our Bank is concerned, we want the ability to better serve existing and potential customers in our area.

Twenty years ago ours was in all practicality, the only financial institution on the west end. Today, there are two Savings and Loan branches, three credit unions and two other banks. It is particularly important that we have the opportunity to expand in a facility way to compete with those branches of the Savings and Loans as well as with the Credit Unions.

HB183 will not have any effect on Independent Banks in Laurel, Worden, Scobey, Stevensville, Hysham, Libby, and the like.

And finally, HB183 is <u>not</u> a Branch Banking Bill as some would have you believe.

Thank you!!

# STATE OF MINNESOTA

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Securities and Real Estate
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Administrative Services
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DEPARTMENT OF COMMERCE
500 Metro Square Building
St. Paul, Minnesota 55101

January 26, 1981

The Honorable Jay Fabrega
Chairman, Business and Industry Committee
Montana House of Representatives
State Capitol
Helena, Montana 59601

Dear Chairman Fabrega:

This is in response to your request for information as to the experience of Minnesota's detached facility law.

Minnesota banks are permitted to operate two detached facilities, at distances not to exceed 25 miles from the main banking office. This law has been in effect since August 1, 1977. Prior to that time, a bank in Minnesota was restricted to only one detached facility, at a location limited to 3,000 feet from the main office.

While I was not Commissioner of Banks at that time, I do know that the 1977 detached facility bill was extremely controversial; in fact, it passed the House of Representatives by just the bare majority needed. It was lobbied and debated as a big bank vs. small bank proposal.

There are 760 commercial banks in Minnesota including both state and national charters. 137 (18%) of these banks are affiliated with multi-bank holding companies. It is interesting to note which banks have made the greatest use of the detached banking facility law. Of the 268 detached facility applications (state and national charters combined) since the law took effect in 1977, 181 (67.5%) have been made by independent banks or those banks not affiliated with multi-bank holding companies. 253 applications have been approved, of which 187 are now opened. Of the total approved applications, 170 (67.2%) were made by independent banks. In other words, the non-affiliated or independent banks have utilized our state's detached facility authority by a ratio of two to one over banks affiliated with the multi-bank holding companies.

Minnesota, like Montana, had historically been a "unit banking" state. Its prohibition of branch banking was enacted in 1923. We are now considered a limited branch banking state as a result of a law passed in 1980, supported by the Minnesota Bankers Association, which permits a detached facility to provide all of the services available at the main banking house.

It is my impression that the experience of our detached facility law clearly demonstrates that it has met a need both for the banking industry in our state as well as those who use its services.

I hope this has been responsive to your question. Should you need any additional information, please do not hesitate to contact me.

Sincerely,

Michael J. Pint

Michael J. Pint
Commissioner of Banks

MJP:sd

Senate Bill 5 is a compromise product of an interim study committee on Branching of Financial Institutions, a committee recommended by the legislature two years ago. Senator Regan was chairperson of the committee which met five times and took testimony two times from representatives of the institutions concerned. I signed as a co-sponsor of the bill, but somehow in the prefiling process my name appeared on the bill as the lead sponsor, so I will present the bill.

It is only fair to recognize here, as in the study report, that there are divided philosophical as well as economic opinions on the matter of branching and there are studies which suggest support for the different opinions. In general, as you will hear, state independent banks oppose the concept, the holding company banks generally favor the idea.

It should also be noted that the Depository De-regulation and Monetary Control Act of 1980 is landmark legislation by the Congress, homogenizing financial institutions including banks, savings and loan and credit unions.

John Heinman, comptroller of the currency, has suggested a change in the 1934 McFadden Act, which prohibits interstate banking. The Carter Administration, in a White House staff report, which President Carter approved, declared "The Administration regards existing geographic limitations as achronistic in the competitive market plan of the 1980s". The report also suggests the first step would be to change the so-called Douglas Amendment to the Bank Holding Company Act of 1956 which prohibits bank-holding companies from acquiring out-of-state banks unless laws of the host-state specifically permits such entry.

