

HOUSE BUSINESS AND INDUSTRY COMMITTEE

Chairman, Rep. Jerry Metcalf, called the Business and Industry Committee to order on February 9, 1983, at 9:00 a.m. in the Governor's Reception Room, Capitol Building, Helena, Montana. All members were present.

HOUSE BILL 605

REP. LES KITSELMAN, District 60, sponsor, opened by saying this bill would relieve many of the state's economic problems by allowing branch banking in the community. Montana is in need of capital. If there are more banking outlets, people will take advantage of those outlets. We have given changes to savings and loans to expand their business and other areas of commercial lending are opening up. These all infringe upon the traditional banks. In order for banks to survive, we must allow them to compete in a free market.

PROPOSERS:

PAT MELBY, Montana Northwest Banks: Rep. Kitselman is offering amendments to this bill to restrict it's affect to counties only. (Exhibit #1) They will change the effective date from 1985 to 1984. Montana banks could acquire a bank by merging with a new bank within the county or in a de novo by first getting the approval of the Banking Board. We are talking about state banks. They have no jurisdiction over national banks. Before the Board could approve the branch it would have to go through the requirements of a new bank. Another part of the bill would remove the restriction imposed by the Congress of the U.S. which does not allow out-of-state holding companies to acquire banks in the state. The bill would protect against undue competition of holding companies by restricting it to established banks. They could not come in and put up a bank across the street from an existing one. I would urge the committee to view these amendments favorably.

BILL ANDREWS, former president of Northwest Bank, Helena: There are at the present time 21 states which permit statewide full branching banks; 20 states that have branching but have geographical restrictions, and 10 states which have no branching permits. The 10 states comprise only 20% of the nation that does not have the privilege of branch banking. The trend is toward more readily available branching. Forty one states permit branching in some form. We want Montana to be included. Montana consumers deserve more convenience in banking.

JIM HOPKINS, President, Central Bank of Montana, Great Falls: Banking has seen many changes occur in the last decade, especially in deregulating our industry and allowing the industry to compete more directly with non-banking interest. Sears, J.C. Penney's, Prudential and American Express have all found a way through the back door to enter the financial markets served by the regulated banks. Passage of HB 605 will give all banks in Montana the tools necessary to provide the financial services expected of our industry. Smaller communities that do not have a bank may never

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have one. Now unit banks must be capitalized according to Federal or State regulation. With a branch bank, the existing capital of the main bank substitutes for the need of new capital. House Bill 605 also addresses the issue of in-state acquisitions by out of state holding companies. Banks are expensive and prospective buyers are limited. Passage of HB 605 would open up a national market to negotiate the best possible deal without jeopardizing the capital accounts to meet debt service. (Exhibit #2)

PAT GIBLIN, General Counsel, Montana Bancsystem, Inc.: We are a locally owned bank holding company that operates 12 banks in Montana. HB 605 will benefit the consumer by offering more convenient banking locations. It will attract capital to this state and allow banks to compete on an equal footing with other financial institutions of this state. The three holding companies that are presently in Montana had grandfather privileges. If you cannot generate sufficient earnings to grow, then you must look elsewhere. We could combine with out-of-state companies to increase our capital. We see little threat of the out-of-state holding companies dominating banking in Montana. The federal laws are there that would prohibit domination. Alaska opened up to holding companies and so far none have come in. President Reagan's economic report recently said it's time to release geographic restrictions on banking.

BRUCE ELLIS, President, Montana Bancsystem, Inc.: Why should we support out-of-state holding companies entering our market? A number of our bank competitors already can expand across state lines...savings and loans, etc. They have become a very important competitor of the deposit base for us. They are a threat to us and we need to have the capabilities to compete with these people. We believe we are holding our share of the deposit base in this state. We want the ability to retain the deposit base through the added benefits of this bill. The ratio analysis you have in your hand (Exhibit #3) indicates both in-state and out-of-state holding banks have served the public here in Montana well. We want to continue to do that.

VINCE FISHER, President, Montana Bank of Butte: I was opposed to this bill last session but there have been a great many changes since then. Branching is going to arrive very likely from the national level and deciding our own legislation is the best route to follow.

TOM HARRISON, Financial Institutions of Montana: The handout you have indicates that Independents out-strip the competitors. What would happen if this did result in some concentration of capital? It would indicate that the building that these people are willing to put up in your town is located in a convenient location and they are serving the public. That would be the reward. I don't think even the worst seems all that bad. The dual banking system that is chartered by the federal or state

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government is a competitive situation and a good situation. A review of other states where branching is allowed indicates that they continue to exist as two separate entities, the way they do exist right now in Montana. In Montana there are 55 national banks and 110 state chartered banks.

ANGELINE HUDOKLIN, East Helena: I was amazed when I moved to East Helena many years ago that they did not have a branch bank. We now have a savings and loan but we do not have a bank. We have to drive into Helena to do our banking and many older people there would like to have a bank in our town.

