

MINUTES OF THE House COMMITTEE ON Commercial & Financial Institutions

The meeting was called to order by Representative Harold P. Dyck at
Chairperson

3:30 ~~am~~/p.m. on February 16, 1983 in room 313-S of the Capitol.

All members were present except:

Representative Holderman, excused.

Committee staff present:

Bill Wolff, Research Department
Bruce Kinzie, Revisor of Statutes' Office
Martha Evans, Committee Secretary

Conferees appearing before the committee:

Don Christy, Banker from Scott City, Kansas
Pete McGill, Pete McGill & Associates
James D. Herrington, Coldwater National Bank, Coldwater, Kansas
Kirk McConachie, Andover State Bank, Andover, Kansas
Sam Forrer, Grant County State Bank, Ulysses, Kansas
Ivan Wyatt, Kansas Farmers Union
C. N. Hoffman, Jr., The National Bank of America, Salina, Kansas
Howard Ward, Kansas Association of Wheat Growers
Joan Lieber, Kansas Farm Bureau

HB 2001 - An act relating to bank holding companies; amending K.S.A. 17-1252
and repealing the existing section; and also repealing K.S.A. 9-504,
9-505, 9-505a, 9-505b and 9-505c.

Chairman Dyck announced that hearing for opponents of HB 2001 would begin.
He called a former member of the Kans Senate, Mr. Don Christy, to be the first
conferee of the day.

Don Christy, a banker from Scott City, Kansas told the committee that in 1972
when he was a member of the Commercial & Financial Committee in the Senate he
had tried to evaluate the effects of bank structure on agriculture. Now 10 or
12 years later with the aid of a micro-computer he had done a study on the
matter which he wanted to share with members of the committee. He referred to
the charts in his study in which he compared states with the unit banking
structure, those with limited branching, and those with unlimited branching.
Explaining the charts, he said that they showed that the unit bank structure
better served agriculture than either limited or unlimited banking structures.
He concluded his testimony by saying that he would be happy to answer any
questions or discuss his study with any member of the committee at any time.
(Attachment 1)

Pete McGill of McGill & Associates was next to testify opposing HB 2001.
He said that he represented the Kansas Independent Bankers Association which
was organized for the express purpose of monitoring proposed changes in bank
structure in Kansas and had a membership of 270 bankers. He said that all the
members of KIBA were also members of the Kansas Bankers Association which
represented them on all matters but this one. He told the committee that the
booklet of letters passed out by the proponents the previous day represented
just 15% of the Kansas bankers. He then passed out statements of over 200
bankers. (Attachment 2) He referred to a survey done during the summer of
1982 by the Kansas Legislative Research Department. Of the 619 banks surveyed
he said that 336 had responded and during the past 10 days he had received
52 more replies (49 opposed to 3 favoring) plus two letters changing from pro
to no on the bill. (Attachment 3) He told the committee that as of now there
were 388 replies with 248 (64%) opposed to HB 2001. He then distributed a
position paper of facts, figures, and statistics. (Attachment 4) After
reviewing the position paper, he refuted arguments of the proponents made the
previous day.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Commercial & Financial Institutions,
room 313-S, Statehouse, at 3:30 ~~am~~/p.m. on February 16, 1983.

Mr. James Herrington, President of the Coldwater Nat'l Bank, Coldwater, Ks. and President-elect of the Independent Bankers Association of America, said the Kansas bank laws were put in place to protect the consumer from the banker, not to protect the banker from the consumer or from competition. He said that the independent unit bank laws now in Kansas seem to do exactly that. He said that Kansas banks financed a \$6 billion dollar agriculture business the past year which he claimed was a good track record for independent unit banking. (Attachment 5)