There surely can be no doubt that the future of banking is going to see changes, and even now, federally chartered savings and loan and credit unions can branch. It is unreasonable to think that the privelages granted these competitive institutions will be denied the competing banking industry. It will be only a matter of time; this bill would, in a very limited way, allow Montana banks to move in the direction which is so obvious to any objective observer.

In the Federal Reserve Quarterly Review of the spring of 1980, a study was printed after being ordered by the Federal Reserve, which should be objective on branching in Montana. The report indicated ythat the trend is toward allowing some form of branching. Today, 21 states and the District of Columbia permit branching anywhere within their borders; 16 states have limited branching, and 13 states prohibit branching.

The conclusions reached in the Federal Reserve study are interesting in that they review the common fears:

1. Branch banks siphon funds out of the rural areas.
2. Branch banks are less efficient than unit banks.
3. Large banks drive small banks out of business.
4. Branching leads to bank concentration.

They found that all four fears about branching are unwarranted.

In Montana we have a very diversified banking system. 1. The family owned and operated banks; 2. A system where a family owns the bank with hired management; 3. Community owned banks; 4. A single owner chain banks; 5. In-state holding company banks, and; 6. Out-of-state holding company banks.

Now what does the compromise SB 5 propose?

At present, with approval of the state banking department a bank may operate a detached drive-in and walk-up facility, but the facility must be within 1000 feet of the main banking house. The bill would allow one additional facility if the population of the home town or city is less than 50,000-----two additional if the population is over 50,000.

A bank may establish a branch or branches if it meets the population test.

A bank in a city of over 50,000 may establish one branch bank and one additional detached facility, or two branches, or two detached facilities, but no more.

A reduction in population would not void the facilities established.

The branch or detached facility may not be closer than 1500 feet to any previously existing bank, nor more than 3 miles form the city limits of the main bank.

A branch is defined as an office furnishing the same services as the bank's home office.

Further, the state banking board shall approve an application for a branch unless there is a compelling reason to deny the request, but competition is not a compelling reason for disapproval.

As I indicated, this is a compromise bill that would grant some extensions but, frankly, fails to meet some needs where non-bank communities are more than 3 miles from the home city---I see a real need to extend the limit to at least be in the country to serve such communities as Troy, Montana, Lakeside, Montana, and I am sure there are others. This bill would allow better service to the public in the fast growing areas where shopping centers are rapidly becoming important centers of economic activity.

This is not an easy bill, and it is only a partial solution to a major problem which is likely to be resolved by federal actions, but unitl then we might serve our people well by moving in that direction.

The primary issue before us is not protecting one system over another, but what is in the best public interest, and how might the public be served better. The decision at the moment is in your hands.

Must be Sent to Helena By 2-4-81

WE THE UNDERSIGNED ENDORSE A REVISION IN THE BANKING LAWS FOR THE STATE OF MONTANA TO ALLOW BRANCH BANKING LIMITED TO EXISTING BANKS WITHIN THE COUNTY.

| | |
|---|---|
| Patti Daniel | Troy, Montana |
| Shauna Robins | Troy Montana |
| [illegible] | Troy Montana |
| R L [illegible] | Troy Mont |
| [illegible] | Troy Montana |
| Linda J. Fisher | Troy, Montana 59935 |
| Sam Burk | Troy Mt. 59935 |
| Wendy Kelley | Troy Mt. 59935 |
| Peggy [illegible] | Troy Mt |
| [illegible] | Troy Mt. 59935 |
| Mr & Mrs. Rick Drain | Troy Mt. 59935 |
| Mary B. Coy | Troy, Mt. |
| Mr & Mrs [illegible] | Troy, Mt |
| Mrs. Clarence [illegible] | Troy, Mt. |
| Susan Dawe | Troy, Mt |
| Steve [illegible] | Troy, Mt. |
| C. E. Carroll | Troy, Mt. |
| Benita Taylor | Troy Mt |
| David [illegible] | Troy Mt. |
| Bruce Knight | Troy MT |
| Chas [illegible] | Troy Mont |
| Ida M. Timpkin | Troy Mont |
| [illegible] Winslow | Troy Mt |
| [illegible] | " " |
| Joyce [illegible] | Troy, Mont |
| Kathy Malloy | Troy MT |
| [illegible] Welcome | Troy Mt |
| Marvin Carr | Troy Mont |
| S. Cummings | " " |
| N. M. Lloyd | Troy, Mont. |
| Phyllis Lloyd | Troy, Mont. |
| [illegible] | Troy Mt |
| Roxanne Winslow | Troy Mt. |