ED JASMIN, President, Northwestern Bank, Helena: We are a state bank. This bill is asking for a level playing field. We would like to do what others can do and have the same advantages of the savings and loans. The chart I have passed out (Exhibit #4) shows the restrictions on banks. We have no apology for being part of a holding company. We think it's doing a very good job in the areas it operates in. We are putting together a \$22 million student loan package to benefit the students of Montana. The Governor's report pointed out that Montana is rated 28th as having a good economic climate to attract new business. To continue without branching is "protectionism".

OPPONENTS:

JOHN P. SCULLY, Montana Independent Bankers Association: It's interesting to listen to the bankers who are so concerned about independent bankers...If savings and loans are nationally chartered, they have the ability to branch - state savings and loans can't. If branching is such a hot item for savings and loans, why aren't they serving the small towns? You can't put them there because it's not profitable. If it were, they'd be there. The issue here today is stable economic growth for Montana. We don't want to be in the business of brokering banks. This branching bill will not help independent banks compete. The banks will consolidate. Branch banking results in a concentration of controlled funds. County-wide is just a little nudge to get in the door - it won't stop there. We are here in behalf of the consumer. The consumer when given a chance to vote, says no every time to this issue. Branch banks have higher interest charges than independent banks. Holding companies - what are they? They provide services you cannot get from a bank, they provide deferred taxes, and they buy out people as they retire. Will Rogers says it is a thing where you hand your accomplice the goods while the policeman searches you. Branching will not provide the personal service the people want. A poster I have says, "Farmers and ranchers lose most when branch banking comes." I would rather have my money used in my state rather than throwing it to out-of-staters.

G. S. NICHOLS, President, Western National Bank, Wolf Point: Surely the big bank credit analyst will allocate and restrict in some way the money available to lend in Wolf Point, Montana.

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There will be little consideration given to the human factor in analyzing credits. The big bank investment analyst will not give the same consideration to local municipal funding programs that your local home owned and operated bank would give. There are 8 commercial banks within a 50 mile radius from Wolf Point. They are all very competitive and this includes savings and loans, credit unions, and PCA's. (Exhibit #5)

PHIL SANDQUIST, First Security Bank, Bozeman: This bill will allow monopoly banking. Is it the people of Montana that want this? No, you will find it's out-of-state interests that already hold 50% of the assets of Montana. Do we want to give them more? In branch banking, there are no branch presidents, no board of directors.

DEAN RETZ, Valley Bank, Helena: I was born and raised in Montana and I want to be able to control Montana's growth to some degree and I can do this as an independent banker. If I was a state bank, I would not have that control.

DUANE FRIEZ, President, new chartered State Bank of Glendive: I spent 20 years in South Dakota's holding company branch banking system. I want to point out some dangers that can happen: Two holding companies controlled almost 70% of the deposits in South Dakota. It took my friend 5 years to get a bank chartered. The holding company was owned 98% by Banco. We had 10 branches that gave us over 60% of our deposits and income. We loaned our directors stock that we could recall if we changed directors. They did what we wanted. A branch manager could not buy anything over \$100 without bank approval. They could not make a loan over \$10,000. We bought our supplies, insurance and equipment through Banco, not locally. The money made off local loans went to finance things out-of-state.

BUSTER SCHREIBER, Mountain Bank, Whitefish: The proponents say there is a shortage of capital in Montana and branching is the answer. In July 1982 it was resolved that the Montana Independent Bankers work with the administration to implement I 95 for the betterment of Montana. I feel that if there is a need for capital in Montana we should use the Initiative's mandate to "build Montana programs" and branch banking would take money from Montana to out-of-state interests.

BILL GROFF, Farmer's State Bank, Victor: The best place for this bill is dead.

PAUL CARUSO, President, First Security Bank of Helena: Certainly all the votes against branch banking through all the legislative assemblies can't be wrong. The only reason for the proposed change appears to be to control the economy of Montana by foreign financial corporations and holding companies. In recent years, the number of independent banks has dropped sharply in states where branching is permitted statewide or within large geographic areas. (Exhibit #6)

REP. GLENN SAUNDERS: I would like to go on record as opposing House Bill 605.

REP. KITSELMAN, in closing, said one of the major opponents is the Security Bank and it's holding company in Billings. I wonder if \$392 million is considered a small, independent bank? It has branched five times within the last five years. There are 53 federal chartered savings and loans in Montana and only "2" state chartered. Money flows and if it flows out of state, it will flow back in. Economic development is the key issue of this bill today. This law needs to be rebuilt because it's protectionism. We need to allow people to compete fairly.