Mr. Sam Forrer, President of the Grant County State Bank, Ulysses, told the committee that bank structure alone determined the amount of economic power that is given bankers or is retained by depositors. Kansas law, he said, allows no corporation to control directly or indirectly more than one Kansas bank. He said that HB 2001 would change that and the end result would be that policy-making decisions would shift from the community to the Board Room of the parent holding company. He warned that the bill would set Kansas up for a takeover by the giants; setting the stage for financing a few large borrowers in the city with local deposits. It would make Kansas banks easy picking when and if Federal legislation abandons the states' rights, he warned. He said that the proponents seek to do legislatively what they have been unable to do in a competitive free market, that is to control the banking deposits of Kansas. (Attachment 6)

Mr. Kirk McConachie of the Andover State Bank, said that he was opposed to multi-bank holding companies because ultimately they are neither more efficient nor more competitive. He suggested that major multi-bank holding companies look alike, sound alike and act alike. He said that multi-bank holding companies tend to dominate a state's banking resources and that they are irreversible. Since Missouri passed multi-bank laws, holding companies control 60% of the state's banking resources, he claimed. (Attachment 7)

Ivan Wyatt represented that Kansas Farmers Union. He quoted an oldtimer who once told him, "Never tear down a fence until you find out why it was built." He said that this was the case with the Kansas banking laws. Abuses that crippled the U.S. financially during and preceding the depression of the 30's were responsible for many of today's regulations, he told the committee. He said that Kansas Farmers Union had opposed branch banking and multi-bank holding companies for years and supported the unit bank system and the flexibility and service that can be provided only by local control and management. (Attachment 8)

Mr. C. N. Hoffman, Jr., President of the National Bank of America at Salina, stated that he firmly believed that the unit banking system as it currently exists in Kansas has been very successful and that it should be retained. He told the committee that the needs for loans which are larger than their local banks can legally make is currently being handled very successfully by correspondent banks. He charged that a change from the unit banking structure to a multi-bank holding company would be for the advantage of the few and the detriment of the majority of the citizens of Kansas. (Attachment 9)

Mr. Howard Ward spoke for the Kansas Association of Wheat Growers. He read a resolution of this organization of 7000 members in which the members opposed the multi-banking structure and called the small town bank the backbone of farm credit. (Attachment 10)

The last opponent of HB 2001 to be heard was Joan Lieber who represented the Kansas Farm Bureau. She said that her organization had also passed a resolution opposing branch banking and the acquisition of banks or other financial institutions by multi-bank holding companies. She said that the logical path for multi-bank holding companies to follow was to grow and take over independent banks thus eliminating competition and concentrating financial power. She referred to a Research Paper done by her organization in conclusion and said that it was included in her written testimony. (Attachment 11)

Upon conclusion of testimony the conferees answered questions of the committee.

Rep. Roenbaugh motioned that the minutes of February 14, 1983 be approved. The motion was seconded by Rep. Nichols and carried.

The meeting was adjourned at 5:35 p.m. by the Chairman.

The next meeting of the committee will be at 3:30 p.m. on February 17, 1983.

DATE

~~January~~ 16, 1983

GUEST REGISTER

HOUSE

COMMERCIAL & FINANCIAL INSTITUTIONS

| NAME | ORGANIZATION | ADDRESS |
|-----------------|----------------------|------------------------------|
| Donald Shirley | | Box 278 Scott City, KS 67871 |
| Mont R. ... | | SCOTT CITY KS |
| MARVIN UMHOLTZ | KUUL | Topeka |
| Paul E. Fleener | Ks. Farm Bureau | Manhattan |
| John Peterson | KAFEG | Topeka |
| Jack Haenbaugh | | Lewistown, KS |
| Jim W. Smith | KCUK | Topeka |
| Barbara Meyer | KS Farm Bureau | Manhattan |
| Mary Alice Linn | V. Channing Republic | Piqua |
| Jacques Oakes | Gates Center | → |
| Don Wilder | KSL | Topeka |
| Jim May | KBA | " |
| David Froese | 1st State Bank | Burlington |
| Bette Fowler | First State Bank | Burlington |
| Raymond Kunkin | Highland Park Bank | Topeka |
| Ronald Wiley | KAWG | Topeka |
| TQ Mock | Peoples Natl BK | Belleville |
| Edna Dych | | Newton |
| | | |
| | | |
| | | |
| | | |