## STATEWIDE DEPOSITS (AND PERCENTAGE SHARE) HELD BY COMMERCIAL BANKS AND SAVINGS AND LOAN ASSOCIATIONS

($ MILLIONS)

| | 1960 | | 1970 | | 1975 | | 1979 | |
|---|---|---|---|---|---|---|---|---|
| | DEPOSITS | PERCENT | DEPOSITS | PERCENT | DEPOSITS | PERCENT | DEPOSITS | PERCENT |
| ALL COMMERCIAL BANKS | $829 MILLION | 83.7% | $ 1.7 BILLION | 83.4% | $ 2.9 BILLION | 82.1% | $ 4.3 BILLION | 80.3% |
| (FIRST BANK SYSTEM) | 253 MILLION | 25.5 | 478 MILLION | 24.1 | 778 MILLION | 22.0 | 1.1 BILLION | 20.0 |
| (NORTHWEST BANCORPORATION) | 106 MILLION | 10.7 | 238 MILLION | 12.0 | 385 MILLION | 10.9 | 533 MILLION | 9.9 |
| (OTHER COMMERCIAL BANKS) | 471 MILLION | 47.5 | 938 MILLION | 47.3 | 1.7 BILLION | 49.3 | 2.7 BILLION | 50.4 |
| SAVINGS & LOAN ASSOCIATIONS | $161 MILLION | 16.3% | $ 330 MILLION | 16.6% | $ 636 MILLION | 17.9% | $ 1.1 BILLION | 19.7% |
| TOTAL | $991 MILLION | 100.0% | $ 2.0 BILLION | 100.0% | $ 3.5 BILLION | 100.0% | $ 5.4 BILLION | 100.0% |

SOURCES: FDIC ANNUAL REPORTS
FEDERAL HOME LOAN BANK BOARD

Must be Sent to Helena By 2-4-81

WE THE UNDERSIGNED ENDORSE A REVISION IN THE BANKING LAWS FOR THE STATE OF MONTANA TO ALLOW BRANCH BANKING LIMITED TO EXISTING BANKS WITHIN THE COUNTY.

| | | |
|---|---|---|
| James Rogers | Box 100 | TROY MONT |
| Ronald L. [illegible] | Box 52 | TROY, MONT. |
| [illegible] Wallace | Box 102 | Troy MT |
| [illegible] | Route 2 | Troy, Mt. |
| Rose [illegible] | Rt. 1 | troy Mt. |
| [illegible] Wright | Box 292 | " " |
| [illegible] | Box 713 | " " |
| Suzanne [illegible] | Rt. 1 | " " |
| James [illegible] | Box 750 | " " |
| [illegible] Harrison | Box 608 | Troy, Mt |
| Sharon Koch | Box 159 | " " |
| [illegible] | Rte 2 | Troy, Mt. |
| [illegible] | Box 321 | Troy. |
| [illegible] | Rt. # 2 | Troy Mont. |
| Debra Wallace | BOX 358 | Troy Mt. |
| Hilda [illegible] | Rt. 3 | Troy |
| Colleen H. Holte | Rt. | TROY, MT. |
| Hazel Holte | Rt 3 | Troy, Mt |
| Pat Cunnington | Box 36 | Troy, Mt. |
| Neil Cunnington | Box 36 | Troy Mont. |
| Nora E. [illegible] | Box 486 | Troy, Mont |
| [illegible] | Box 314 | Troy Mont |
| Linda [illegible] | Box 207 | Troy Mt. |
| Tom Graham | Rt. 1 | Troy, MT. |
| Rebecca [illegible] | Rt. 3 | Troy MT 59935 |
| Elizabeth J. Sloat | Box 337 | Troy, mont. |
| Grace Patterson | Box 934 | Troy, Mt. |
| [illegible] Morris | Box 690 | Troy MT. |
| [illegible] | Box [illegible] | Troy Mt |
| LeRoy Baker | Box 962 | troy mt |
| Verta M. [illegible] | Box 902 | Troy Mt |
| Arlene Maddux | Box 173 | Troy Montana |