QUESTIONS:

REP. FABREGA: Did those states arrive at branching by the methods in HB 605? Mr. Giblin: There are a limited number of states that permit the provisions of out-of-state holding companies to acquire banks. This is a fairly recent movement. Mr. Melby: If they acquired a state chartered bank, they could not make it a branch. They would have to continue to operate it as a state charter.

REP. FABREGA: You could buy one state chartered bank which would remain a unit bank and then branch within that county. They could buy a bank with outlets in many counties...

Mr. Melby: If all the regulatory agencies sat back and let them do it, but they are not going to do that. They enforce the acquisition of merger.

REP. ELLISON: This county provision is an after thought. Are you going to be back for state-wide next session?


Mr. Melby: We are in favor of branch banking and I'm not going to say we won't want it state-wide.

REP. WALLIN: Mr. Giblin? Mr. Giblin: The bill has two changes: 1) branch banking and 2) holding companies. Federal banks are regulated by comptrollers and state banks by the State of Montana if they are chartered. The holding companies are regulated not by the comptroller and not by the State of Montana, but by the Federal Reserve System. If a holding company seeks to acquire another bank it has to obtain the approval of the Federal Reserve System. Once it has that bank, if it wants to branch within the county it can.

The hearing adjourned at 11:30 a.m.



REP. JERRY METCALF, CHAIRMAN



Linda Palmer, Secretary

James D. Hopkins, President
Central Bank of Montana
Great Falls, Montana

Proponent of House Bill 605

Banking has seen many changes occur in the decade of the Seventies and already in the Eighties, changes have taken place especially in deregulating our industry and allowing the industry to compete more directly with non banking interest. Sears, J.C. Penneys, Prudential, Shearson-American Express have all found a way through the back door to enter the financial markets historically served by the regulated banking industry.

House Bill 605 is a positive step in making Montana Banks viable in competing against this unregulated competition. How much money deposited in a Money Market fund operated out of New York, Chicago, Boston, stays in Montana to provide loans for agriculture, homes, schools and municipal bond requirements, or economic expansion? How much new tax revenue is generated for the state and local governments on the earnings of these multi-national corporations?

The banking industry in Montana is concerned daily with the economic health of our communities and state. The passage of House Bill 605 gives all banks in the state the tools necessary to provide the financial services expected of our industry, in locations convenient to our customers, in many cases at reduced cost to the consumer.

How does this Bill help in this regard? First it opens up smaller communities to receive the benefits of having their own banking office. Many communities that do not presently have a banking house may never have one. Now unit banks must be capitalized according to Federal or State regulation. Capital is expensive and the provider expects a reasonable return on his investment which is at risk.

With a branch bank the existing capital of the main bank substitutes for the need of new capital. Its ability to generate earnings separate of the new branch gives it the ability to support the new banking office until profitability is obtained. Capital structure is also the determining factor as to how much money a bank can lend any one borrower.

As an example, let's consider my bank. According to regulation, we are limited to a loan of \$270,000.00 to any one borrower based on our capital structure. If we were a branch bank, of some configuration, of Bank of Montana System, that limit would be closer to \$3,000,000.00 after combining all of the capital of our fifteen banks. Consider the

magnitude of this when combining the chain banks and holding company banks existing in Montana.

Cost of services can be lowered because of economy of scale. Centralized proof and bookkeeping, auditing, computer service, forms, documents, duplicate personnel on and on will reduce the cost of providing essential banking services to neighborhoods and communities throughout Montana.

Opponents to this Bill will offer in retort that branch banking will force them out of business, siphon money out of the community and a possibility that credit decisions would be made elsewhere.

Quite the contrary is true. Let me sight two examples that I have been personally involved with.

The town of North East, Erie County, Pennsylvania, with a population of 4,568. In 1964, two banking offices were located here. One a branch bank of a large Erie bank and a locally owned independent bank. Today there are three banks represented with a motor branch belonging to the independent plus a savings and loan. The independent is the National Bank of North East, which has more than survived branching competition, and has grown from \$14,000,000.00 in assets in 1964 to \$44.7 million in 1981 operating five offices of their own. What's their competition?

1. First National Bank of Pennsylvania with assets of \$499.1 million operating twenty-two branches.
2. Security Peoples Trust Company with assets of \$285.4 million operating eleven branches.
3. Marine Bank of Erie holding assets of \$447.3 million with nineteen bank locations.
4. Union Bank and Trust with \$224.0 million having eleven banking offices.

90 J. C. G. R. S. D. S.

The National Bank of North East has never failed to make a profit and has grown annually in the face of stiff competition.

Closer to Montana for an example of the benefits of banking, look at South Dakota, a statewide branching state. Branch banks and unit banks have worked side by side in developing South Dakota's economy. Rapid City has a population of approximately 50,000 people. It is served by four banks by name, two unit banks, including a Banco bank and two branches of banks that have expanded statewide through merger. In total, there are eleven banking offices serving the Rapid City community, not including the savings and loans. Consider the difference in comparing this to Great Falls with a population in excess of 60,000 being served by seven individual banks, four of which are located in a two block area downtown.