STATES WITH
THE UNIT BANK STRUCTURE
APPEARS TO BEST SERVE
AGRICULTUE

BY

DONALD CHRISTY
SCOTT CITY, KANSAS
FEBRUARY 12, 1983

A

REPORT TO THE KANSAS
HOUSE OF REPRESENTATIVES
COMMERCIAL AND FINANCIAL INSTITUTIONS
FEBRUARY 16, 1983

CONCLUSSIONS

I. Kansas is one of the important food producing areas of the world, ranking 7th in the United States. We are one of the four states that lead in cattle feeding and red meat processing in commercial packing plants. Kansas now has the largest meat packing plants in the world. See TABLES I & II.

II.(A) The rate of increase in the value of livestock and livestock income is highest in the states that were classified as UNIT BANK STATES by Stephen A Rhodes (22.) a Staff member of the Federal Reserve. SEE FIGURE I.

(B) The rate of increase in value of crop production was highest in the UNIT BANK States. The difference in rate of increase was relatively small compared to livestock. See FIGURE I.

(C) The difference in SERVICE to the cattle feeding industry in the States that are classified as UNIT BANK STATES, LIMITED BRANCHING STATES, AND STATE WIDE BRANCHING is worthy of consideration. In 1972 as a member of the Senate Commercial and Financial Institutions Committee I made a similar study. At that time I could only state that it appeared that the states with UNLIMITED BRANCHING LAWS led the way when a New Large Agricultural Practice, such as the cattle feeding industry was developing, but they were not willing to stay with the AGRICULTURAL INDUSTRY that they financed. FIGURE II is a graphic illustration that was made possible by another 10 years of data and a Home Computer.

III (A) FIGURE III(a) Banks made about 1/3 of the NON-REALESTATE loans ie, the operating loans to Agriculture and about 10 percent of the realestate loans. FIGURE III (a) compares the Bank lending with the total REALESTATE and NON REALESTATE loans.

FIGURE III (b) indicates that there is little difference in realestate lending between the UNIT BANK States and the States with LIMITED BRANCHING privileges. The States with UNLIMITED BRANCHING privileges apparently have severe limits on the use of farm realestate as security for loans.

FIGURE III (c) indicates that the UNIT BANK States have been considerably more interested in the lending to

Agriculture.

IV (A) A measure of BANK lending service to agriculture can be measured by the rate of growth in loans carried by the PRODUCTION CREDIT ASSOCIATION. It is interesting to note that the rate of increase in lending has been less in the UNIT BANK STATES, namely 12.95 percent per year increase compared to 14.63 percent in the States with LIMITED BRANCHING and 15.55 percent per year in the States with UNLIMITED BRANCHING PRIVILEGES.

V (A) A comparison of the rate growth of livestock income is interesting. FIGURE IV gives an interesting comparison. The characteristics of the increase in Texas, Nebraska and Kansas are quite comparable in characteristics. Iowa and California differ apparently due to the swine production in Iowa and the relative importance of other livestock production in California. It is also interesting to note that both Colorado and Missouri has lagged behind states like Texas, Nebraska, and Kansas during the period of the takeover of the smaller banks.

PROCEDURE

1. The BIBLIOGRAPHY of 1972 was updated.
2. The data of CROP INCOME, LIVESTOCK INCOME, REALESTATE LOANS, NON-REALESTATE LOANS, BANK REALESTATE LOANS, BANK NON-REALESTATE LOANS, THE PRODUCTION CREDIT LOANS, AND THE CATTLE ON FEED WERE RECORDED for the years of 1960 through 1980 or 1981, on a computer disk. The records were for the lower 48 states except the records of CATTLE ON FEED, AND THE PRODUCTION CREDIT LOANS. The last two were for the 23 states that normally fed the most cattle. (my selection not U.S.D.A)
3. The STATES that had material agricultural income were next selected by visual inspection of the data on CROP AND LIVESTOCK INCOME tables. There was 26 states in the group that had substantial agricultural income. There was nine states in the UNIT BANK and the LIMITED BRANCHING STATES and 8 in the UNLIMITED BRANCH BANKING States.
4. I reviewed the numerous Advanced Statistical Analysis available through the programs that I had. The Time Series appeared to be the best approach. However the Time Series available in the Computer package would not handle the true

