MINUTES OF THE MEETING
BUSINESS & INDUSTRY COMMITTEE
MONTANA STATE SENATE

February 1, 1985

The fourteenth meeting of the Business & Industry Committee met at 10 a.m. in the Governor's Reception Room. The meeting was called to order by Chairman Mike Halligan.

ROLL CALL: All committee members were present.

CONSIDERATION OF SENATE BILL 232: Senator Gene Thayer, Senate District 19 from Great Falls, is the sponsor of Senate Bill 232. He stated his bill would amend Montana's merger laws on consolidations and merging of banks. The existing law presently allows two banks doing business to merge as a single bank operating from a single location and this bill would allow the merged entity to do business from both locations. Under federal law out of state holding companies can only acquire banks if the legislature allows them to do so. and this bill proposes this. (EXHIBIT 1)

PROPONENTS: Bill Strausburg, Managing Director of the First Bank System in Eastern Montana, stated the advantage of having the backing of larger banks. He stated this is not a branch banking bill and it will allow banks to merge and continue to operate in their current locations. It does not permit the addition of new banking offices. It allows existing banks to be purchased only with the approval of stockholders who are willing and desirous of selling. Jim Meyerhouse, President of First Bank, Havre, expressed concern of farming communities for credit to be available. If the federal government decides to drop its support for farm programs there will be an even greater need for help from local sources to serve Montana's needs. Elouise Cobell, from Valier, testified about the problems that have occurred due to the loss of a bank in Browning. (EXHIBIT 2) Mr. Jack Scutt, with Norwest Corporation in Billings, stated this is the best and the worst of times for banking. Banks cannot remain stagnant and this amendment enables those who have encountered difficulties to deal with their problems. Michael Longen, representing First Bank in Missoula, feels it is a difficult time for financial institutions and this bill would not diminish competition but encourage free enterprise. Dan Chively, with Norwest Bank in Dillon, stated he has worked for both a small rural bank and larger corporations and based on these experiences he would urge support of this bill. He feels it will provide much better service and that the merging of banks should be a management decision and not a legislative decision. Mr. John Reichel, with First Banks, gave testimony of the outstanding citizens in their system and how involved they are in civic affairs in their communities. He noted this is not a branching bill and is not a threat to independent bankers. (EXHIBIT 3)

Mr. Tom Ferris, Norwest Bank in Billings, explained the services a larger bank can provide as compared to smaller banks. He feels their service is unequalled and urges support of the bill. Mr. Bob Henry, First Bank of Missoula, would like people to look at their record of bank performance and how involved they are in civic affairs. (EXHIBIT 4) Ed Jasmin, President of Norwest Bank in Helena, noted they have served this community for 72 years and how effective they have been in serving the needs of the people. (EXHIBIT 5)

PROPONENTS: Mr. Gib Nichols, President of the Montana Independent Bankers of Wolf Point, feels this would be merger acquisition and not merger/consolidation as the bill states. He feels they offer more personalized customer service. He feels the mergers will benefit the big regional banking centers and not the people in Montana. (EXHIBIT 6) Mr. Philip Sandquist, President of First Security Bank in Bozeman, feels regardless of what is stated this is a form of branch banking and that the communities will lose some services. He asked the committee, "Who is really fighting for this bill, the big bankers or the Montana consumers?" (EXHIBIT 7) Mr. Frank Hazelbaker, a longtime legislator submitted testimony against the "branch banking bill" which he says is disguised as a merger or consolidation bill. (EXHIBIT 8) Buster Schreiber, of Whitefish, stated this will would eliminate employees and local boards and take the control away from the people. He does not want to see our funds going out of state. He feels this is a branching bill and not in the best interest of the people of the state. (EXHIBIT 9) Jerry Sullivan, Vice President of First Security Bank in Helena, stated he feels from reading large bank call reports they are supporting the interests of third world economics and urges defeat of the bill. (EXHIBIT 10) Mr. Steve Brown, representing Independent Bankers, feels that the major thrust of this bill is the crying need to help failing banks and it this is the case that there should be legislation limited to helping those failing banks. Mr. Gene Coombs, Vice-President of First Interstate Bank in Billings, feels we have a good system now and disapproves of the larger banks trying to control banking in Montana. He feels the big banks are being treated fairly now. (EXHIBIT 11) Mr. John Scully, representing Montana Independent Bankers, feels this bill is not for the expansion of Norwest or First Bank but something even larger. He feels our money should remain in Montana to serve our own needs. Testimony was also turned in from Paul Caruso, First Security Bank of Helena in opposition to Senate Bill 232. (EXHIBIT 12)

Questions from the committee were then called for. Senator Gage wanted to know the difference between consolidation and merger. A consolidation is when two entities decide to combine and a merger is when one entity buys another. Senator Neuman asked Jack Scutt about the capital moving from Montana and on to other markets but he stated he felt this would not be the case, that the money would stay here for Montana's loans. Senator Goodover wondered about spreading the risks to correspondent banks and Mr. Nichols explained how the risks would be shared. Senator

Kolstad asked what a branch bank is and Mr. Jasmin explained it is a facility away from the main office and is just a subsidiary. Senator Christiaens wanted to know if merging were to occur if jobs would be lost and replaced by others coming in from elsewhere with more expertise and Senator Thayer felt this would not be the case. Mr. Tom Ferris explained that some layoffs have occurred but this was due to reorganization and a streamlining of their operations for more efficiency. Senator Thayer asked Mr. Nichols about his concern for the power being in big banking centers and wondered if some of the independent banks did not have headquarters also in Minneapolis. He was told they do reside in the state. Senator Halligan asked John Scully about his opinion of an amendment dealing with failing institutions and he replied he felt it was possible but would be a difficult amendment to write. Senator Neuman wondered if there was a lack of credit available in independent banks for agriculture loans and John Scully said no but today the big banks were saying there was a crisis looming so who is right. Senator Neuman wondered if by passing this bill the big banks might be willing to come in and make loans that the smaller banks might not be able to. Mr. Browning stated when you have mergers you can reduce the costs and have more money available but that this would not happen overnight.

Senator Thayer closed by saying that a great deal of testimony was heard opposing and proposing this legislation and he feels more strongly than ever that it is a good bill. Considering our delicate economic situation, he feels this would be helpful to all of Montana especially to those involved in agriculture.

The hearing was closed on Senate Bill 232.

The meeting was adjourned at 12 noon.

Chairman

cd

ROLL CALL

BUSINESS & INDUSTRY COMMITTEE

49th LEGISLATIVE SESSION -- 1985 Date 2-1-85

SENATE SEAT #

NAME	PRESENT	ABSENT	EXCUSED
Chairman Halligan	X		
V-chrm. Christiaens	X		
Senator Boylan	X		
Senator Fuller	X		
Senator Gage	X		
Senator Goodover	X		
Senator Kolstad	X		
Senator Neuman	X		
Senator Thayer	X		
Senator Williams	X		

Each day attach to minutes.

DATE February 1, 1985

COMMITTEE ON BUSINESS & INDUSTRY BILL NO. 232

VISITOR'S REGISTER

NAME	REPRESENTING	Check One: Support	Check One: Oppose
[illegible]	Garfield [illegible] Bank		✓
Maury Graham	FNB Glasgow		✓
[illegible]	First [illegible] Billings		✓
[illegible]	Continental [illegible] Bk - [illegible]		
R.L. [illegible]	U.S. Nat'l Bk - [illegible] Mt.		
Ashley D. Branning	Valley Bank of Belgrade		✓
[illegible]	State Bank [illegible]		✓
[illegible]	Valley Bank Helena		✓
[illegible]	First Nat'l Mt Bank [illegible]		✓
Jim [illegible]	First Valley Bank - Seeley Lake		✓
[illegible]	First Interstate [illegible]		
[illegible]	First Interstate [illegible]		
[illegible]	First [illegible] Bank Billings		
[illegible]	Montana Bancsystem, Inc.		✓
[illegible]			
[illegible]	First Security [illegible]		✓
Bob [illegible]	First Bank Great Falls	✓	
[illegible]	First [illegible]		
[illegible]	[illegible]		
[illegible]	Bank of [illegible]		
[illegible]	[illegible] State Bank		
[illegible]	First Bank [illegible]	✓	
[illegible]	First Bank [illegible]	✓	
[illegible]	First Bank - [illegible]	✓	

(Please leave prepared statement with Secretary)

DATE February 1, 1985

COMMITTEE ON BUSINESS & INDUSTRY BILL NO. 232

VISITOR'S REGISTER

NAME	REPRESENTING	Check One: Support	Check One: Oppose
[illegible]	Citizens [illegible] Hamilton		#
Steve Browning?	First Bank System	✓	
Clay [illegible] Cobb?	Treasurer Black Foot Tribe?	✓	
[illegible]	First Bank [illegible]	✓	
[illegible] Adams	First Bank Livingston	✓	
[illegible]	First Bank West Great Falls	✓	
[illegible]	First Bank [illegible]	✓	
Richard [illegible]	First Bank Great Fall	✓	
[illegible]	First Citizen Bank Billings		✓
[illegible]	Little Horn State Bank Hardin		✓
James P. [illegible]	First Interstate Bank [illegible]		✓
[illegible]	Atty		✓
[illegible]	Security [illegible] Bank - Harlem		✓
Ken Scott	First State Bank Malta		✓
[illegible]	Traders State Bank Poplar		
[illegible]	First Security Bank [illegible]		✓
[illegible]	First Security Bank [illegible]		✓
[illegible]	[illegible]		✓
[illegible]	Culbertson State Bank		✓
[illegible]	1st United Bank [illegible]		✓
[illegible]	1st [illegible]		✓
[illegible]	1st National [illegible]		✓
[illegible]	First National [illegible]		
[illegible]	[illegible]		
[illegible]	[illegible]		✓

(Please leave prepared statement with Secretary)

DATE February 1, 1985

COMMITTEE ON BUSINESS & INDUSTRY BILL NO. 232

VISITOR'S REGISTER

NAME	REPRESENTING	Check One: Support	Check One: Oppose
Jerry R Sullivan	First Security Bank - Helena		X
FRANK N. SHAW	NORWEST BANK - HELENA	X	
Bobbi Jasmin	Norwest Bank - Helena	X	
Betty Stinchfield?	Norwest Bank Helena	X	
Ed [illegible]	" " "	X	
Dick Robert	UNITED BANK - LIBBY DEER LODGE BANK & TRUST CO		X
Jim Thompson	Deer Lodge Bank & Trust Co.		X
Ralph [illegible]	Glasgow [illegible] State Bank		X
Doug [illegible]	Col Falls Glacier Nat Bank		X
Richard F. Maurer	VALLEY BANK - KALISPELL		X
[illegible] Nichols	Western Nat'l Bank - Wolf Point		X
Buster Schreiber	Mountain Bank, Whitefish		X
PHIL SANDQUIST	1st Sec. Bk. Bozeman		X
Jack [illegible]	Bank of Columbia Falls		X
Mike [illegible]	Valley Bank - Helena		X
Nancy Farris	Norwest Bank - Billings	X	
Thomas L. Farris	NORWEST BANK BILLINGS	X	
[illegible]	self	X	
[illegible]	[illegible]		
[illegible] McKee	First Bank Lewistown	X	
Frank [illegible]	Sec. Bank Polson MT		X
Steve Brown	Mt. Independent Bankers		X
[illegible]	Legislative [illegible]		X
Bill [illegible]	1st Security Bank - Bozeman?		X
Frank [illegible]	First Security Bank - Bozeman?		X
[illegible]	First Bank Helena	X	