Addressing the concern that branching will signor off local money, I offer this example.

In Rapid City, I managed the three offices for United National Bank for South Dakota. We had a loan to deposit ratio of 135%. Of that loan portfolio, approximately one-third was in long term fixed rate mortgages. As branch banks we could pool the funds to accomodate the credit needs of our service areas. In every case, the credit needs of the local communities took precedence, with excess funds made available for lending elsewhere in the state. That certainly seemed more appropriate than buying C.D.'s in Minneapolis or Euro dollar C.D.'s that did not benefit our customers.

House Bill 605 also addresses the issue of instate acquisitions by out of state holding companies. A big plus is associated with this section of the Bill for the small unit bank.

Normally a unit bank is owned by a family, single individual or a small group of people. Through years of operation at a profit, the book value of that bank has increased several fold. Who can afford to purchase at a multiple thereof and expect the profits to amortize the loan needs required for purchase? It certainly reduces the number of prospects for a timely sale. By the passage of House Bill 605, that owner or small group of owners now has a national market available to them to negotiate the best deal possible without jeopardizing the capital accounts to meet debt service.

To survive every bank must provide for a succession of management. In many cases, it is hard to attract qualified bankers from the market place to manage small community banks, and is often the case, difficult to train and promote from within. Demands of electronic processing, ATM's, new facilities, changing markets, external competition can cause community unit bank owners to seek qualified buyers.

In summary, whether passed as presented or with slight amendments, the need is at hand for the favorable passage of House Bill 605. We have seen for decades that branch banking does not force the well managed bank out of business, and I think we can see in our own state the advantage of having out of state holding company ownership of banks. As we move forward, it is almost certain that some type of federal enabling legislation will be passed permitting the very things we ask of House Bill 605. Why restrict the commercial banks when savings and loans and credit unions already have the authority to do what we are seeking?

LOAN TO DEPOSIT RATIO ANALYSIS
164 Banks in Montana
As of December 31, 1981

<u>Bank Group</u>	<u>Number of Banks</u>	<u>Average Loan to Deposit Ratio</u>
All Banks in MT	164	65.2
First Bank System, N.A. Minneapolis, MN	15	68.9
Northwest Bancorporation Minneapolis, MN	7	72.9
Montana Bancsystem, Inc. Billings, MT	11	76.6
Bank of MT System Great Falls, MT	15	60.3
Security Banks of MT Billings, MT	6	77.1
Intermountain Bancorporation Columbia Falls, MT	3	76.6
First Interstate Bancorporation Los Angeles, CA	3	83.4
Remaining "independent" banks	104	61.9

MONTANA'S FINANCIAL SERVICES INDUSTRY

WHO CAN DO WHAT?

	<u>BANKS</u>	<u>SAVINGS & LOANS</u>	<u>BROKERS</u>	<u>INSUR. CO's</u>	<u>SEARS</u>
Take money/pay interest	x	x	x	x	x
Check writing	x	x	x	x	x
Consumer loans	x	x	x	x	x
Business loans	x	x	x	x	x
Credit Cards	x	x	x	x	x
Securities	no	no	x	x	x
Real Estate Brokerage	no	no	x	x	x
Branching-Interstate	no	no	x	x	x
Branching-Montana	no	x	x	x	x

TESTIMONY

TO

HOUSE OF REPRESENTATIVES

Business & Industry Committee

February 9, 1983

HOUSE BILL 605

G.S. Nichols, President
Western National Bank
Box 638
Wolf Point, Montana

OPPOSITION TO HOUSE BILL 605

HONORABLE HOUSE MEMBERS OF THE BUSINESS AND INDUSTRY COMMITTEE:

As a native Montanan, I have been in banking in Wolf Point for 20 years. My situation is typical of an independent banker. Our community has about 3500 people and we serve customers in four counties. We have an independent competing bank and between the two banks there are about 45 people employed. We are home owned and most of our employees were born and raised in the area. Our town is no different then other communities. There is intense loyalty and support of the town, it's schools and chamber of commerce. As is the case in most small town banks they have an easy entry into leading the economic development of the town and its trade area. From our vantage point we have a good pulse of the needs and concerns of our community. We understand and can accomodate most of the demands coming from farmers, ranchers, business people, and municipal governments. We know which investments are vital to our community and which are not. We understand the importance of keeping our main street viable and strong. We also try to keep our eye open to the future so that the community doesn't go backward. Many times our efforts in the community do not serve the best interests of making money for our stockholders but because of who we are, where we are, and what we are, we find ourselves supporting those projects that are in the best interest of our town and community. After all, our deposit base comes from the local citizenry.

Independent and local banking gives us the opportunity to give direct answers and assistance to our customers, our communities, and our neighbors. This one on one banking relationship is of immense importance in seeing that rural America, its small towns, and family farms are working together and surviving.