Time Series so I used a program POWERFIT that I had had developed. THIS allowed the changing or leaving either the x or y axis to the log or conventional numerical data for evaluation. The true Time Series such as the increase in population, the increase in money supply and the like approaches a percent per year per year increase. This requires the use of a Y axis as a logarithmic number.

5. I run the time series of enough of the states to determine that this procedure would give a valid evaluation. I decided that the totals, year by year, of each group would best compare the agricultural economic well being of the states with semi-comparable Banking Laws. It is highly probable that the UNIT BANK system best served agriculture in the states where agriculture was the predominate economic force. The system continued until agriculture had become a minor component of the States Economic base. The Two Biggest Industries in Kansas are 1) the cattle feeding industry, and 2) the meat processing industry.

DISCUSSION

I rereviewed much of literature that I used in the 1972 study and reviewed the new literature 17-24. Many advantages are claimed by those applying for BRANCHES OR ACQUISITION OF LOCAL BANKS BY A MULTIBANK HOLDING COMPANY. There has been numerous attempts to measure the added services rendered as measured by the pairing of comparable banks before and after one has become a part of a MULTIPLE BANK HOLDING COMPANY. The results have not shown the claims to be consistently valid. There is wide variation in the services rendered to the public by the MULTIBANK HOLDING COMPANIES.

I did not find any dedicated attempt to statistically determine the system that best served AGRICULTURE. Kansas is an important agricultural State. I can remember that in the mid 50's the DOOM and GLOOM that prevailed in Banks in Kansas City and Omaha about the terrible hazard of livestock finance. There was nothing good about the livestock business. They were selling out cattlemen right and left. I remember that a Banker from Omaha said that adequate security of a loan for a cow was a section of land.

During the drought and surplus cattle numbers during the mid-1950's the Western Kansas Bankers of this area "SAID SURE TIMES ARE TOUGH BUT THEY WILL WORK OUT". It was some of these Western Kansas Bankers that paved the way for the present cattle feeding and meat packing industries of Western Kansas. They used their knowledge of the cattle feeding business and backed their customers. One of our Customers recently told me that the reason that SW Kansas now had the No 1 and No 2 business of Kansas was due to the banks of the area. I bring this out to emphasize the danger of concentrated power. When power is concentrated the PANIC of a few can bring widespread disaster.