(Please leave prepared statement with Secretary)

DATE FEBRUARY 1, 1985

COMMITTEE ON BUSINESS & INDUSTRY BILL NO. 232

VISITOR'S REGISTER

NAME	REPRESENTING	Check One Support	Check One Oppose
JACK ROCHFORD	SECURITY BANK OF THREE FORKS		X
Gene Coombs	First Interstate Bank - Billings		X
Bruce Gerlach	1st Security Bank Bozeman		X
JEFF CARY	TREASURE STATE BANK Glasgow		X
Les Clam	Intermountain Bancorporation Columbia Falls		X
R. J. Doorneck	Western National Bank Wolf Point		X
Mike Polkowske	1st Security Bank West Yellowstone Mt.		X
Fred Garrepy	Lake County Bank St. Ignatius MT		X
Allen W Buhr	Valley Bank of Ronan Ronan Mt.		X
Frank S Stock	Security State Bank Polson MT		X
Jerry L. Wiedebush	Security State Bank Plentywood		X
Henry M. Lillestord	First Security Bank - Glasgow		X
[illegible]	[illegible]		X
Martin E. Olson	Farmers State Bank, Conrad Mt		X
Merton G. Malek	FARMERS STATE BANK - CONRAD, Mt.		X
CHRIS Owen	First Nat'l Bank Cut Bank		X
JOHN CAVEN	FIRST SECURITY HAVRE		X
ALAN BRADLEY	Bitterroot Valley Bank - Lolo		X
S C PIPER	CONTINENTAL NATL BANK - HARLOWTON		X
Sid Brubaker	State Bank of Terry		X
LAUREL McATEE	FIRST MADISON VALLEY BANK - ENNIS, MT		X
EARL JOHNSON	FIRST BANK HELENA	X	
LARRY W. JOCHIM	Flathead Bank of Bigfork		X
Tom Weaver	First Security Bank		X
Wayne L. Raines	First National Bank in Libby		X
JERRY JOY	Village Bank - GREAT FALLS		X

(Please leave prepared statement with Secretary)

Thayer. 30

SENATOR GENE THAYER, SENATE DISTRICT 19, GREAT FALLS
STATEMENT IN SUPPORT OF SB 232,
THE BANK MERGER & CONSOLIDATION BILL
BEFORE THE SENATE BUSINESS & INDUSTRY COMMITTEE
GOVERNOR'S RECEPTION ROOM, STATE CAPITOL
FEBRUARY 1, 1985

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, FOR THE RECORD, I AM SENATOR GENE THAYER, SENATE DISTRICT 19, GREAT FALLS, AND I COME BEFORE YOU TO ASK FOR YOUR SUPPORT FOR A SIMPLE CHANGE TO THE MONTANA BANKING LAWS CONCERNING CONSOLIDATION AND MERGER.

MY BILL WOULD AMEND MONTANA'S MERGER LAWS FOR BANKS. OUR EXISTING LAW PERMITS TWO BANKS DOING BUSINESS IN MONTANA TO MERGE IN A SINGLE BANK, OPERATING IN A SINGLE LOCATION. MY AMENDMENT WOULD PERMIT THE MERGED ENTITY TO OPERATE BANKS AT BOTH LOCATIONS.

BEFORE DESCRIBING THE IMPACT OF MY BILL, LET ME SAY A FEW WORDS ABOUT THE NUMBER AND KINDS OF BANKS WE HAVE IN MONTANA. FOR THE PURPOSES OF OWNERSHIP, WE HAVE ESSENTIALLY FOUR TYPES OF BANKS IN THE TREASURE STATE. THE LARGEST NUMBER OF BANKS IN MONTANA ARE CALLED <u>UNIT BANKS</u>. THERE ARE 64 UNIT BANKS. THESE ARE SINGLE BANKS NOT OWNED BY ANYONE WHO OWNS OTHER BANKS. THE SECOND TYPE OF BANKS ARE <u>CHAIN BANKS</u>. THERE ARE ROUGHLY 31 CHAIN BANKS IN MONTANA THAT ARE HELD TOGETHER THROUGH OWNERSHIP BY THE SAME PERSON OR FAMILY. THESE TWO GROUPS ARE OFTEN THOUGHT OF AS MONTANA'S INDEPENDENT BANKS. THEY COMPRISE APPROXIMATELY 60 PERCENT OF THE BANKS IN MONTANA.

EXHIBIT 1
BUSINESS & INDUSTRY
FEBRUARY 1, 1985

DRAFT

THE REMAINING 40 PERCENT OF MONTANA'S BANKS ARE OWNED BY HOLDING COMPANIES. OF THE 72 BANKS OWNED BY HOLDING COMPANIES, 47 ARE OWNED BY ENTITIES INCORPORATED IN MONTANA. YOU KNOW THESE BANKS AS THE BANK OF MONTANA (SOMETIMES REFERRED TO AS THE RUBY BANKS) OR MONTANA BANCSYSTEMS (WHICH USED TO BE CALLED THE TOWE BANKS) OR SECURITIES BANKS (SOMETIMES CALLED THE SCOTT BANKS).

THERE ARE 25 BANKS OWNED BY OUT-OF-STATE HOLDING COMPANIES. THESE ARE FIRST BANK (WHICH OWNS 16 BANKS), NORWEST (WHICH OWNS 8 BANKS), AND FIRST INTERSTATE (WHICH OWNS 3 BANKS). THESE ARE THE ONLY BANKS IN MONTANA THAT CANNOT GROW THROUGH ACQUISITION. UNDER A FEDERAL LAW PASSED IN THE 1950'S, OUT-OF-STATE HOLDING COMPANIES ARE PERMITTED TO ACQUIRE OTHER BANKS, ONLY IF THE STATE LEGISLATURE AUTHORIZES THEM TO DO SO. THAT IS WHAT MY BILL PROPOSES TO DO.

A LOT OF DISCUSSION HAS BEEN PROMPTED BY MY BILL. THE INDEPENDENT BANKERS ASSOCIATION LOBBYISTS CALL IT "BRANCH BANKING". SUCH A CHARACTERIZATION IS INACCURATE, BOTH TECHNICALLY AND PRACTICALLY. WITH RESPECT TO TECHNICALITIES, I REFER THE COMMITTEE TO PAGE 3, LINE 11, OF MY BILL WHICH DOES NOT CHANGE THE CURRENT LAW. THAT LAW PROVIDES THAT, "NO BANK MAY MAINTAIN ANY BRANCH BANK...". I REPEAT, MY BILL DOES NOT AMEND THE PROHIBITION AGAINST BRANCHING.

WITH RESPECT TO THE PRACTICAL EFFECT OF MY BILL, I WOULD SIMPLY NOTE THAT THERE WILL BE NO MORE BANKING OPERATIONS IN THE STATE AFTER THE PASSAGE OF MY BILL THAN BEFORE.

TEN ARGUMENTS FOR MERGER BILL

I WOULD LIKE TO OFFER TEN SUMMARY ARGUMENTS ABOUT MY BILL. SOME OF THE PROPONENTS WHO WILL FOLLOW ME MAY ELABORATE ON THESE POINTS.

FIRST, AS I INITIALLY EMPHASIZED, THIS MERGER BILL IS NOT A BRANCHING BILL.

SECOND, ALSO AS NOTED, THE BILL SIMPLY ALLOWS TWO BANKS TO MERGE AND TO CONTINUE TO OPERATE IN THEIR CURRENT LOCATIONS.

THIRD, I BELIEVE THERE IS A CRISIS LOOMING FOR MONTANA'S BANKS, AND WE NEED TO CHANGE OUR LAWS SO AS TO BETTER COPE WITH THIS CRISIS.

FOURTH, THE MERGER BILL WOULD BETTER PREPARE MONTANA'S BANK SYSTEM TO COPE WITH THE POTENTIAL FOR BANK FAILURES.

FIFTH, THE MERGER BILL DOES NOT REDUCE COMPETITION. IF ANYTHING, BECAUSE OF THE INCREASED BRANCHING AND BANKING POWERS OF SAVINGS AND LOANS, CREDIT UNIONS, AND STOCK BROKERAGE FIRMS, THERE IS <u>INCREASED COMPETITION</u> AMONG THE FINANCIAL INSTITUTIONS IN MONTANA.

<u>SIXTH</u>, THE MERGER BILL WOULD <u>IMPROVE BANKING SERVICES</u>, INCLUDING HIGHER LIMITS AND INCREASED CAPITAL. PERHAPS MORE IMPORTANTLY, THESE BENEFITS CAN BE OBTAINED BY ANY BANK WITHIN THE STATE, NOT JUST BANKS OWNED BY OUT-OF-STATE HOLDING COMPANIES.

<u>SEVENTH</u>, THE OUT-OF-STATE BANK HOLDING COMPANIES DOING BUSINESS IN MONTANA ARE <u>SOLID CITIZENS</u> OF OUR STATE AND HAVE MONTANA'S AND THEIR COMMUNITIES' BEST INTEREST AT HEART.

<u>EIGHTH</u>, BANKS OWNED BY HOLDING COMPANIES TYPICALLY OFFER A RANGE OF STAFF EXPERIENCE, EXPERTISE, AND SERVICES NOT USUALLY AVAILABLE IN SMALL COMMUNITY BANKS.

<u>NINTH</u>, THE THREE OUT-OF-STATE HOLDING COMPANIES DOING BUSINESS IN THIS STATE OPERATE BANKS THAT ARE ACTUALLY MORE INVOLVED IN SUPPORTING THEIR LOCAL COMMUNITIES AND THE CIVIC AFFAIRS OF THE TOWNS WHERE THEY DO BUSINESS THAN IS TRUE FOR MANY OTHER BANKS DOING BUSINESS IN MONTANA.