If branch banking or more liberal interstate banking laws allowing big bank interference in deposit competition prevails upon us, I fear for the survival of our small communities and their economies. Surely the big bank credit analyst will allocate and restrict in some way the money available to lend in Wolf Point, Montana. There will be little consideration given to the human factor in analyzing credits. The big bank investment analyst will not give the same consideration to local municipal funding programs that your local home owned and operated bank would give. Surely your local bank property and income tax that stays for the most part with your county and city (most rural banks are in the top ten tax payors in their counties) will be commingled and confused with other municipal monies. Surely the 45 people employed by our community in banking will be streamlined and cut because of the limited functions the branch will have. The personal one on one relationship we have all come to know and trust in independent banking will slowly disappear.

The competitive environment has been strong in the financial sectors of rural America. There are 8 commercial banks within a 50 mile radius from Wolf Point. They are all very competitive and want business. Our competition also includes S and Ls, credit unions, PCAs and other ag production offices. This environment has been healthy and good for all of us and at the same time given our towns and communities a chance to excel.

Some of us do come from communities that do well economically but are considered more remote and less than ideal places to live. However, our people make the difference in these communities. By living and being involved with the people in these communities we have confidence in our towns and want to see them prosper. As independent bankers we have this opportunity.

I therefore, ask that you vote "NO" on house bill 605.

FEBRUARY 9, 1983

TESTIMONY BY PAUL D. CARUSO, PRESIDENT OF FIRST SECURITY BANK OF HELENA
BEFORE THE BUSINESS AND INDUSTRY COMMITTEE IN OPPOSITION TO HOUSE BILL 605 (BRANCH BANKING)
BRANCH BANKING IN MONTANA IS NOT NECESSARY---NOW OR IN THE FUTURE. MONTANA LEGISLATORS
HAVE BEEN CONFRONTED WITH THE BRANCHING QUESTION SINCE 1927, AND HAVE CONTINUED TO MAINTAIN
MONTANA AS A UNIT BANKING STATE. CERTAINLY ALL THE VOTES AGAINST BRANCH BANKING THROUGH
ALL THE LEGISLATIVE ASSEMBLIES CAN'T BE WRONG.

FIRST: I ASK THE QUESTION.....WHY DO WE NEED TO CHANGE OUR PRESENT BANKING SYSTEM IN
MONTANA? CERTAINLY NOT BECAUSE THE INDEPENDENT BANKERS ARE NOT SERVING THEIR COMMUNITIES,
THEIR TRADE AREAS, OR THE STATE OF MONTANA AS A WHOLE. THE ONLY REASON FOR THE PROPOSED
CHANGE APPEARS TO BE TO CONTROL THE ECONOMY OF MONTANA BY FOREIGN FINANCIAL CORPORATIONS
AND HOLDING COMPANIES. A SIMPLE METHOD TO SECURE CONCENTRATION OF:

1. DEVELOPMENT OF MONTANA
2. DEVELOPMENT OF MONTANA BUSINESS
3. DEVELOPMENT OF MONTANA INDUSTRY
4. DEVELOPMENT OF FARMING AND RANCHING

CONCENTRATION OF BANK DEPOSITS WITHIN A STATE IS DIRECTLY RELATED TO THE EXTENT TO WHICH
THAT STATE PERMITS BRANCH BANKING. CONCENTRATION IS GREATEST IN STATES WITH STATEWIDE
BRANCHING. IT IS SECOND GREATEST IN STATES THAT PERMIT BRANCHING BUT LIMIT IT TO SOME
DEGREE. CONCENTRATION IS LEAST IN STATES THAT SEVERELY RESTRICT BRANCHING OR PROHIBIT
IT ALTOGETHER. IN RECENT YEARS, THE NUMBER OF INDEPENDENT BANKS HAS DROPPED SHARPLY IN
STATES WHERE BRANCHING IS PERMITTED STATEWIDE OR WITHIN LARGE GEOGRAPHIC AREAS. IN
STATES WHERE BRANCHING IS RESTRICTED SEVERELY OR PROHIBITED ENTIRELY, THE NUMBER OF
INDEPENDENT BANKS HAS GROWN.

WE IN MONTANA CAN NOT REDESIGN A SYSTEM THAT PROMOTES COMPETITION AND GUARDS AGAINST
UNDUE CONCENTRATION. EXPERIENCE HAS SHOWN THAT THE INDEPENDENT BANKING SYSTEM, BUTTRESSED
BY THE CORRESPONDENT RELATIONSHIP, IS THE MOST ADVANTAGEOUS TO THE PUBLIC. THE ARGUMENT
IS SOMETIMES MADE BY EXPANSION-MINDED BANKERS THAT INDEPENDENT BANKING HOBBOLES A STATE
ECONOMICALLY. THIS CONTENTION IGNORES THE FACT THAT THREE OF THE FASTEST GROWING STATES
IN OUR UNION, ALL MATURED UNDER THE UNIT BANKING SYSTEM. BUT THE ARGUMENT THAT MULTI-

OFFICE BANKING SPURS A STATE'S ECONOMIC GROWTH ATTRACTS SOME BELIEVERS, NONETHELESS.