TABLE I

| Crop or Livestock Item | Production or number | Rank | % of U.S. Produced on Kansas Farms |
|--|-----------------------|------|------------------------------------|
| Sorghum silage produced..... | 3,780,000 tons | 1 | 41.4 |
| Commercial grain storage capacity January 1, 1982 | 842,000,000 bu. | 1 | 11.6 |
| Flour milling capacity..... | 124,250 cwt. | 1 | 11.6 |
| Flour milled..... | 33,476,000 cwt. | 1 | 11.7 |
| Wheat (all produced)..... | 305,000,000 bu. | 2 | 10.9 |
| Sorghum grain produced..... | 238,520,000 bu. | 2 | 27.1 |
| Motor trucks on farms..... | 165,600 number | 2 | 4.6 |
| Cropland..... | 30,019,593 acres | 2 | 6.5 |
| Grain drills on farms..... | 79,000 number | 2 | 6.5 |
| Dehydrated alfalfa processed..... | 123,000 tons | 2 | — |
| Lespedeza seed produced..... | 1,715,000 lbs. | 2 | 22.2 |
| Land in farms..... | 48,500,000 acres | 3 | 4.6 |
| Combines on farms..... | 47,800 number | 4 | 6.9 |
| All cattle and calves produced..... | 2,753,420,000 lbs. | 4 | 6.7 |
| Cattle and calves on grain feed January 1, 1982..... | 1,110,000 head | 4 | 11.0 |
| All cattle and calves on farms January 1, 1982..... | 6,000,000 head | 4 | 5.2 |
| Red meat production by commercial slaughter plants | 2,733,696,000 lbs. | 4 | 7.1 |
| Tall fescue seed..... | 3,330,000 lbs. | 5 | 3.0 |
| All other hay (all excluding alfalfa)..... | 2,470,000 tons | 5 | 4.2 |
| Exports of farm products..... | 2,262,800,000 dollars | 6 | 5.2 |
| Cash receipts from farm marketings..... | 5,774,358,000 dollars | 7 | 4.1 |
| Alfalfa hay produced..... | 3,600,000 tons | 7 | 4.3 |
| All hay produced..... | 6,070,000 tons | 8 | 4.2 |
| Hogs produced..... | 722,452,000 lbs. | 8 | 3.3 |
| Sheep and lambs on feed January 1, 1982..... | 60,000 head | 8T | 3.8 |
| Alfalfa seed produced..... | 3,150,000 lbs. | 9 | 2.7 |
| Popcorn produced..... | 8,900,000 lbs. | 9 | 1.1 |
| Hogs on farms December 1, 1981..... | 1,770,000 head | 9 | 3.0 |
| Dry edible beans..... | 680,000 cwt. | 10 | 2.1 |
| Corn grain produced..... | 158,760,000 bu. | 11 | 1.9 |
| Field forage harvesters on farms..... | 11,600 number | 11 | 3.0 |
| Corn silage produced..... | 2,890,000 tons | 12 | 2.5 |
| Wheel and crawler tractors on farms..... | 161,500 number | 13 | 3.3 |
| Sugar beets produced..... | 284,000 tons | 13 | 1.0 |
| Red clover seed produced..... | 298,000 lbs. | 14 | 1.7 |
| Soybeans produced..... | 45,300,000 bu. | 15 | 2.2 |
| All sheep and lambs on farms January 1, 1982..... | 200,000 head | 17 | 1.5 |
| Rye produced..... | 252,000 bu. | 17 | 1.4 |
| All sheep and lambs produced..... | 12,486,000 lbs. | 18 | 1.6 |
| Barley produced..... | 1,664,000 bu. | 20 | .3 |
| Milk produced..... | 1,397,000,000 lbs. | 24 | 1.1 |
| Farm chickens produced..... | 9,196,000 lbs. | 28 | .8 |
| Eggs produced..... | 416,000,000 number | 34 | .6 |