<u>TENTH</u>, AND LAST, MY BILL WILL NURTURE, NOT DESTROY, THE DUAL BANKING SYSTEM WE HAVE OPERATING HERE IN THE STATE WITH BANKS OWNED BY HOLDING COMPANIES AND INDEPENDENT BANKS. INDEED, THIS DUAL SYSTEM CAN BE STRENGTHENED BY MY LEGISLATION WHERE EVERYONE CAN BENEFIT, INCLUDING THE BIG BANKS, THE INDEPENDENT

BANKS, THE CUSTOMERS OF BOTH TYPE BANKS, AND, AS IMPORTANTLY, THE COMMUNITIES THOSE BANKS SERVE, AS WELL AS THE OVERALL ECONOMY OF THE STATE OF MONTANA.

CHANGE IS NEEDED IN OUR BANKING LAWS TO GET US MORE CAPITAL

IN CONSIDERING MY TEN POINTS, I WOULD LIKE FOR YOU TO THINK OF THE WORDS OF THE ANCIENT GREEK PHILOSOPHER WHO SAID THAT, "THERE IS NOTHING PERMANENT EXCEPT CHANGE."

THIS THOUGHT MAY LEAD YOU TO ASK WHETHER THE CHANGE I AM PROPOSING IS ONE THAT CAN BE LABELED PROGRESS. I BELIEVE IT DOES, AND LET ME TELL YOU WHY.

WE NEED A FLEXIBLE PLAN FOR AN EVER CHANGING WORLD. OUR ECOMONY IN MONTANA IS FACED BY THE INCREASED LIKELIHOOD OF BANK FAILURE CAUSED BY A SAGGING FARM ECONOMY. DID YOU REALIZE, FOR EXAMPLE, THAT THE FIRST BANK FAILURE IN 1985 WAS IN WYOMING? WE SHOULD NOT WAIT TO CHANGE UNTIL THE FAILURES HIT HERE.

WE NEED TO MAKE CHANGES NOW TO INSURE THAT THERE WILL BE ADEQUATE CAPITAL AVAILABLE TO OPERATE BANKS IN KEY LOCATIONS THROUGHOUT THE STATE. MY BILL MAKES THOSE CHANGES, WITHOUT ENDANGERING INDEPENDENT BANKS.

CONSIDER THE FOLLOWING FACTS. IN 1983, THE LOAN-TO-DEPOSIT PERCENTAGE OF UNIT BANKS DOING BUSINESS IN MONTANA WAS APPROXIMATELY 56 PERCENT. THAT IS, FOR EVERY DOLLAR ON DEPOSIT AT THE AVERAGE UNIT BANK, ONLY 56 CENTS WAS LOANED OUT. THE COMPARABLE FIGURES FOR MONTANA BANKS OWNED BY HOLDING COMPANIES WAS 70 PERCENT.

THESE PERCENTAGE DIFFERENCES MAY NOT SOUND LIKE MUCH, BUT THE IMPACT ON AVAILABLE CAPITAL IS STAGGERING. DO YOU REALIZE THAT THERE WOULD BE MORE THAN $1/4 BILLION AVAILABLE TO MONTANA BORROWERS -- $282 MILLION, TO BE PRECISE -- IF MONTANA'S UNIT BANKS MAINTAINED THE LOAN-TO-DEPOSIT RATIO ACHIEVED BY HOLDING COMPANY BANKS?

THERE IS AN OLD SAYING THAT, "A BANKER IS A PERSON WHO IS WILLING TO MAKE A LOAN IF YOU PRESENT SUFFICIENT EVIDENCE THAT YOU DON'T NEED THE LOAN." WELL, WE NEED MORE LOANS IN MONTANA AND MY BILL WILL HELP DO THAT.

<u>THE MERGER BILL HELPS INDEPENDENTS EVEN IF THEY DON'T WANT HELP</u>

I CALL UPON THE INDEPENDENT BANKERS WHO ARE HERE TODAY TO SEARCH WITHIN THEMSELVES TO SEE IF THEY CAN'T BEGIN TO SEE THE VALUE OF THIS LEGISLATION TO THEM. PERSONALLY, I DO NOT BELIEVE THIS LEGISLATION THREATENS THEM. AS AN INDEPENDENT GRAIN DEALER, WHO ~~OPERATES~~ Compets WITH MULTI-NATIONAL GIANTS AND WHO APPRECIATES THE VALUE OF CLEAN COMPETITION, <u>I</u> WOULD NOT BE PROMOTING THIS BILL IF I BELIEVED IT WAS DETRIMENTAL TO SMALL BANKS.

SMALL BANKS WILL NOT BE "SQUEEZED OUT" OF BUSINESS BECAUSE THIS LEGISLATION PASSES. INSTEAD, IT OFFERS THEM THE OPPORTUNITY OF USING THIS LEGISLATION TO INCREASE THEIR EFFICIENCY; TO INCREASE THE LOAN LIMITS AVAILABLE TO THEIR CUSTOMERS; TO EXPAND THE KIND OF SERVICES NEEDED TO BETTER SERVE THEIR COMMUNITIES. IN SHORT, THIS LEGISLATION COULD BE BENEFICIAL TO EVERYONE, AND I URGE EVERYONE TO SEEK OUT THE IMPORTANT VALUES THAT THIS BILL DOES OFFER OUR STATE BANKING INDUSTRY.

CONSUMER BENEFITS

LET ME SAY A FEW WORDS ABOUT THE PUBLIC BENEFITS OF THE MERGER AMENDMENT. MY BILL OFFERS GREATER STABILITY TO OUR BANKING INDUSTRY. AT A TIME WHEN THERE IS GOING TO BE INCREASING UNCERTAINTY ABOUT THE STABILITY OF BANKS, WE NEED TO OFFER SOME REASSURANCE TO THE PUBLIC.

I WOULD ALSO REMIND THE COMMITTEE THAT BANKING STUDIES HAVE CONCLUDED THAT: WHEN BANKS MERGE, THE RESULT IS A BROADER RANGE OF SERVICES OFFERED. THIS IS GOOD FOR CONSUMERS.

ANOTHER POINT TO CONSIDER IS THAT MERGED BANKS CAN SHARE THE COSTS OF DEVELOPING AND PROVIDING SERVICES. SHARING THOSE COSTS REDUCES THE EXPENSE AND ALLOWS THEM TO PROVIDE PRODUCTS AND SERVICES THAT WOULD BE TOO COSTLY TO PROVIDE AT UNIT BANKS.

PERHAPS THE GREATEST BENEFIT TO CONSUMERS IS THAT MERGED BANKS HAVE HIGHER LENDING LIMITS AVAILABLE. DO YOU KNOW OF ANY BORROWERS WHO NEED THESE HIGHER LIMITS? I DO.

CONCLUSION

I WOULD LIKE TO LEAVE YOU WITH ONE FINAL THOUGHT. THOMAS JEFFERSON ONCE SAID THAT, "BANKING ESTABLISHMENTS ARE MORE DANGEROUS THAN STANDING ARMIES." PRESIDENT JEFFERSON MAY HAVE BEEN CORRECT, BUT THEN, HE MAY NEVER HAVE NEEDED TO BORROW TO OPERATE HIS BUSINESS, AS I DO, AND AS DO MANY OF YOU. FORTUNATELY, WE HAVE A GOOD BANKING SYSTEM HERE IN MONTANA, AND I WANT TO DO ALL I CAN TO HELP IMPROVE THAT SYSTEM.

I URGE THE COMMITTEE TO PASS S.B. 232.

EXHIBIT 2
BUSINESS & INDUSTRY
FEBRUARY 1, 1985

TESTIMONY OF ELOUISE COBELL
TREASURER, BLACKFEET TRIBE
IN SUPPORT OF SB 232 BANK MERGER BILL
STATE CAPITOL
FEBRUARY 1, 1985

MR. CHAIRMAN, AND MEMBERS OF THE SENATE BUSINESS AND INDUSTRY COMMITTEE, MY NAME IS ELOUISE COBELL. I LIVE ON A RANCH NEAR VALIER, AND I AM THE TREASURER OF THE BLACKFEET TRIBE. I CAME TO HELENA TODAY TO SUPPORT THE BANK MERGER BILL.

YOU WILL BE HEARING TESTIMONY TODAY PRIMARILY FROM BANKERS-- SOME WHO SUPPORT THIS BILL, OTHER WHO OPPOSE IT. I AM HERE TO LET YOU KNOW THAT THERE IS MUCH MORE AT STAKE THAN A SQUABBLE BETWEEN BANKERS. YOUR CONSTITUENTS WHO LIVE IN RURAL AREAS FACE THE REAL PROSPECT OF BANK FAILURE. WE HAVE NOT LOST MANY BANKS IN MONTANA IN RECENT YEARS, BUT THAT HAS NOT ALWAYS BEEN SO.

LET ME QUOTE FROM JOSEPH KINSEY HOWARD'S FAMOUS BOOK ON THE DEPRESSION IN MONTANA WHERE HE SAID:

> "...MONTANA LOST 38 PERCENT OF ITS STATE BANKS AND 30 PERCENT OF ITS NATIONAL BANKS, A FIFTH OF ITS FARMS, HALF OF ITS MANUFACTURING ESTABLISHMENTS, NEARLY HALF OF ITS RETAIL BUSINESSES, 15 PERCENT OF ITS POPULATION, AND SOME OF ITS TOWNS.

> "...SPIRIT CARRIED MONTANANS THROUGH DROUTH, FIRE, FLOOD, AND BLIZZARD, AND IT SUSTAINED THEM NOW, WHEN THEIR BANKS WERE BUST. ALL AMERICA GOT A BRIEF GLIMPSE, DURING THE 1933 BANK HOLIDAY, OF WHAT IT MEANT TO LIVE IN A BANKLESS TOWN. MONTANANS WERE USED TO IT BY THAT TIME: THEY HAD KNOWN WHAT IT MEANT TO LIVE IN BANKLESS COUNTIES, EVEN BANKLESS REGIONS AS BIG AS EASTERN STATES."

THE TIMES MR. HOWARD REFERRED TO MAY BE COMING AGAIN. CONSIDER, FOR EXAMPLE, THE STATEMENT MADE IN YESTERDAY'S GREAT FALLS TRIBUNE WHERE U.S. SENATOR JAMES SASSER FROM TENNESSEE WAS QUOTED AS SAYING:

> "THE NATION'S BANKING SYSTEM IS BEGINNING NOW TO FEEL SHARPLY THE STRAINS OF THE FARM CREDIT PROBLEM. AS THE PROBLEMS OF FARMERS GROW, SO WILL THE LIST OF PROBLEM BANKS."

THE BROWNING BANK FAILURE

SENATORS, I WANT TO TELL YOU A STORY NOW ABOUT WHAT A BANK FAILURE MEANS TO A COMMUNITY, MY COMMUNITY, BROWNING, MONTANA.