IT JUST IS NOT TRUE THAT CHANGING BANKING STRUCTURE LAWS WILL UNLEASH ECONOMIC FORCES SO THAT A LAGGING STATE CAN SOON MAKE SOME "GREAT LEAP FORWARD." BANKS SERVE AS COLLECTORS OF SAVINGS AND ARE INSTRUMENTAL IN THE MONEY-CREATING PROCESS. THEY HELP DECIDE WHO GETS LOANABLE FUNDS, THEREBY HELPING TO CHANNEL GROWTH INTO CERTAIN INDUSTRIES AND LOCALITIES. THEIR PRESENCE ALONE IS NOT ENOUGH TO BOOST GROWTH. IN SHORT, THE KINSHIP OF STRUCTURE AND GROWTH IS TOO WEAK TO SUPPORT CHANGE IN THE BANKING LAW IN THE BELIEF THAT HIGHER LEVELS OF ECONOMIC GROWTH CAN BE REACHED. EXAMINATION OF THE MOST COMMON INDICATORS OF ECONOMIC PERFORMANCE DOES NOT REVEAL ANY SYSTEMATIC OR READILY DISCERNIBLE RELATIONSHIP BETWEEN A STATE'S STYLE OF BANKING STRUCTURE AND IT'S TEMPO OF ECONOMIC GROWTH.

CHANGING OF OUR BANKING LAWS IS NOT THE METHOD TO BUILD A BETTER MONTANA.

SECOND: YOU CAN BE A PLAYER IF YOU HAVE A SCORE CARD.

LET'S LOOK AT THE SCORE CARD WITH THE PLAYERS.

WHO IS DOING WHAT FOR THE BETTERMENT OF MONTANA IN THE FINANCIAL INDUSTRY
AMONG BANKS.....

AS AN EXAMPLE: DURING THE YEAR 1982 THE BANKS IN MONTANA PROCESSED, UNDER THE SBA LOAN GUARANTEE PROGRAM, \$34 MILLION TOTAL LOANS, OF THE TOP TEN MOST ACTIVE BANKS PARTICIPATING UNDER THE SBA PROGRAM, SEVEN OF THESE TEN ARE INDEPENDENT BANKS. THE TOP FOUR BANKS OUT OF THIS TEN ARE INDEPENDENT BANKS. THE TOP TEN BANKS PROCESSED \$17,167,000. IN TOTAL LOANS, OF THIS, \$12,500,000. WAS PROCESSED BY INDEPENDENT BANKS. \$4,653,000. WAS PROCESSED BY CORPORATE BANKS. FURTHER, THE TOP TEN PROCESSED 146 TOTAL LOANS, OF THIS 112 WERE BY THE INDEPENDENT BANKS AND 34 BY CORPORATIONS. THAT IS PART OF THE SCORECARD. IT IS ALSO INTERESTING TO NOTE THAT OF THE TOP TEN BANKS, THE MAJORITY OF THE INDEPENDENT BANKS WERE NOT CONCENTRATED IN THE LARGER CITIES OF MONTANA, BUT GEOGRAPHICALLY LOCATED FROM EAST TO WEST. THE CORPORATE BANKS OF THIS GROUP WERE FROM LARGER CITIES.

FURTHER, LET'S TALK ABOUT THE LOANS PROCESSED UNDER THE MONTANA BOARD OF HOUSING PROGRAM

MORTGAGE LOANS PROCESSED BY THE STATE BOARD OF HOUSING SINCE FEBRUARY 1977 IS \$202,500,000. OF THIS TOTAL INDEPENDENT BANKS IN MONTANA UTILIZED \$95,000,000. OF THESE FUNDS OR 47%, THUS LEAVING \$107,500,000. THAT WAS PROCESSED BY OTHER FINANCIAL INSTITUTIONS, NAMELY CORPORATE BANKS, ALL SAVINGS AND LOAN ASSOCIATIONS IN MONTANA, MORTGAGE COMPANIES OPERATING WITHIN THE STATE, AND CREDIT UNIONS. FROM THIS SCORECARD, IT IS PLAIN TO VERIFY THAT THE INDEPENDENT BANKS WITHIN THE STATE ARE MOST CERTAINLY DOING MORE THAN THEIR FAIR SHARE.

MANY OTHER STATISTICS COULD FURTHER DOCUMENT THE POSITION OF INDEPENDENT BANKING IN MONTANA AND OUR ECONOMIC CONTRIBUTION TO BANKING AND SHOW THE WAY BANKING IN THIS COUNTRY COULD BE RACING DOWN THE ROAD TO ULTIMATE CONCENTRATION.