1. Total cropland, 1978 U. S. Census of Agriculture.

TABLE II

LEADING STATES FOR AGRICULTURAL EXPORT SHARES, FISCAL YEAR 1981

| Commodity group | United States | Leading 10 States by value | | | | | | | | | |
|----------------------------------|---------------|----------------------------|--------------|----------------|---------------|---------------|---------------|---------------|--------------|--------------|-------------|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Million Dollars | | | | | | | | | | | |
| Total agricultural exports | 43,788.5 | Iowa 3,737.2 | Ill. 3,622.0 | Calif. 3,588.4 | Texas 2,576.7 | Minn. 2,344.1 | Kans. 2,262.8 | Nebr. 2,113.6 | Ind. 2,011.8 | Ohio 1,633.0 | Mo. 1,318.6 |
| Feed grains and products | 11,149.8 | Iowa 1,952.1 | Ill. 1,772.2 | Nebr. 1,201.5 | Ind. 966.2 | Minn. 833.6 | Ohio 662.0 | Tex. 587.2 | Kans. 504.0 | Mich. 406.5 | Wis. 384.7 |
| Wheat and Products | 8,051.7 | Kans. 1,448.4 | Okla. 672.4 | N. Dak. 552.6 | Wash. 550.9 | Tex. 448.3 | Mont. 401.7 | Nebr. 386.6 | Colo. 378.7 | Minn. 341.6 | Idaho 326.8 |
| Soybeans and products | 8,038.9 | Iowa 1,428.3 | Ill. 1,390.1 | Ind. 707.3 | Minn. 672.6 | Mo. 607.8 | Ohio 607.2 | La. 300.5 | Ark. 292.7 | Miss. 276.3 | Nebr. 238.2 |
| Cotton and linters | 2,247.5 | Tex. 675.9 | Calif. 628.3 | Ariz. 288.2 | Miss. 231.0 | La. 93.0 | Ark. 89.7 | Ala. 55.6 | Okla. 41.4 | Tenn. 40.4 | Mo. 35.8 |
| Rice | 1,537.4 | Ark. 557.6 | Calif. 374.1 | Tex. 263.0 | La. 220.1 | Miss. 97.8 | Mo. 24.8 | | | | |
| Fruits and preparations | 1,513.2 | Calif. 825.7 | Fla. 309.8 | Wash. 94.1 | Ariz. 40.3 | Oreg. 35.9 | Tex. 35.2 | Mich. 34.0 | N.Y. 30.4 | Hawaii 20.0 | Pa. 16.4 |
| Vegetables and preparations | 1,445.7 | Calif. 417.2 | Wash. 201.8 | Mich. 154.5 | Idaho 134.0 | Oreg. 53.4 | Minn. 52.8 | N. Dak. 52.7 | Fla. 51.3 | Wis. 49.8 | Colo. 48.1 |
| Tobacco, unmanufactured | 1,338.5 | N. C. 710.0 | Ky. 179.1 | S. C. 118.2 | Ga. 104.2 | Va. 90.0 | Tenn. 52.9 | Fla. 19.2 | Md. 18.1 | Conn. 17.2 | Mass. 7.6 |
| Animals and meats, excl. poultry | 1,179.8 | Iowa 129.9 | Tex. 107.5 | Nebr. 67.5 | Ill. 60.7 | Kans. 59.1 | Mo. 55.7 | Minn. 51.0 | Okla. 41.8 | S. Dak. 44.7 | Calif. 41.5 |
| Hides and skins, incl. furskins | 1,002.0 | Wis. 112.6 | Tex. 90.9 | Minn. 65.3 | Iowa 61.7 | Utah 49.5 | Nebr. 47.9 | Kans. 46.7 | Okla. 37.9 | S. Dak. 37.2 | Ill. 34.0 |
| Poultry and products | 765.2 | Ark. 86.9 | Ca. 82.1 | Ala. 66.4 | N.C. 63.4 | Calif. 49.3 | Miss. 36.4 | Tex. 36.4 | Ind. 33.3 | Md. 31.0 | Pa. 25.5 |
| Animal fats and greases | 756.2 | Tex. 92.6 | Iowa 65.1 | Nebr. 54.0 | Kans. 51.2 | Okla. 40.7 | S. Dak. 31.6 | Mo. 33.4 | Colo. 29.3 | Calif. 29.0 | Minn. 28.1 |
| Sunflower seeds and oil | 629.0 | N. Dak. 363.6 | Minn. 176.4 | S. Dak. 81.5 | Tex. 8.4 | | | | | | |
| Nuts and preparations | 508.5 | Calif. 474.6 | Hawaii 17.9 | Oreg. 6.4 | Ca. 5.4 | Ala. 1.0 | N. Mex. .8 | La. .7 | Tex. .6 | Fla. .3 | * Miss. .2 |
| Dairy products | 246.1 | Wis. 47.3 | Minn. 42.3 | Calif. 27.8 | N.Y. 19.8 | Pa. 9.4 | Mich. 8.2 | Iowa 7.2 | Ohio 6.7 | Mo. 3.0 | S. Dak. 2.3 |
| All other | 3,378.1 | | | | | | | | | | |