On Thursday, November 10, 1983, the Comptroller of the Currency closed the First National Bank of Browning. This bank, which originally opened in 1916, has been over the 67 years of its existence the sole and only full service financial institution serving Browning and the surrounding area. It has always provided the full range of banking services: checking and savings accounts; money instruments such as cashier's checks, certified checks and money orders; coin and currency; cashing of checks and other money instruments. It was the lender of first instance to those who live and do business in the Browning area. It made consumer loans to individuals, commercial loans to businesses, and agricultural loans to farmers and ranchers.

In short, the First National Bank of Browning performed the three major functions of a full service bank. It accepted time and demand deposits; it made loans; and, it facilitated the transfer of funds into and out of Browning.

Needless to say, the closure of this bank has had a drastic effect on the economy of the Browning area.

Everyone, from the Blackfeet Tribe, to businesses, to individuals who had banked at the First National Bank of Browning have been forced to move their accounts to banks outside of Browning. The closest bank is in Cut Bank, a distance of 31 miles and much farther for folks who live east of Browning.

THE INCONVENIENCE OF USING BANKS OUTSIDE OF THE AREA IS HARD TO OVERSTATE. MAKING DEPOSITS, CASHING CHECKS, PURCHASING MONEY ORDERS, AND RECEIVING ALL OF THE OTHER SERVICES BROWNING AREA RESIDENTS -- DEPOSITORS AND NON-DEPOSITORS ALIKE -- REGULARLY RECEIVED FROM THE FIRST NATIONAL BANK OF BROWNING ARE MADE CONSIDERABLY MORE DIFFICULT.

A SECOND MAJOR CONSEQUENCE OF THE CLOSURE IS THE DISRUPTION OF LENDING RELATIONSHIPS BETWEEN THE BANK AND LOCAL BORROWERS. EVERYONE WHO HAD HERETOFORE DEPENDED UPON THE FIRST NATIONAL BANK OF BROWNING AS A PRINCIPAL SOURCE OF CREDIT MUST NOW ESTABLISH CREDIT RELATIONSHIPS WITH OTHER BANKS. MANY OF THESE SAME BORROWERS HAVE RELIED UPON THE FIRST NATIONAL BANK OF BROWNING FOR FINANCIAL COUNSELING AND ASSISTANCE IN OBTAINING ADDITIONAL CREDIT FROM OTHER BANKS. THEY ALSO OBTAINED VITAL INFORMATION ABOUT LENDING AND INSURING AGENCIES SUCH AS THE FARM HOME ADMINISTRATION AND THE PRODUCTION CREDIT ASSOCIATION.

THE ABILITY OF LOCAL BUSINESS PEOPLE TO MAKE DAILY DEPOSITS, TO OBTAIN ADEQUATE COIN AND CURRENCY FOR THEIR BUSINESSES, AND TO HAVE A READILY AVAILABLE SOURCE OF CONSUMER LOANS FOR THEIR CUSTOMERS, HAS BEEN SEVERELY EFFECTED. JUST TO BE ABLE TO MAKE DAILY DEPOSITS AND TO OBTAIN COIN AND CURRENCY, THESE PEOPLE HAD TO HIRE WELLS FARGO ARMORED SERVICE AT $160 PER DAY TO PROVIDE FIVE-DAY A WEEK COURIER SERVICE BETWEEN BROWNING, CUT BANK, AND GREAT FALLS.

WHILE AN ARMORED COURIER SERVICE HELPED THE TRIBE AND BROWNING AREA BUSINESSES, IT WAS NO SOLUTION TO THE NEEDS OF INDIVIDUAL DEPOSITORS AND THOSE WHO NEED TO CASH CHECKS AND PURCHASE MONEY ORDERS TO TRANSACT THEIR BUSINESS AND PAY THEIR BILLS. THESE PEOPLE HAVE TO EITHER MAIL THEIR DEPOSITS TO OTHER BANKS OR DRIVE TO DISTANT BANKS TO CASH THEIR CHECKS AND PURCHASE MONEY ORDERS. AND, WHILE THEY ARE IN CUT BANK, SHELBY, GREAT FALLS, AND COLUMBIA FALLS, THEY BUY GROCERIES, CLOTHING, AND OTHER GOODS AND SERVICES FROM BUSINESSES THERE. THE CONSEQUENCES OF THIS FOR BUSINESSES IN BROWNING AND THE SURROUNDING AREA CAN HARDLY BE OVERSTATED.

WE, IN BROWNING, DESPERATELY NEED A FULL SERVICE BANK. THE URGENCY OF ESTABLISHING A FULL SERVICE BANK IN BROWNING CANNOT BE OVERSTATED. THE ECONOMIC HEALTH AND WELL-BEING OF THE BROWNING AREA RESIDENTS AND BUSINESS HAS BEEN HORRIBLE. MANY BUSINESSES HAVE FAILED. TOURISM HAS DECLINED DRAMATICALLY. TRIBAL MEMBERS AND NON-MEMBERS ALIKE HAVE SUFFERED. AND NEW BUSINESSES AND NEW RESIDENTS HAVE BEEN DISCOURAGED FROM COMING TO OUR COMMUNITY.

CONCLUSION

MR. CHAIRMAN AND MEMBERS OF THIS DISTINGUISHED COMMITTEE, I WANT TO CONCLUDE MY STATEMENT BY TELLING YOU THE RELEVANCE OF THE MERGER BILL, SB 232, TO OUR STIUATION IN BROWNING. I BELIEVE THAT WE COULD HAVE AVOIDED THE BANK FAILURE IN BROWNING IF WE WOULD HAVE HAD THIS LAW ON THE BOOKS IN 1983.

WE DIDN'T HAVE THIS LAW, AND WE COULDN'T ATTRACT ANY BANK TO BUY OUR TROUBLED BANK.

WHAT ABOUT TOMORROW? I CAN'T SAY WHETHER THIS BILL WILL HELP US IN BROWNING. PERHAPS IT CAN IF WE CAN SUCCEED IN GETTING A NEW BANK STARTED. I CAN SAY THAT STARTING A NEW BANK IS PRACTICALLY AN IMPOSSIBLE FEAT, AND I HOPE NONE OF YOU ARE EVER FACED WITH THAT TASK.

IN CLOSING, I WOULD ONLY ASK THAT YOU THINK ABOUT THE POTENTIAL VALUE THIS BILL HAS FOR OTHER RURAL COMMUNITIES IN MONTANA. THEY MAY NEED YOUR HELP. ON THEIR BEHALF AND ON BEHALF OF THE FOLKS AND BUSINESSES WHO HAVE ALREADY BEEN HURT IN BROWNING, I URGE YOU TO SUPPORT SB 232.

THANK YOU FOR GIVING ME THIS OPPORTUNITY TO TESTIFY ON THIS CRITICAL PIECE OF LEGISLATION.

EXHIBIT 3
BUSINESS & INDUSTRY
FEBRUARY 1, 1985

My name is John Reichel. I am a native Montanan and have worked for First Bank System for 30 years, and presently my position is managing director for Western Montana Region, which consists of eight banks in western Montana.

Let me re-affirm that "WE ARE NOT OUTSIDERS".

Under this amendment, only First Bank, Norwest, and First Interstate Corporation as out of state bank holding companies can qualify. No other out of state companies would be coming into Montana.

Let me say that these banks are not Johnny-Come-Latelies to the Treasure State. They have been serving Montana for generations as financial bulwarks to each of the markets that they serve. They have proven themselves to be leaders, to be concerned, and to be genuinely interested and involved in the communities which they serve.

I would invite you to check the record and learn how they have demonstrated themselves to be good citizens. We believe it has been outstanding.

These institutions have not only been heavy investors in their communities and the state, but they have been generous supporters of worthy civic causes. They have been in the forefront in their aid to education, civic affairs and promotions, as well as major investors in aiding agriculture, businesses and individuals.

I would ask whether the people in these banks are outsiders? I would like to cite a number of examples that would show that these people are not outsiders:

EARL JOHNSON, President of Helena's First Bank, is a native of rural Fergus County, a graduate of Montana State University who has served banks in Lewistown and Missoula.

ED JASMIN, President of Helena's Norwest Bank, is a Helenan, a University of Montana graduate, and throughout his Montana banking career a civic and state leader.

Other individuals, some of whom you have heard today, also can qualify as being true Montanans. JIM MIREHOUSE, President of First Bank Havre, is a native Montanan, being reared on a ranch west of Augusta ,Montana; HAL BROWN, President of First Bank Fort Benton, is a native of the Miles City area, a graduate of Montana State University with a degree in agriculture; BOB REIQUAM is a native of Choteau, Montana, born and raised on a ranch in that area, a graduate of Montana State University, served as county extension agent, and has been President of First Bank Miles City and presently is President of First Banks Great Falls.

As I indicated in my opening remarks, I too am a native Montanan, born on a farm in southcentral Montana, a graduate of Montana State University, and have served in banks in Great Falls and Bozeman.

BILL STRAUSBURG, Managing Director for the Eastern Montana Region is a native Montanan, and I believe all of the people I have cited above have made a major contribution to this state.

The examples cited are not rarities. There are many other presidents in major offices and staff on all of the so-called out-of-state banks that are all Montanans, involved in their communities and dedicated to building a better Montana.

Let me close by saying this is not a branching bill and does not pose a threat to the independent bank. It will improve the strength of the financial institutions and provide for increased competition that will benefit consumers, agriculture and businesses located in Montana.

Form CS-34
1-79

NAME Robert Henry Bill No. SB 232

ADDRESS 413 W. Artemos Missoula DATE 2/1/85

WHOM DO YOU REPRESENT First Bank ~~System~~ Western + Southx

SUPPORT ✓ OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

EXHIBIT 4
BUSINESS & INDUSTRY
FEBRUARY 1, 1985

Form CS-34
-79

NAME Ed Jasmin Bill No. 232

ADDRESS 626 Monroe Helena DATE 2-1-85

WHOM DO YOU REPRESENT [illegible] Bank Helena

SUPPORT ✓ OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

EXHIBIT 5
BUSINESS & INDUSTRY
FEBRUARY 1, 1985

Testimony before the Senate Business & Industry Committee 2-1-85

For the record, my name is Ed Jasmin. I am President of Norwest Bank Helena, a state chartered community bank. We have served the Helena area since 1898, 72 years before any of the existing Helena independents started.

The opponents of this bill will hint that the banks associated with out-of-state holding companies are somehow bad or don't pull their weight, as suggested in the ads in yesterday's papers "Crying Wolf."

This is poppy-cock, just as in the fable of the boy who cried wolf...it really isn't so. Let me give you some examples.

Most of our Norwest affiliates in Montana were independent banks in the 1800s and elected to become associated with Norwest Corporation in 1929 and 1930. These were tough times when more than 2000 banks in the 9th Federal Reserve District failed. All the banks that joined together to form Norwest survived. This has been more than 55 years ago and we've been very active in our communities ever since.