BUT, ENOUGH IS ENOUGH. WHAT HAS BEEN PRESENTED ABOVE SHOULD BE SUFFICIENT TO TELL THE STORY. THE FACTS ARE PLAIN. CERTAINLY THE SPEED WITH WHICH THE BANKING AND CREDIT CONTROL STRUCTURE OF OUR COUNTRY IS BEING CENTRALIZED, SHOULD BE A MATTER OF MORE CONCERN. THE SIMPLE QUESTION IS THIS: IS BANKING CONCENTRATION THROUGH BRANCH OR HOLDING COMPANY SYSTEMS IN THE PUBLIC INTEREST? THE PEOPLE OF COLORADO WERE ASKED THIS QUESTION ON A VOTERS BALLOT TWO YEARS AGO, AND THEY VOTED NEARLY THREE TO ONE AGAINST BRANCH BANKING.

IN CLOSING, THE ABOVE EXAMPLES SUBSTANTIATE THE STABILITY OF THE INDEPENDENT PLEDGE TO BUILD A BETTER MONTANA, MONTANA CAPITAL FOR MONTANA BUSINESS BY MONTANA LENDERS. THE INDEPENDENT BANKS OF MONTANA CAN NOT VISUALIZE WHY IT IS EVEN NECESSARY TO CONSIDER HB 605, FOR LEGISLATION IN OUR STATE. THEREFORE, WE REQUEST YOUR VOTE OF "DO NOT PASS"

THANK YOU.....

VISITOR'S REGISTER

HOUSE Bus + Ind.

COMMITTEE

BILL HB 605DATE 2-9SPONSOR Kitseiman

NAME	RESIDENCE	REPRESENTING	SUP- PORT	OP- POSE
Ash Brannan	Belgrade MT.	Valley Bk Belgrade		X
L. J. Hughes	Wolf Point	Western Nat'l Bank		X
David Caruso	HELENA	First SEC. BANK		X
R. W. Kender	GT Falls	Village Bank		X
John J. J.	Bozeman	Mont. Ind. Bank		X
PATLY BIRK	KALISPELL	Mont. Ind. Bank	✓	
Tom Harrison	Helena	FIMA	X	
W. Andrews	"	NW Bank	X	
STEVE BROWN	Helena	Mont. Ind. Bankers		X
PATRICK GIBLIN	Billings	Mont. Bancsystem, Inc.	X	
Pgt Melby	HELENA	NORTHWESTERN BANKS	✓	
G. Phlips	Kalispell		✓	
Art Wiedeman	Cent Bank	1 st Nat. Bk (Independent)		X
Bruce Miller	BUTTE	First Citizens Bank		X
Ron Kelley	Deer Lodge	First Security Bank		X
ED JASMIN	HELENA	NORTHWESTERN BANK	✓	
Bob Stephens	Dutton	Dutton SA Bank		✓

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITOR'S REGISTER

HOUSE

Bus. & Ind.

COMMITTEE

BILL

HB 605

DATE

2-9

SPONSOR

Kitselman

NAME	RESIDENCE	REPRESENTING	SUP- PORT	OP- POSE
Duane Fricz	Claville	Bank		X
Mike Carr	Columbia Falls	Bank of Col. Falls		X
Doc Robert	Libby	UNITED BANK		X
JEFF CORY	GLASGOW	TREASURY STATE BANK		X
Fred Garispy	St. Ignace	LAKE COUNTY BANK		X
Bill Huff	Victor	Farmers State		X
Walt Wagner	Bigfork	Flathead Bank		X
Jim Libby	Plentywood	Security State Bank		X
Buster Schreiber	Whitefish	Mountain Bank		R
Martin Olson	Conrad	Farmers State Bank		X
Verne R. Sullivan	Helena	First Security Bank		X
E. Dean Ref	Helena	Vally Bank		X
Ray Martin	Kalispell	First Security Bank		X
Bruce Ellis	Billings	Montana Bank Systems Inc	X	
Deane Coombs	Billings	Security Bank		X
Don Bernick	Col Falls	Alco Nat Bank		X
Jim Hopkins	Great Falls	Central Bank	X	
Warren Vaughan	Billings		X	
Mageline Hudobin	East Helena	Northwestern Bank	X	
Bernie Swift	Hamilton	Dist #91-		X

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITOR'S REGISTER

HOUSE

Bus. + Ind.