Must Be Sent to Helena By 2-4-81

WE THE UNDERSIGNED ENDORSE A REVISION IN THE BANKING LAWS FOR THE STATE OF MONTANA TO ALLOW BRANCH BANKING LIMITED TO EXISTING BANKS WITHIN THE COUNTY.

| | |
|---|---|
| [illegible] | Libby Mt |
| Colleen Robinson | Troy Mt |
| Merle Laker | Troy America |
| Marine Peterson | " " |
| [illegible] | Troy Mont |
| Charles [illegible] | Rt 2 Troy Mont. |
| [illegible] | Troy Mt |
| Sam [illegible] | Troy Mont |
| [illegible] Smith | Troy " " |
| [illegible] Cox | Troy, Mt. |
| [illegible] | Troy Mt. |
| [illegible] | Troy Mt |
| Christine Miller | Troy Mt. |
| [illegible] | Troy Mt |
| Wm R. Orr | Troy Mt. |
| Jackie [illegible] | Troy Mt. |
| Edward [illegible] | Troy MT. |
| [illegible] Harvey | Troy, Mt. |
| [illegible] Harvey | Troy, Mt. |
| Pat Savage | Troy Mont |
| [illegible] Boswell | Troy Mont |
| Jos Ohnstad | Troy Mont. |
| V A [illegible] | " " |
| [illegible] | Troy Mt |
| [illegible] Moffitt | Troy MT |
| [illegible] | Troy Mont |
| Edward D [illegible] | Troy Mt |
| [illegible] Montgomery | Troy, MT |
| Mickey Montgomery | " " |
| Sherry Peters | Troy Mt |
| Deanna Snow | Troy Mt |
| Sally McGrath | Troy, Mt |

Desired to Release BS 2-4-81

WE THE UNDERSIGNED ENDORSE A REVISION IN THE BANKING LAWS FOR THE STATE OF MONTANA TO ALLOW BRANCH BANKING LIMITED TO EXISTING BANKS WITHIN THE COUNTY.

Ruth Mallette Troy mt
Carol Preus Troy mt
Betty J. Eldridge Troy mt
Edna F. Lindsay Troy mt
Mabel Deon Troy mt.
Vanda Blanchard Box 100 Troy Mt.
Jennie Hedge Troy mont.
Ernest Davis Box 584 Troy Mont
[illegible] Parker P.O. Box 287 Troy
clarence Parker
Fred Jellard Box 231 Troy Mont
Melvin C Thomas RT3 Troy mont
Karl Powell Box 1055 Rt 1# Libby
Marta J Thomas Rt #3 Troy
Louise M. Rollins Troy
Hazel I. Walsh P.O. Box 254 Troy
Geraldine C Todd PO Box 703 Troy
[illegible] K. Ives Box 914 Troy
Suzanne D Kuntz Rt 1 Troy
Howard Blanchard 810 E Lincoln Libby
E Luella Blanchard 810 E Lincoln Libby
Jean F. Crauclin Bx 624, Troy, Mt
Francis E. Crauclin " " "
Pearl L. Tegen Bx 302 Troy mt 59935
Mamie M. Blanchard Bx 326 Troy, Mont 59935
Olie H. Caraway Rte 3 Troy Mont. 5993[illegible]
Mattie [illegible] Box 167 Troy Mont 59935
Ilah Leighty Box 538 Troy, Mont 59935
Joyce Fisher Box 135 Troy Mont 59935
Theresa M Fisher Box 482 Troy, Mont 59935
Phillip C Fisher Box 135 Troy mont 59935
Fern E. Parker Box 287, Troy, Mont 59935
Frantz J. Ives Box 914 Troy mt 59935
Rose E. Hall Box 374 Troy, Mt 59935

Send to Helena By 2-4-81

WE THE UNDERSIGNED ENDORSE A REVISION IN THE BANKING LAWS FOR THE STATE OF MONTANA TO ALLOW BRANCH BANKING LIMITED TO EXISTING BANKS WITHIN THE COUNTY.