Currently we have 15 banking and financial service offices serving Montana. These banks and subsidiaries employ 650 Montanans with an annual payroll of approximately $11.2 million. In 1983 we paid $826,000 in Montana state and local taxes.

One can gauge the activity of a bank by the ratio of deposits it puts back into its community in the form of loans. At year-end 1983, Norwest banks in Montana had a loan to deposit ratio of 75.3%, compared to the median for all Montana banks of only 68%.

Another gauge of a bank's involvement is its participation in its community. Last year our banks and Norwest Foundation contributed more than $204,000 to Montana charities and educational institutions in the communities we serve.

You may recall that the Russell painting, "When the Land Belonged to God," which hangs in your Senate Chamber, was purchased in 1976 by the State with the help of $100,000 from the Norwest affiliates.

The federal government, through its Community Reinvestment Act, requires banks to keep track of community involvement. Let me brag for a minute about Norwest Bank Helena. In 1984, our employees spent 7,327 hours in community service activity.

Our people are currently serving on the Boards of St. Peter's Hospital, Shodair Hospital, Carroll College, United Way, Montana Economic Development Corporation, Montana Ambassadors, Governor's Council on Management, the YMCA, Montana International Trade Commission, Helena Improvement Society and on and on.

One of the Helena Independent banks in opposition to this bill isn't even a member of the Helena Chamber of Commerce. That's more than crying wolf. That is the pot calling the kettle black.

We are as generous as any bank in the state with our commitment of financial aid and time in supporting our community and our state. In fact our bank is only the 10th or 11th in size of total employment in Helena. We're much smaller than the first seven which range from 4100 to 350 employees. Our bank's contribution to the United Way last year tied for second. On a per capita basis, our bank employees ranked third in contributions.

Opponents of expanding bank powers also cry wolf and hint that as an affiliate of Norwest Corporation we are out-of-staters. I mentioned earlier that our bank joined Norwest in 1929 and was originally chartered in 1898. In my memory, our bank has always been managed by Montanans with the help of a local board of directors. I am a Montanan and a native of Helena. In fact my parents, grandparents and great-grandparents lived and are all buried here.

All of our affiliates are very much involved in our communities and our state, as providers of a wide range of financial services and as good citizens of our communities.

You probably saw in this week's papers the stories of the possibility of PCAs and Land Banks in a 5-state area, including Montana, merging. If they were under our existing Montana banking laws they would be out of luck. Fortunately they are not.

It is a shame our argument about this bill is only with members of M.I.B. It certainly isn't with other financial institutions or consumers.

Montana savings and loans can now do exactly what we are asking. So can credit unions and so can PCAs as well as any other business organization in Montana. What's the difference? What does the M.I.B. fear?

It might be size, but there are now savings and loans and credit unions in Montana that are as large as our banks. What else then? Could it be competition?

These are precarious times for all financial institutions with current deregulation, failing PCAs, troubled banks, inter-state banking on the horizon and more competition from lots of new financial service providers.

It's time we get our heads out of the sand and facilitate a stronger and more competitive environment for Montana banks.

Form CS-34
1-79

NAME Gib S. Nichols BILL NO. Senate Bill #25

ADDRESS Wolf Point, Montana DATE 2-1-85

WHOM DO YOU REPRESENT Montana Independent Bankers

SUPPORT ____ OPPOSE ✓ AMEND ____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

EXHIBIT 6
BUSINESS & INDUSTRY
FEBRUARY 1, 1985

TESTIMONY

TO

SENATE

BUSINESS & INDUSTRY COMMITTEE

FEBRUARY 1, 1985

SENATE BILL #232

GIB S. NICHOLS, PRESIDENT

MONTANA INDEPENDENT BANKERS

WOLF POINT, MONTANA

HONORABLE SENATORS OF THE BUSINESS & INDUSTRY COMMITTEE:

THE MANY INNOVATIONS AND CHANGES THAT HAVE EVOLVED IN THE BANKING INDUSTRY DURING RECENT YEARS CAN SURELY ATTEST TO THE OLD ADAGE, "THE ONLY CONSTANT IN THIS WORLD IS CHANGE."

CHANGE HAS LED TO A NATIONWIDE TREND TOWARD A VARIETY OF CORPORATE MERGERS AND ACQUISITIONS. THE AMERICAN PUBLIC HAS BEEN LED TO BELIEVE THAT BIGGER IS BETTER AND THAT YOU HAD BETTER ACCEPT THAT PHILOSOPHY. NEVER MIND THAT THE PILL IS TOO BIG TO SWALLOW! TAKE THE MEDICINE WHETHER YOU'VE ASKED FOR IT OR NOT!

THE "MERGER/ACQUISITION CULT" HAS BECOME MORE INTENSE IN RECENT YEARS EVEN WITHIN THE FINANCE INDUSTRY BECAUSE OF THE FIERCE COMPETITION CREATED BY DE-REGULATION AND THE "NON-BANK - BANK" LOOPHOLES.

THE MOST RECENT LEGISLATION PROPOSED TO CHANGE MONTANA BANKING IS SENATE BILL #232. IT ALLOWS FOR MERGER/CONSOLIDATION OR, MORE APPROPRIATELY A MERGER ACQUISITION OF MONTANA BANKS.

AS PRESIDENT OF THE MIB I WANT TO CONVEY TO THE HONORABLE LEGISLATORS OF THIS COMMITTEE THAT WE ARE UNALTERABLY OPPOSED TO SENATE BILL #232. THE BILL PROMOTES REGIONAL INTERSTATE BANKING AND WILL ULTIMATELY RESULT IN THE CONCENTRATION OF DEPOSITS WITH THE FEW VERY LARGE HOLDING COMPANIES IN MONTANA.

PAST HISTORY IS PROOF ENOUGH OF THE PROBLEMS CREATED FOR BUSINESS AND THE CONSUMER IN MONTANA WHEN THERE IS A CONCENTRATION OF OUR BASIC INDUSTRIES. MONTANA ONCE HAD FIVE RAILROADS, TODAY WE ARE REPRESENTED BY ONE. NOT SO

LONG AGO WE HAD AN ECONOMICALLY ATTRACTIVE MINING INDUSTRY IN BUTTE, ANACONDA, AND GREAT FALLS. TODAY, BECAUSE OF MERGERS AND ACQUISITIONS, WE HAVE A LARGE OIL COMPANY WHICH OWNS OUR COPPER COMPANY, BUT DOES NOT FIND COPPER AN ATTRACTIVE RESOURCE TO DEVELOP. PERHAPS THESE INDUSTRIES WERE CONSOLIDATED BECAUSE OF "ECONOMIES OF SCALE". HOWEVER, THERE IS NO SUBSTANTIATION THAT "ECONOMIES OF SCALE" IMPROVE COMMERCIAL BANK PERFORMANCE.

ALREADY, NEARLY 53% OF THE TOTAL COMMERCIAL BANK DEPOSITS IN MONTANA ARE CONTROLLED BY THE MAJOR MULTI-BANK HOLDING COMPANIES FROM OUT OF STATE. THESE HOLDING COMPANIES REPRESENT 27 BANKS OF THE TOTAL NUMBER OF 168 IN MONTANA. ALLOWING BRANCHING OR UNLIMITED HOLDING COMPANY EXPANSION BY MEANS OF THIS PROPOSED MERGER/ACQUISITION BILL WILL ONLY FURTHER CONCENTRATE THE ASSETS OF MONTANA. MOREOVER, IT WILL RESULT IN THE CONCENTRATION OF POWER AND TRANSFER OF THE ECONOMIC DESTINY OF MONTANA TO THE BOARDROOMS OF THE MAIN REGIONAL BANK OFFICES IN MINNEAPOLIS. LET US REMEMBER THAT POLITICAL POWER FOLLOWS FINANCIAL POWER.

THE 168 COMMERCIAL BANKS REPRESENTING MONTANA HAVE ALWAYS WEATHERED THE SEVERE ECONOMIC CONDITIONS; WHETHER IT BE WITH WESTERN MONTANA'S LUMBER INDUSTRY OR THE AGRICULTURAL INDUSTRY IN EASTERN MONTANA.

OUR COMMUNITY BANKS HAVE ALWAYS BEEN A MAJOR SOURCE FOR AG CREDIT AND AT A TIME WHEN THIS VERY BASIC AND IMPORTANT MONTANA INDUSTRY IS IN SUCH DIRE STRAITS IT IS ESSENTIAL THAT THE BANKER HAVE A PERSONAL UNDERSTANDING AND APPRECIATION OF THE FARMERS OPERATION. COMMUNITY BANKS HAVE ALWAYS BEEN ABLE TO PROVIDE THE FARMER OR RANCHER WITH TIMELY LENDING COMMITMENTS AND, HAVING A PERSONAL UNDERSTANDING OF ITS CUSTOMERS FARMING AND RANCHING OPERATION, THE COMMUNITY BANKER CAN MAKE CREDIT DECISIONS ON A PUNCTUAL AND DEPENDABLE BASIS.

HOWEVER, MERGER/ACQUISITIONS OF COMMUNITY BANKS WITH MULTI-BANK HOLDING COMPANIES HAVE HISTORICALLY RESULTED IN MORE CENTRALIZED AUTHORITY. GENERALLY, THE ACQUIRED BANK IS LEFT WITH A PROMOTION MOTIVATED BRANCH MANAGER HAVING A VERY SMALL LENDING AUTHORITY.

ISN'T IT PECULIAR THAT OUR STATE, OFTEN CRITICIZED BY BUSINESS AND INDUSTRY FOR ITS DEFICIENCIES IN INVESTMENT AND VENTURE CAPITAL, WOULD EVEN CONSIDER LEGISLATION ENDORSING FURTHER TRANSFERS OF MONTANA FINANCIAL RESOURCES TO THE OUT OF STATE REGIONAL MONEY BANKING CENTERS. WHO BENEFITS BY THIS TRANSFER OF PROFITS OUT OF MONTANA? SURELY NOT THE COMMUNITIES OF MONTANA! DOESN'T SAFETY AND SOUNDNESS HAVE MEANING? WE FEEL THAT OUR ABILITY TO SPREAD THE BANKING RISKS THROUGH PARTICIPATIONS WITH OUR CORRESPONDENT BANKS DESERVES CONSIDERATION FOR PRUDENT AND SOUND BANKING PRACTICE. HAVE WE ALL FORGOTTEN CONTINENTAL BANK OF ILLINOIS - A CASE OF CONCENTRATED RISKS VERSUS SPREAD RISKS?

WHO HAS DETERMINED THAT MONTANA CONSUMERS WILL BENEFIT BY A GREATER RANGE OF SERVICES IF MERGER/ACQUISITIONS ARE ALLOWED? THERE HAS BEEN NO PUBLIC OUTCRY TO CHANGE THE BANKING SYSTEM!