COMMITTEE

BILL

HB 605

DATE

2-9

SPONSOR

Kitselman

NAME	RESIDENCE	REPRESENTING	SUP- PORT	OP- POSE
Phil Sandquist	Bozeman, MT.	First Security Bank		X
Jerry Wiedebush	Plentywood	Security State Bank		X
Dennis DeVin	Polson	Security State Bank		X
Dean Nelson	West Yellowstone	1st Security Bank		X
Low Ahlers	Bozeman	First Security Bank		X
Curt Schwartz	Miles City	First Security Bank & Trust		X
Robert Williamson	Sidney	Richland Natl Bank & Trust		X
Thomas D. Tietz	Sidney	1st United Bank		X
Bruce Gulagh	Bozeman	1st Security Bank		X
Rubad Mann	Kalispell	Valley Bank		X
Quinn Fische	Butte	West Bank of Butte	X	
Jan Weene	Kalispell	1st Security Bank		X

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

WITNESS STATEMENT

Name PATRICK GIBLIN Committee On BUS + IND
Address 400 SEASIDE BLVD Date FEB 9, 1983
BILLING,
Representing MONTHA SYSTEM, INC Support ✓
Bill No. 605 Oppose _____
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1.

H.R. 605 OFFERS THE FOLLOWING ADVANTAGES

1) Benefits the consumer - more banking locations

2) Attracts capital to MT.

2.

3) Allows banks to compete on equal basis
with non-bank financial institutions.

3.

4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name TOM HARRISON Committee On BFI
Address 2225 11th Ave Date 2/9/83
Representing Fin Inst. of Mt. Support ✓
Bill No. HB 605 Oppose _____
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1.

2.

3.

4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name PAUL D. CARUSO Committee On _____
Address HELENA, MT - Date 2-9-83
Representing MONT. FWD. BANKERS Support _____
Bill No. H-B-605 Oppose X
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1.

AS PER ATTACHED
STATEMENT -

2.

3.

4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name W. B. Andrews Committee On B + I
Address He Cene 1117 Date 2-9-83
Representing NW Bank Support X
Bill No. HB 605 Oppose _____
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. 40 of the 51 states including Dist. of Columbia have some form of Branch Banking.
2. 82% of U.S. Population has the convenience of Branch Banking.
3. The Trend nationally is toward less restrictive Branching laws. In 1924 only 20 states permitted Branching - that number has now increased to 41 states.
4. HB 605 would place Montana among the 20 states that permit limited branching and permit out of state holding companies to acquire banks in Montana just as in-state holding companies can now do.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name ED JASMIN Committee On _____
Address 626 MAJOR, HELEN Date 2-9-83
Representing NORTHWESTERN BANK Support ✓
Bill No. H.B. 605 Oppose _____
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. OTHERS HAVE POWER TO BRANCH
2. LAW IS "PROTECTIONISM"
- 3.
4. GOOD FOR MONTANAS;
ECONOMY
CONSUMERS

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name Dennis Fritz Date 2-9-83
Address Glenview MT Support ?
Representing BANK Oppose ? X
Which Bill ? HB 605 Amend ?
Comments:

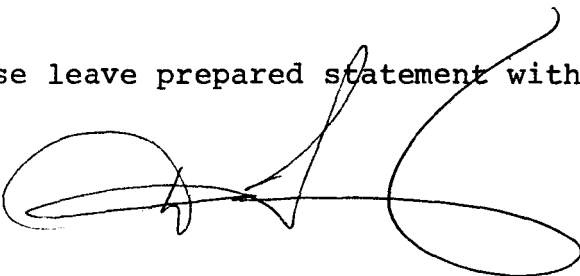
I Directorship's NOT Representative of Branches

II CREDIT Decisions MADE BY Head OFFICE
AS RESULT - NO CONSIDERATION TO BORROWERS
NOR ON ABILITY - BY TLE NUMBERS

III Branches RESTRICTED ON CAPITAL ASSET
ACQUISITIONS

IV Money Siphoned FROM Branches
& SENT OUT OF STATE

Please leave prepared statement with the committee secretary.



WITNESS STATEMENT

Name James D Hopkins Committee On B & I
Address 4409 8th Ave N. Great Falls Date Feb 9, 1983
Representing Central Bank of Montana Support ✓
Bill No. 605 Oppose _____
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. Branching does not run the independent bank out of business

2. Holding Company broadens market for sale of smaller unit Bank.

3.

4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name PAT MELBY

Committee On B+I

Address 723 Gilbert

Date 2-2-83

Representing ^{Montana's} Northwestern Banks

Support ✓

Bill No. 605

Oppose _____

Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. Explain contents of bill ~~etc~~ with suggested amendments

2.

3.

4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name Bruce B. Ellis Committee On R & I
Address Billings, Mt. Date 2/9/83
Representing Western Bancsystem, Inc. Support yes
Bill No. HB 605 Oppose _____
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY. .

Comments:

1. Non Bank Financial institutions can already branch & expand beyond state lines.
2. The deregulation of banking makes it more necessary to ~~have~~ access to capital sources
3. It will better serve the public thru. increased convenience and services as well as more competition.
- 4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.