| | |
|---|---|
| Jeannie Schroeder | Box 637 Troy Mt |
| W. J Abel | Rt 1 Troy |
| C E Eiermann | PO Box 213 Troy, Mont |
| Andrea Richardson | PO Box 741 Troy |
| [illegible] | Box 245 Troy |
| [illegible] | " " " |
| Vickie Offerdahl | Rt 1, ~~Libby~~ Troy, MT |
| Carla [illegible] | Box 45 Troy, Mt. |
| [illegible] Bader | Box 521 Troy, Mt. |
| Klara Boswell | Box 366 - Troy. Mt. |
| Ann Riedlinger | Rt 2 Troy, MT. |
| Lillian R. Jamison | Box 521 Troy, Mt. |
| Janet Pearson | Box 481 Troy Mt |
| Franz Pearson | Box 481 Troy Mt |
| Janice Gilliand | Box 231 Troy, Mt. |
| Alma Baskam | Box 16 Troy, Mt |
| Dan Garrison | Box 424 Troy Mt. |
| J. B. Carter | BOX 286 Troy, MT |
| Carl E. Clark | Box 694 Troy Mont |
| [illegible] M. [illegible] | Box 809 Troy Mt. |
| [illegible] | " " " " " |
| Ida Williamson | [illegible] Troy [illegible] |
| Rod F. Williamson | " " |
| Leo Robertson | Box 191 TROY, Montana |
| Valinda M [illegible] | Rt 2 Troy, Mont. |
| [illegible] R Wright | Rt 2 Troy Mont |
| Robert L. Garrison | |
| Russell L. Miller | PO Box 694 TROY, MT. |
| Matt C. Franke | Rt #1 TROY, MT |
| Pauline D Blanchard | Box 308 Troy Mt. |
| Wesley L Blanchard | Box 308 Troy Mt. |
| Myra L. Smith | Rt. 2 - Troy, Mt. |

Most Be Sent to Helena By 2-4-81

WE THE UNDERSIGNED ENDORSE A REVISION IN THE BANKING LAWS FOR THE STATE OF MONTANA TO ALLOW BRANCH BANKING LIMITED TO EXISTING BANKS WITHIN THE COUNTY.

| | | |
|---|---|---|
| Roger M Kinsler | Box L | Troy, Mont. |
| [illegible] | Rt 3 | Troy Mont |
| [illegible] Flatter | " | " |
| [illegible] Gilbert | Box 337 | Troy Mt. |
| [illegible] Daniel | Box 579 | Troy Mont. |
| Barbara McMillan | Box 783 | Troy Mont. |
| Laurie V Mendeiro | Box B | Troy, Mont. |
| Terra Franke | Rt 2 | Troy Mont |
| Joseph [illegible] | Box 352 | Troy Mont |
| Lynn [illegible] | Box 706 | Troy Mont. |
| Marie O'Neill | Box E2 | Troy, Mont. |
| [illegible] | Box 864 | Troy Mont |
| [illegible] | Box 698 | Troy Mt |
| Bill [illegible] | PO Box 355 | Troy Mt. |
| Jim Sparkman | P.O. BOX 327 | TROY MT 5993 |
| Betty Hudson | PO Box 65 - | Troy, Mt - |
| [illegible] Hudson | Box 65 | Troy, Mt. |
| Flora M. Kinsler | Box L | Troy MT |
| [illegible] | Box 172 | Troy Mont. |
| Emily Hingley | B761 | Troy Mont |
| Frank [illegible] | Box 761 | Troy Mont |
| Carolyn Brück | Box 281 | Troy Montana |
| Patti Kern | Box 232 | Troy Mt. |
| L J Dixon | Rt. I | Troy Mt. |
| Bruce A. Altman | Box 752 | Troy Mt. |
| Sue O'Neill | Box 651 | Troy, Mt. |
| [illegible] | Box 603 | Troy, Mt. |
| Darlene Nicolaas | Box 564 | Troy Mt. |
| Elizabeth S. Cripe | Box 922 | Troy, MT |
| Catherine J. Pease | Box 55 | Troy, Mt |
| Lois Chapel | Box 593 | Troy Mont |
| Vincent P. Martinice | BOX 152 | LAKESIDE Mont |