THE WASHINGTON COUNSEL FOR THE NATIONAL FEDERATION OF INDEPENDENT BUSINESS, TESTIFYING BEFORE A SUBCOMMITTEE OF THE ENERGY AND COMMERCE COMMITTEE, ON APRIL 5, 1984, WITH REGARD TO THE DEREGULATION OF THE BANKING INDUSTRY, AT ONE POINT STATED, "ON VIRTUALLY EVERY DIMENSION EXAMINED IN NFIB STUDIES, WHETHER MEASURED OBJECTIVELY OR SUBJECTIVELY, SMALL BANKS AND BANKS IN UNIT BANKING STATES PERFORMED BETTER FOR SMALL BUSINESSES THAN DID LARGER BANKS AND BANKS OF STATEWIDE BRANCHING STATES".

TO OUR KNOWLEDGE, COMMUNITY BANKS HAVE HAD FEW PROBLEMS IN SELLING THEIR INSTITUTIONS WITHIN THE CONFINES OF CURRENT MONTANA STATUTES. ALTHOUGH THEY MAY NOT HAVE HAD THE LUXURY OF FINDING PURCHASERS WHOSE STOCK IS TRADED ON THE NEW YORK STOCK EXCHANGE FOR THE BENEFIT AND ADVANTAGE OF TAX FREE EXCHANGES, THERE IS A GOOD MARKET IN MONTANA FOR BANKS. I AM UNAWARE OF ANY BANK THAT HAS HAD TO SACRIFICE A PERCENTAGE OR MARKET VALUE BECAUSE OF A SHORTAGE OF BUYERS.

IN SUMMARY, I WOULD LIKE TO IMPRESS UPON THE MEMBERS OF THIS COMMITTEE AND THE MONTANA PUBLIC OF THE VERY SERIOUS NATURE OF SENATE BILL #232 TO ALLOW THE CONCENTRATION OF DEPOSITS IN THE STATE OF MONTANA.

IF THE TWO MAJOR MULTI-BANK HOLDING COMPANIES ARE ALLOWED TO PURCHASE BANKS IN MONTANA, IT IS INEVITABLE THAT AN ACTIVE AND AGGRESSIVE BUYING MOVEMENT WILL BE AT ALL OUR DOORS. OUR PRIMARY CONCERN IN THE AILING MONTANA ECONOMY, PARTICULARLY WITH REGARD TO AGRICULTURE, IS READILY AVAILABLE SOURCES OF CAPITAL. THE ALLOCATION OF CREDITS BY THE MULTI-BANK HOLDING COMPANIES TO AN INDUSTRY AS WEAK AS AGRICULTURE WILL ONLY RESTRICT THOSE ALTERNATIVES.

IT WOULD BE A VERY SAD DAY TO ALLOW A LARGE BANK IN MONTANA TO CONTROL FIFTY OR SIXTY PERCENT OF THE DEPOSITS AND END UP IN A LIQUIDITY AND SOLVENCY CRISIS AS CONTINENTAL OF ILLINOIS.

I CLOSE WITH ONE FINAL "WORD TO THE WISE". IF IT AIN'T BROKE, DON'T FIX IT. WE ASK THAT YOU VOTE <u>NO</u> ON SENATE BILL #232.

ON JUNE 21, 1984 GOVERNOR EMMET RICE OF THE FEDERAL RESERVE SYSTEM SAID IT ALL: "THERE HAS BEEN NO DEMONSTRATION OF ANY PUBLIC BENEFITS FROM REGIONAL INTERSTATE BANKING. THE PROPONENTS CLAIM THAT REGIONAL BANKING WILL LEAD TO FASTER REGIONAL ECONOMIC GROWTH, BUT THERE IS NO EVIDENCE THAT THERE IS ANY RELATIONSHIP BETWEEN BANKING STRUCTURE AND ECONOMIC DEVELOPMENT. THEY CLAIM THAT THE MERGING BANKS WILL ACHIEVE ECONOMIES OF SCALE, BUT THERE IS NO EVIDENCE TO SUPPORT THAT OPINION. THEY CLAIM THAT BY GROWING LARGER, THEY WILL BE IN A BETTER POSITION TO SURVIVE THE EVENTUAL ENTRY OF THE NATION'S LARGEST BANKS. HOWEVER, THERE IS NO EVIDENCE THAT THE REGIONAL BANKS NEED TO BE LARGE TO SURVIVE. SURVIVAL IS THE RESULT OF PROVIDING GOOD SERVICE AT COMPETITIVE PRICES AND THERE IS NO EVIDENCE TO SUGGEST THAT THIS IS DIRECTLY RELATED TO THE SIZE OF THE ORGANIZATION..."

Form CS-34
-79

NAME Philip R. Sandquist Bill No. SB-232

ADDRESS 1503 S. Grand, Bozeman, Mt DATE 2-1-85

WHOM DO YOU REPRESENT FIRST SECURITY BANK + M.J.B.

SUPPORT ______ OPPOSE ✓ AMEND ______

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

EXHIBIT 7
BUSINESS & INDUSTRY
FEBRUARY 1, 1985

EXHIBIT 7
BUSINESS & INDUSTRY
FEBRUARY 1, 1985

First SECURITY BANK of bozeman

PHIL SANDQUIST, President
Chairman of the Board

P.O. BOX 910
BOZEMAN, MONTANA 59715
PHONE 587-0641

February 1, 1985

Honorable Members of the Committee:

I am Phil Sandquist, President of the First Security Bank of Bozeman, Montana. To some of you my remarks will be somewhat redundant, but we independent bankers are back again fighting for the survival of independent banking in and for Montana. We seem to be fighting for our independence every other year, while our forefathers settled the issue once and for all.

Regardless of the name attached to Senate Bill No. 232, it is a form of branch banking and nothing else. SB #232 allows a purchasing bank the option of closing or continuing the operation of the bank purchased. Actually this is worse than any branching bill, inasmuch as some communities would lose banking services.

I must ask you, is it the Montana consumers who want this bill, or the big out-of-state corporations? It has always been the big out-of-state banks that want to tell Montanans how to run their banking industry, and who should have control.

[redacted] Biggies are not always best as evidenced by the FDIC bail out of Continental Illinois Bank of Chicago, and even closer to home, Seattle First National. With the First Bank System and Norwest controlling nearly 50% of Montana banking assets, are we willing to open the door further and give them more?

Let's talk a moment about the proponents of SB #232. Headlines from American Banker, dated January 9, 1985, read "Fitch Investors Lowers Its Debt Ratings on First Bank, Norwest".

If they had such great management and expertise in their present markets, they wouldn't be suffering a reduction in their national ratings on their outstanding paper. I wish to quote from this article:

> "According to the agency, although First Bank System's 'nonperforming assets as a percentage of total loans appears to have stabilized,' the company is not yet out of the woods and it will have to maintain a high reserve for possible future loan losses. These reserves could limit First Bank System's future profitability and internal capital formation."

Quoting from the same article regarding Fitch lowering its ratings on Norwest:

> "This rating cut, the agency said in a statement, reflects a 'decline in profitability in recent years, deterioration of loan quality and a substantial loss in the third quarter of 1984' on the part of Norwest, which has $21.6 billion in assets."

Again, quoting from an article in the New York Times, dated November 21, 1984, Special to the New York Times, Minneapolis, dated November 18, 1984:

> "While dozens of other banks are pressing to get into interstate banking, the Norwest Corporation, long resident in that promised land, is finding that it is not all milk and honey.
>
> "In the third quarter, Norwest, a long-respected Minneapolis-based bank holding company that owns 82 banks in seven states, shocked the investment community by announcing a $24 million loss - its first quarterly loss ever."

Further in the article it states:

> "But John W. Morrison, Norwest's genteel 62-year-old chairman and chief executive officer, maintains that his bank holding company, the nation's 16th largest as of June 30, is on the mend, as a result of layoffs and other efficiency measures. 'The loan quality problem will not be corrected overnight,' he said, 'but we're making real progress.'"

Both First Bank System and Norwest, even here in Montana, have been making consolidations which have caused unemployment in several communities. Laying off employees should not be the solution to their bad loans and loss problems. An independent banker will always have his heart and money invested in his own community, and will work for its benefit rather than someone in Minneapolis.

This bill not only opens the door for the proponents, but for the whole world. Changing banking laws such as this is a very serious undertaking. Once done it will never be reversed. It would be like unscrambling eggs. There is no second chance for independent banking.

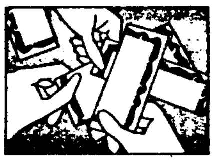
You gentlemen are sitting in a very important position, and are being asked to make a decision that will affect the financial structure of Montana for many years to come. Financial institutions of this great state have always held an extremely important position in the growth and development of Montana.

In closing, let's keep Montana dollars in Montana, under Montana control. I request your vote against Senate Bill No. 232. Thank you.

Fitch Investors Lowers Its Debt Ratings on First Bank, Norwest

By JOHN P. FORDE

NEW YORK — Fitch Investors Service last week lowered its debt ratings on the two largest bank holding companies in Minneapolis, citing the effect of a weak upper-midwestern economy on the two firms, **First Bank Systems Inc.** and **Norwest Corp.**



Capital Actions

The rating agency lowered its ratings Friday on more than $275 million of First Bank System debt. The ratings on three issues, including $25 million of 10% notes due 1986, $125 million of floating-rate notes due 1989, and $100 million of 11⅛% notes due 1993, were lowered from "AA+" to "AA." Fitch also dropped its rating on $25.9 million of 6¼% convertible subordinated debentures due 2000 from "AA" to "AA-."

According to the agency, although First Bank System's "nonperforming assets as a percentage of total loans appears to have stabilized," the company is not yet out of the woods and it will have to maintain a high reserve for possible future loan losses. These reserves could limit First Bank System's future profitability and internal capital formation.

The $21.8 billion-asset company is helped, however, by a large retail base that "provides a stable source of funds for the corporation's increasing earning assets," according to Fitch.

Fitch lowered its rating on Norwest's $24 million of 5⅛% debentures due 1990 and $63.6 million of 7¾% sinking fund debentures due 2003 from "AA+" to "A+."

This rating cut, the agency said in a statement, reflects "a decline in profitability in recent years, deterioration of loan quality, and a substantial loss in the third quarter of 1984" on the part of Norwest, which has $21.6 billion in assets.

The company's loan portfolio, according to Fitch, continues to be afflicted by the "weakened agricultural economy in its operating areas."

The agency described Norwest's economic situation in terms similar to those it used when discussing First Bank System. Thus, while Norwest's nonperforming assets, as a proportion of loans, is not substantially higher than other banks in its peer group, it must maintain high levels of chargeoffs and an adequate reserve.

However, the rating agency believes that "the recent realignment of senior management and the decrease in overhead expenses of Norwest Mortgage, which reported a substantial loss in the third quarter, could return this subsidiary to profitability by yearend 1985."

■

The Federal National Mortgage Association last week issued a total of $2 billion in debentures through three offerings with maturities ranging from three to 10 years.

Half of the total was in three-year notes that mature on Feb. 10, 1988. The company also offered $500 million each in five-year and 10-year debentures.

Fannie Mae said in a statement Friday that net proceeds will be used to redeem $1.05 million in 9.90% debentures that mature Jan. 10, 1985, as well as to finance its operations.

The debentures will be issued in book-entry form only and will require a $10,000 minimum purchase, with multiples of $5,000 thereafter.

The offering is being made through Fannie Mae's senior vice president-finance and treasurer, John J. Meehan of New York, who is "being assisted by a nationwide selling group of recognized security dealers," according to the statement.

■

Barnett Banks of Florida Inc., Jacksonville, has called for investors to redeem all outstanding shares of its Series A $2.375 cumulative convertible preferred stock by March 5, 1985.

Terms of the redemption give Barnett shareholders a choice of converting their shares into common stock or submitting them for redemption. According to a Barnett statement on Thursday, shareholders have been sent a notice of redemption and a letter of transmittal that should accompany all surrendered shares.

The statement said that each preferred share may be converted into 1.04166 shares of Barnett common stock if surrendered by the close of the Feb. 19, 1985, business day. Shares that are surrendered after that date

"First Fidelity raised this additional capital in order to comply with net-worth requirements imposed by the Federal Deposit Insurance Corp. in connection with the purchase of Flagship Bank of Orlando on April 1, 1984," Richard R. Swann, chairman of First Fidelity, said in a statement.

Mr. Swann added that "although First Fidelity had until April 1, 1986, to comply with the FDIC," he felt it "prudent to meet the agreement terms as soon as possible."

Terms of First Fidelity's Series 3 Class B preferred stock of include a variable dividend based on a bank prime rate. Each share is convertible into common stock of First Fidelity at the rate 90.909 shares of common for each share of preferred. A total of 15,950 shares of the preferred stock were issued, according to the statement.

First Fidelity also announced that "certain one-time adjustments" caused a $1.25 million write-down of assets and that a $200,000 loss by its construction subsidiary, Savill/Sanderlin Holding Co., would result in a small loss for the fourth quarter. Savill/Sanderlin expects to return to profitability in the first quarter of 1985. First Fidelity is a $610 million-asset state-chartered stock savings and loan.

■

Commercial Credit Co. of Baltimore has filed a shelf offering to issue up to $200 million in medium-term senior notes. The company expects Commercial Credit Securities Inc., its wholly owned securities dealer, to sell the notes.

WEDNESDAY, NOVEMBER 21, 1984

Business Day

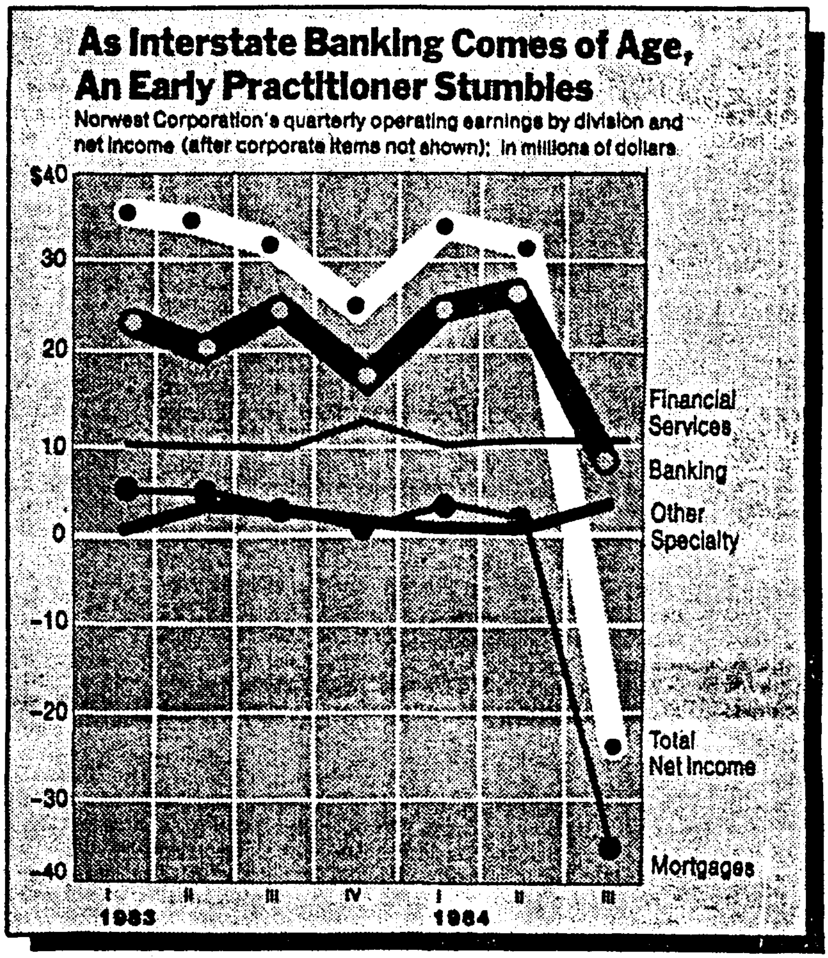
The New York Times

Norwest, Farm Belt's Banker

Losses Stun Investors

By STEVEN GREENHOUSE

Special to The New York Times



The New York Times/Nov. 21, 1984

MINNEAPOLIS, Nov. 18 — While dozens of other banks are pressing to get into interstate banking, the Norwest Corporation, long resident in that promised land, is finding that it is not all milk and honey.

In the third quarter, Norwest, a long-respected Minneapolis-based bank holding company that owns 82 banks in seven states, shocked the investment community by announcing a $24 million loss — its first quarterly loss ever.

Its mortgage finance subsidiary, which was targeted for extra-fast growth, was humbled by a surprisingly large loss of $36.8 million in the quarter. And Norwest's banking group charged off $49.5 million in bad loans, much of them to the hard-pressed farm sector. In addition, Moody's Investors Service has just lowered its ratings on Norwest's senior debt to A-1 from AA-1. And after the bank disclosed troubles in its mortgage division in August, the stock price slid from 28 at the time to 22⅝ in October. [On Tuesday the stock closed at 23⅞, down ½.]

Efficiency Measures Taken

"Obviously they've stumbled and hurt themselves badly," said Frank G. Helmbold, a banking analyst with Duff & Phelps in Chicago.

Part of Norwest's problems stem from its position in interstate banking, which, analysts say, has created a high cost structure and redundant staffing. Some analysts also say its recent push to increase its role in interstate financial services has been uneven and overeager. In addition, Norwest's location in the depressed Farm Belt, where many growers cannot repay their loans, is exacerbating its problems.

But John W. Morrison, Norwest's genteel 62-year-old chairman and chief executive officer, maintains that his bank holding company, the nation's 16th largest as of June 30, is on the mend, as a result of layoffs and other efficiency measures. "The loan quality problem will not be corrected overnight," he said, "but we're making real progress."

Mr. Morrison predicted that loan charge-offs would be lower in the fourth quarter. He said Norwest, one of the nation's few interstate bank holding companies, recently installed a set of regional loan officers to take a harder look at credit operations in Norwest's 82 banks in Minnesota, Wisconsin, Iowa, Nebraska, South Dakota, North Dakota and Montana.

"We have a strong banking franchise in the upper Midwest, and we plan to build on that," he said. "We think that's a sound strategy."

Some 50 years ago, before Federal regulations prohibited interstate banking, Norwest — like its cross-town rival, the First Bank System, the nation's 17th-largest bank holding company — began taking control of out-of-state banks that wanted increased stability..

The two are often called the Minnesota Twins, but Mr. Morrison said he is not worried about either local or money-center competition.

"We keep an eye on what our various competitors are doing, but we don't want to be a follower of anyone" he said in an interview from Norwest's temporary offices in a local office building. A spectacular fire destroyed its headquarters on Thanksgivings Day, 1982, and Norwest will

Continued on Page 28

Norwest, Farm Belt's Banker, Stumbles

Continued From First Business Page

soon begin building a replacement. "We don't want to be all things to everybody," Mr. Morrison added. "We're selective. We select those areas where we feel we can excel and earn a higher return."

Two of the areas in which Norwest, which had $21.57 billion in assets on Sept. 30, thinks it can excel are consumer finance and mortgage finance.

"Although it has caused them problems, the mortgage division gives them a strong niche in that area," said Robert G. Mellem, an analyst with Piper, Jaffray & Hopwood of Minneapolis. "And they also have a strong market niche in consumer, where they can have a major impact on a national basis, not just in the region."

Two years ago, Norwest vastly expanded its consumer credit operations by purchasing the Iowa-based Dial Corporation. At year-end 1983, the consumer finance division, now named Norwest Financial Services, had 542 offices in 41 states, up 84 units from a year before. Its receivables totaled $1.34 billion, up more than one-third on the year. Last year, the much-praised division accounted for almost one-third of the parent company's net income of $125.2 million.

Richard S. Levitt, former chairman of Dial and now one of Norwest's three vice chairmen — Mr. Morrison refuses to say which one is favored to succeed him — said Norwest's experience gave it an advantage over banks that have only recently diversified into such financial services.

"We have a track record of operating a nationwide network of consumer finance offices," he said. "If we're providing needed services on an efficient basis, we'll meet the competitive challenge." He predicts that both the assets and earnings of the consumer finance division will jump by 10 percent a year.

Mortgage Subsidiary Troubled

While consumer credit has met Norwest's high-growth expectations, its mortgage subsidiary, which has more than 60 offices in 21 states, got burned. Norwest Mortgage Inc., which serviced $600 million in mortgages a decade ago, grew to the point that it serviced $12 billion last year, becoming the nation's second-largest mortgage banker, behind Lomas & Nettleton.

The New York Times/Mike Zerby

John W. Morrison, chairman of Norwest, the Minneapolis-based bank holding company.

In early 1984, Norwest Mortgage made a big push to market adjustable rate mortgages by offering attractive rates, but it got squeezed when the secondary mortgage market soured on them. In addition, it lost money in its efforts to hedge those mortgages in the bond and futures markets. In the third quarter, the division lost $21.2 million on mortgage sales and wrote down the value of its mortgage inventory by $69.4 million, and further losses are projected for the fourth quarter.

Mr. Morrison, who joined Norwest eight years ago after serving as Honeywell's chief financial officer, said: "The mortgage company traditionally had operated quite independently. It was growing very fast. I must admit that we made some mistakes in management oversight of that division."