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| | |
|---|---|
| Richard L. Jantz | RT 3, Box 866K, LIBBY, MT. 5992[illegible] |
| Melvin P. Blubaugh | Rt1 Troy Mnt. 59935 |
| David W. Cary | Box 435 Troy, MT 59935 |
| [illegible] | P.O. Box 571 Troy Mt. 59935 |
| Jim [illegible] Barrett | P.O. Box 418 Troy Mt 59935 |
| Gordon Hauck | Rt 3 Box 1467 Libby Mt 59923 |
| [illegible] K. Shelley | Box 87 Troy 59935 |
| Michael [illegible] | Box 825 Troy 59935 |
| [illegible] | Box 142 Troy 59935 |
| [illegible] | Box 130 Troy 59935 |
| [illegible] | Box 388 Troy 59935 |
| [illegible] | Box 9 Troy " |
| [illegible] | Box 148 Troy " |
| [illegible] | Box 705 Troy 59935 |
| William M. [illegible] | Box 998 Troy 59935 |
| Sandy Forestwilles | Box 15 Troy 59935 |
| Bob Hawley | BOX 368 TROY " |
| John R Erickson | Box 439 TROY |
| Jani Ueland | Box 16[illegible] Troy |
| Ellen Cole | |
| [illegible] Finley | Box 48 Troy Montana 5[illegible] |
| [illegible] | Box 30 Troy Montana |
| Claudia Burk | Box 30 Troy, Montana |
| Robert G. Evans | Box 77 Troy, Montana |
| [illegible] | Box AB Troy Mont |
| Chris Vahan | Rt. 1 Troy Mt. |
| Lena Vahan | Rt 1 Troy Mt. |
| Charles Montgomery | Box 8 Troy Mont |
| Karen Oberm ayer | Box 87 Troy, Mt |
| Mark Hughes | Box 200 Troy Mt. |
| [illegible] Patton | Box 223 Troy |
| Herbert H. Cole | Box 22 Troy |

Send to Helena By 2-4-81

WE THE UNDERSIGNED ENDORSE A REVISION IN THE BANKING LAWS FOR THE STATE OF MONTANA TO ALLOW BRANCH BANKING LIMITED TO EXISTING BANKS WITHIN THE COUNTY.

| | |
|---|---|
| Earl R Burns | Troy Mont. |
| Richard Q Lee | Libby Mont. |
| Tim Siefke | Libby Mont |
| D L Day | Libby Mont |
| June A. Burns | Troy, Mt. |
| Thomas R Boller | Troy, Mt. |
| Elizabeth M McHolmes | Libby, Mont. |
| Roger L Brewer | Troy, MT. |
| Patricia A. Case | troy mt. |
| Judith A. Rayome | Libby, Mt. |
| Jeannie Owens | Libby, Mont |

Send To Helena By 2-4-81

WE THE UNDERSIGNED ENDORSE REVISION IN THE BANKING LAWS FOR THE STATE OF MONTANA TO ALLOW BRANCH BANKING LIMITED TO EXISTING BANKS WITHIN TH COUNTY.

| | | |
|---|---|---|
| Mickey Cole | Box 666 | Troy |
| [illegible] | Box 266 | Troy |
| Linda Stanley | Box 190 | Troy, MT |
| Jane [illegible]-Bain | Box 599 | Troy, MT |
| Floyd Bain | Box 599 | Troy Mt |
| Harold [illegible] | Rt 3 | Troy |
| Roy W [illegible] | 714 Mineral | Libby Mt. |
| Huston Hanson | P.O. BOX 1152 | LIBBY MT |
| [illegible] | P.O Box 244 | Troy Mt. |
| David R. Scott | Box 94 | Troy, Mt |
| [illegible] | | |
| [illegible] | Rt. 3 | Troy Mt |
| Dorothy A. [illegible] | Rt. 3 | Troy Mt |
| Samara [illegible] | P.O. Box 284 | Troy, Mt. |
| Bill Jahnke | Box 486 | Troy Mont |
| [illegible] Jahnke | Box 486 | Troy Mont |
| [illegible] | Box [illegible] | Troy Mont |
| [illegible] Boswell | Box E | Troy Mont |
| Alma Schoonmaker | R. 2 | Troy Mont |
| Francis J. McCully | Box 289 | Troy Mt 59935 |
| Sharon Keen | Box 423 | Troy Mt 5993[illegible] |
| Ollie Jean Countryman | Box 933 | Troy, Mt. 59935 |
| Donald S Huff | P.O Box 79 | Troy Mt. 59935 |
| Thomas R Winebark | Rt 2 Troy Montana | 59935 |
| Roberta Boswell | Box E Troy Mt. | 59935 |
| Regina [illegible] | Box 584 | Troy Mt. 59935 |

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WE THE UNDERSIGNED ENDORSE A REVISION IN THE BANKING LAWS FOR THE STATE OF MONTANA TO ALLOW BRANCH BANKING LIMITED TO EXISTING BANKS WITHIN THE COUNTY.

John W. Swiger Box 250 Troy, MT 59935
Louis W. Kurtz PO Box 93 Troy MT 59935
[illegible] James RT-3 BOX 869D LIBBY, MT. 59923
Rich Dahl P.O. Box 567 Libby, MT 59923
Steven A. Boyer 910 MAIN LIBBY, MT. 59923
Paul [illegible] P.O. Box 730, Troy Mt. 59935
Clarence R. Richardson BOX 307 Troy Mt 59935
Trudy Ann Dean P.O. Box 52 Troy Mont. 59935
Arlyne Beite P.O. BOX 212 Troy Mont 5993[illegible]
Jack West " 256 " " "
David R. Stephenson Box 188 Troy, Mt.
[illegible] Troy Mont.
Rebecca H Caldwell Box 710 Troy
Joyce Gilligan Box 574 Troy
Cecil H [illegible] Box 457 Troy.
John E Brandley BOX C Troy
Wanda M. Richardson BOX 307 Troy.
Evelyn J Hingley Box 761 Troy, Mont
Frank G Hingley Box 761 Troy, Mont.
Ken Kern Box 232 Troy Mont
John Bodie BOX 524 TROY MONT
Mrs. W. J. McMillan Box 6 Troy Mont.
[illegible] Robison Box 658 Troy Mont.
Brenda Norman BOX 164 Troy, Mont
Ben Norman Box 164 - Troy Mont
Jeff J Franke Rt. 2. Troy, MT.
Stanley W Adams POB 696 Troy, MT.
Edward E Holmes Rte 1 Troy, Mont.
Rodney Gembaluk RR. 2 Troy, Mont.
Bert H. Hall Box 742 troy, mont.
Ben Fisher Box 9 Troy Mont
Herbert Moore Box 311 Troy Mont

OVER

Gary Willis Box 739 Troy Mt. 59935
Robert A. Cummings Box 136 Troy Mt. 59935
Jim Cornwell Box 47 Troy Mt. 59935
Ernest R Meyer - Rt. 3 Troy Mont. 59935

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WE THE UNDERSIGNED ENDORSE A REVISION IN THE BANKING LAWS FOR THE STATE OF MONTANA TO ALLOW BRANCH BANKING LIMITED TO EXISTING BANKS WITHIN THE COUNTY.

Fred H Mautz Box 544 Troy mt.

Derel Olson Troy Mont

SENATE COMMITTEE BUSINESS AND INDUSTRY

Date February 18, 1981 Bill No. 445 Time 11:43 a.m.

| NAME | YES | NO |
| --- | --- | --- |
| Hazelbaker | x | |
| Goodover | x | |
| Dover | x | |
| Kolstad | x | |
| Lee | x | |
| Blaylock | x | |
| Boylan | x | |
| Regan | x | |
| | | |
| | | |
| | | |
| | | |

M. Miller
Secretary

Frank W. Hazelbaker
Chairman

Motion: Senator Kolstad moved that Senate Bill 445 be given a "Do Pass". The committee voted unanimously to give Senate Bill 445 a "Do Pass".

(include enough information on motion—put with yellow copy of committee report.)