After the head of the mortgage division was ousted in August, Mr. Levitt, the consumer finance expert, was called in to turn it around. "The mortgage company is being scaled back," he said, "and is in a risk-averse mode" where it will not compete so aggressively.

Mr. Helmbold of Duff & Phelps, who praised the division's new management, predicted, "It will take a year for that division to get into shape." He has halved his estimate of Norwest's 1984 earnings, originally $145 million, or $4.50 a share.

Improvements Foreseen

Analysts see an improved fourth quarter because of the $80.1 million provision for loan losses that Norwest's banking group took in the third quarter. Because its loan charge-off was $30 million less than that, Norwest beefed up its loan loss reserve to $221.5 million.

Mr. Morrison said that thanks to these steps Norwest was in strong shape; its primary capital ratio has risen to 6.3 percent, well above the 5 percent minimum set by Federal banking authorities. Primary capital is shareholders' equity together with loan loss reserves.

"The health of the ag sector is the biggest question mark for Norwest," Kenneth Puglisi, an analyst with Keefe, Bruyette and Woods, said.

With about 7 percent, or $1 billion, of its loans going to farmers, Norwest is the nation's second-largest agricultural lender, behind the BankAmerica Corporation, and Norwest took unusually large charge-offs for bad farm loans in the fourth quarters of 1982 and 1983. But Mr. Morrison said, "I'd expect that we would not have a big hit in the fourth quarter."

Thomas K. Brown, an analyst with Smith Barney, Harris Upham & Company, estimates that Norwest has charged off 8 percent of its farm loans and placed 14 percent on nonperforming status.

Despite Norwest's protracted farm loan problems, Arlan Tengwall, the senior vice president in Norwest's agricultural group, said, "We're not retreating from this area. We're continuously interested in lending to good operators, to people who are able to cope in this trying environment."

But the problems of the Farm Belt are not the only cause of Norwest's troubles. The bank's officials say interstate banking itself has drawbacks, notably, excess overhead.

"When you have banks from LaCrosse, Wis., to Kalispell, Mont., you can have a lot of redundancy," Pierce Smith, Norwest's treasurer, said.

Banks Consolidated

Consequently, Mr. Morrison said, Norwest is consolidating its four South Dakota banks into one, and it is merging back offices of many constituent banks and asking other banks to affiliate with it to use its back offices even more. In addition, Norwest has begun laying off 1,900 employees, a step that is expected to cut its annual payroll by about $40 million, or almost 10 percent.

"For many years, this bank was a relatively loose affiliation of individual banks," Mr. Morrison said. "We've adopted a framework to take advantage of our size and to operate in a more strategic direction — so that, for instance, our agricultual and commerical businesses are going in the same direction."

Does the bank fear competition if money-center banks are allowed to move into interstate banking?

"The large money center banks will compete with us in the Twin Cities area for large company business," Mr. Smith, the treasurer, said, noting that many out-of-state banks already have commercial loan offices in Minneapolis, "But it will be much harder for them to penetrate in the much-talked about middle market. And in the hinterlands, the chance of them penetrating is even less."

EXHIBIT 8
BUSINESS & INDUSTRY
FEBRUARY 1, 1985

BUSINESS AND INDUSTRY COMMITTEE

2/01/85

"NOW HERE THEY GO AGAIN."

I JUST CAN'T UNDERSTAND WHY THAT NORWEST OUTFIT PERSISTS IN JAMMING THE BRANCHING ISSUE AT US IN EVERY LEGISLATIVE SESSION SINCE 1967. IT WAS BAD ENOUGH IN 1983 AND HERE IT IS AGAIN AS A THINLY VEILED BRANCH BANKING MEASURE UNDER THE GUISE OF "MERGER OR CONSOLIDATION."

NOW, MEMBERS OF THE COMMITTEE, I RESPECTFULLY SUBMIT TO YOU THAT THE SMALL INDEPENDENT BANKER IS MUCH CLOSER TO THE PEOPLE HERE IN MONTANA'S COMMUNITIES. HE UNDERSTANDS THEIR PROBLEMS -- AND MORE IMPORTANT -- THE BANK DEPOSITS ARE KEPT HERE AT HOME FOR USE IN THE LOCAL COMMUNITIES INSTEAD OF BEING SHIPPED OFF TO OUT-OF-STATE HOLDING COMPANIES.

COLORADO LEGISLATORS ALSO GOT TIRED OF THE LARGE OUT-OF-STATE BANKING INTERESTS TRYING TO TAKE OVER THEIR BANKING INDUSTRY AND SUBMITTED A REFERENDUM TO THE VOTERS IN 1980. I'M SURE THE BIG CHAIN BANKS WERE BOTH SURPRISED AND CHAGRINED THAT THE PEOPLE VOTED 87% TO RETAIN THEIR INDEPENDENT UNIT BANK SYSTEM!

Some time ago, I read an article by the Superintendent of Banks in California. He made a survey of their system and found that eleven large banks had over 80% of the deposits in that state which has over 200 banks. His little article was appropriately titled, "Survival of the Fattest."

As a former legislator and a depositor in three small independent banks in Montana, I say "Back away from us you chain fat cats and let us remain guardian of our own banking destinies."

Thank you so very much,

Frank W. Hazelbaker

Little bank, little bank let me come in

Even the three little pigs were smart enough to know that the wolf wasn't making a social call when he knocked on their doors. Are you?

Again, the OUT-OF-STATE banking interests are here to help tell Montanans where and how their banking institutions should be controlled.

Montana needs to control its banking laws.

Know how your legislators vote. Be sure to find out if those out-of-state corporations are here to help or to EAT.

MIB

Montana Independent Bankers

Serving Every Community — Big and Small

orm CS-34
79

NAME W.E. "Buster" Schreiber BILL No. SB 232

ADDRESS Box 1367, Whitefish, Mt. DATE 2/1/85

WHOM DO YOU REPRESENT Mountain Bank, Whitefish, Mt.

SUPPORT ______ OPPOSE X AMEND ______

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

EXHIBIT 9
BUSINESS & INDUSTRY
FEBRUARY 1, 1985

Form CS-34
1-79

NAME Jerry R Sullivan Bill No. 232

ADDRESS Box 218 Helena Mt. DATE 2-1-85

WHOM DO YOU REPRESENT Montana Independent Bankers Assoc.

SUPPORT ______ OPPOSE X AMEND ______

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

EXHIBIT 10
BUSINESS & INDUSTRY
FEBRUARY 1, 1985

orm CS-34
79

NAME Gene Coombs Bill No. 232

ADDRESS Box 30918 Billings Mt 59116 DATE Feb 1. 1985

WHOM DO YOU REPRESENT 1st Interstate Bank of Billings

SUPPORT ________ OPPOSE X ________ AMEND ________

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

I believe this merger bill is merely a foot in the door approach or back door approach to branch bank. I think this is a branching bill.

Why do we have to amend the law that disallows branching in Montana to get this present Bill on the table?

I am vehemently opposed to SB 232

EXHIBIT 11
BUSINESS & INDUSTRY
FEBRUARY 1, 1985

Statement on S.B 232 to be presented by Eugene E. Coombs, Vice President, First Interstate Bank of Billings, N.A. to the Senate Business and Industry Committee in the Governor's Reception Room at 10:00 A.M., Friday, February 1, 1985

Senate Bill 232 is simply another move by out of state holding companies to extend their control over banking in our State of Montana.

The two major out of state holding companies, Norwest Corporation and 1st Bank System, are faring very well in the State of Montana the way the banking system now exists. As of December 31, 1983, of the 168 banks in Montana, Norwest Corporation and 1st Bank System had 24 banks or 14% of the banks in Montana but total resources held by the two systems amounted to $3,314,324,000 or 48.2% of the total resources of the 168 banks in the State of Montana.

There really is no reason for this legislation and surely it is not in the best interests of the consumers of the State of Montana.

Gene

TO: Honorable Members of the 1985 Senate Business and Industry Committee

FROM: Eugene E. Coombs - Vice President
First Interstate Bank of Billings, N.A.

DATE: January 30, 1985

SUBJECT: Senate Bill 232

I vehemently oppose Senate Bill 232. This is the fifth time various issues on branch banking have been presented to the Montana Legislative Session since I have been in banking and four times the issue has been defeated. I expect it to be defeated for the fifth time during this 49th Session of the Montana Legislative Session.

Call this bill what you want - it is merely a "smoke screen or back door approach or a foot in the door approach" to statewide branch banking.

I am from First Interstate Bank in Billings, formerly Security Bank. We own a franchise from First Interstate Bancorporation. I WANT TO MAKE IT PERFECTLY CLEAR THAT WE STILL REMAIN AN INDEPENDENT BANK. The franchise has nothing to do with ownership, policy, management or control of our bank. Franchising is new in banking but let me remind you, that 32% of all retail sales in America in 1984 were done through franchises and nearly all of the franchises were owned by Independent Business people.

I am sure after reading the enclosed, attached items you will be even more convinced that we do not need Senate Bill 232 and that it would be to the detriment of most banks in Montana as well as consumers in our great State of Montana.

Attached are:

1. My statement presented before your Committee February 1, 1985.

2. Montana Does Not Need Branch Banking.

3. Fact Sheet on Branching.

4. Basic arguments against "Paying and Receiving Only" Legislature.

5. The Colorado Experience: "The People Speak for Independent Banking".

   The Colorado story is interesting because the proponents of branch banking in Colorado took the issue to the Legislature four times where it was defeated four times.

   They then took the issue to the voters of the State of Colorado, through a Referendum. THE VOTERS OF THE STATE OF COLORADO VOTED DOWN THE BRANCHING ISSUE BY A 3 TO 1 MARGIN.

I am sure the same thing would happen in the State of Montana if the issue were to be taken to the citizens of the State of Montana.

If I can be of further assistance, please feel free to get in touch with me.

Thank you.

Eugene E. Coombs

March 1, 1985

EXHIBIT 12
BUSINESS & INDUSTR
FEBRUARY 1, 1985

Testimony by Paul D. Caruso, Chairman of the Board, First Security Bank of Helena Before the business and industry committee in opposition to Senate Bill #232-An Act entitled: 'An Act to authorize the continued operation of the main banking houses of banks that consolidate or merge.' This form of 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. Developmentof farming and ranching

Concentration of bank deposits within a state is directly related to the extent to which the 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 hobbles 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.

<u>Changing of our banking laws is not the method to build a better Montana</u>.

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 1984 the banks in Montana processed, under the SBA loan guarantee program, $40 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 $20,000,000 in total loans. In total loans, of this, $15,000,000 was processed by independent banks. $10,000,000 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 over $350,000,000. Of this total independent banks in Montana utilized $200,000,000 of these funds or 57 per cent, thus leaving $100,000,000 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 Senate Bill #232, for legislation in our state. Therefore, we request your vote of "Do not pass".

Thank you........