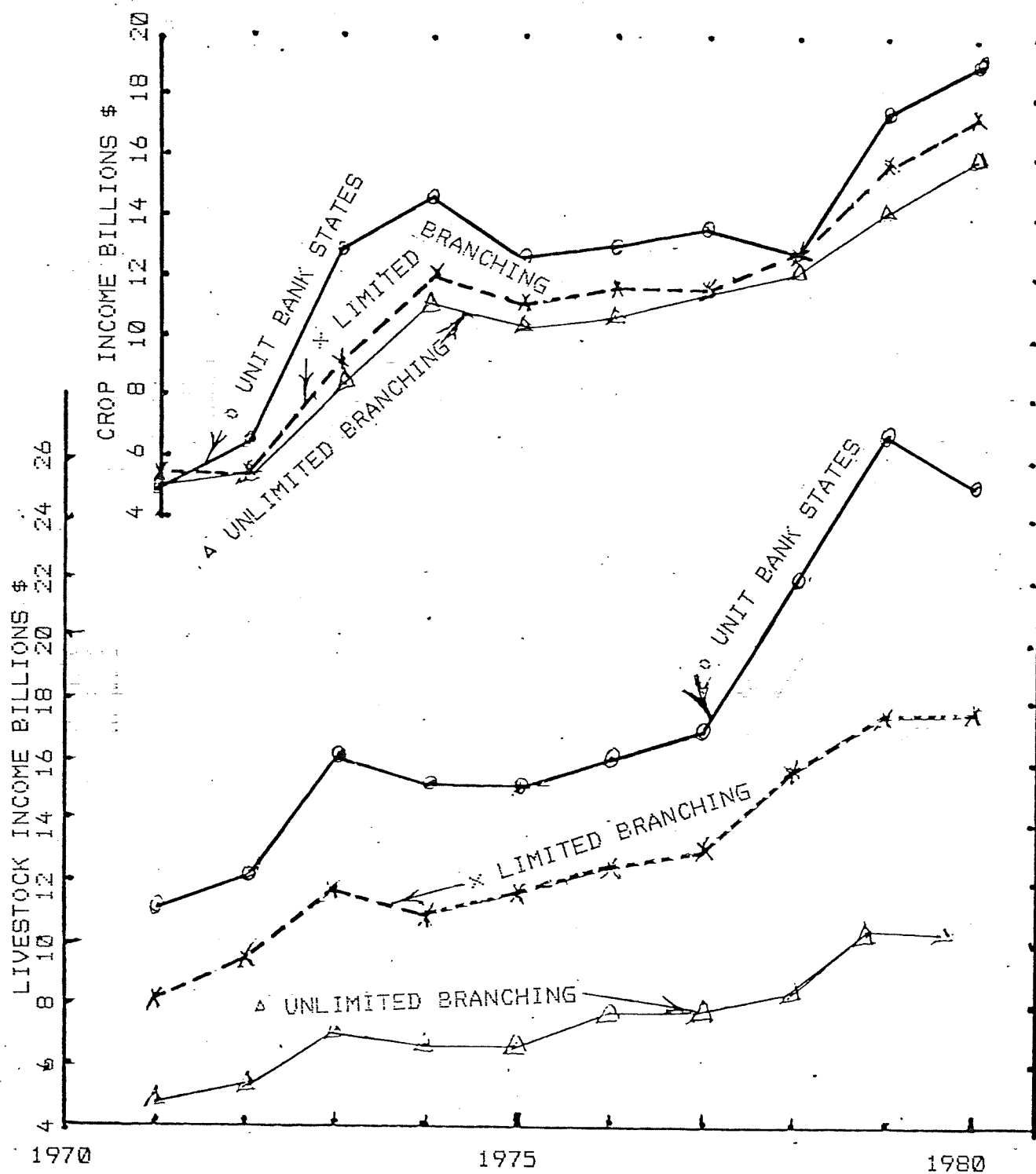


FIG I THE CROP AND LIVESTOCK INCOME IN BILLIONS OF DOLLARS FOR 9 UNIT BANK STATES, 9 STATES WITH LIMITED BRANCHING, AND 8 STATES WITH UNLIMITED BRANCHING PRIVILEGES.

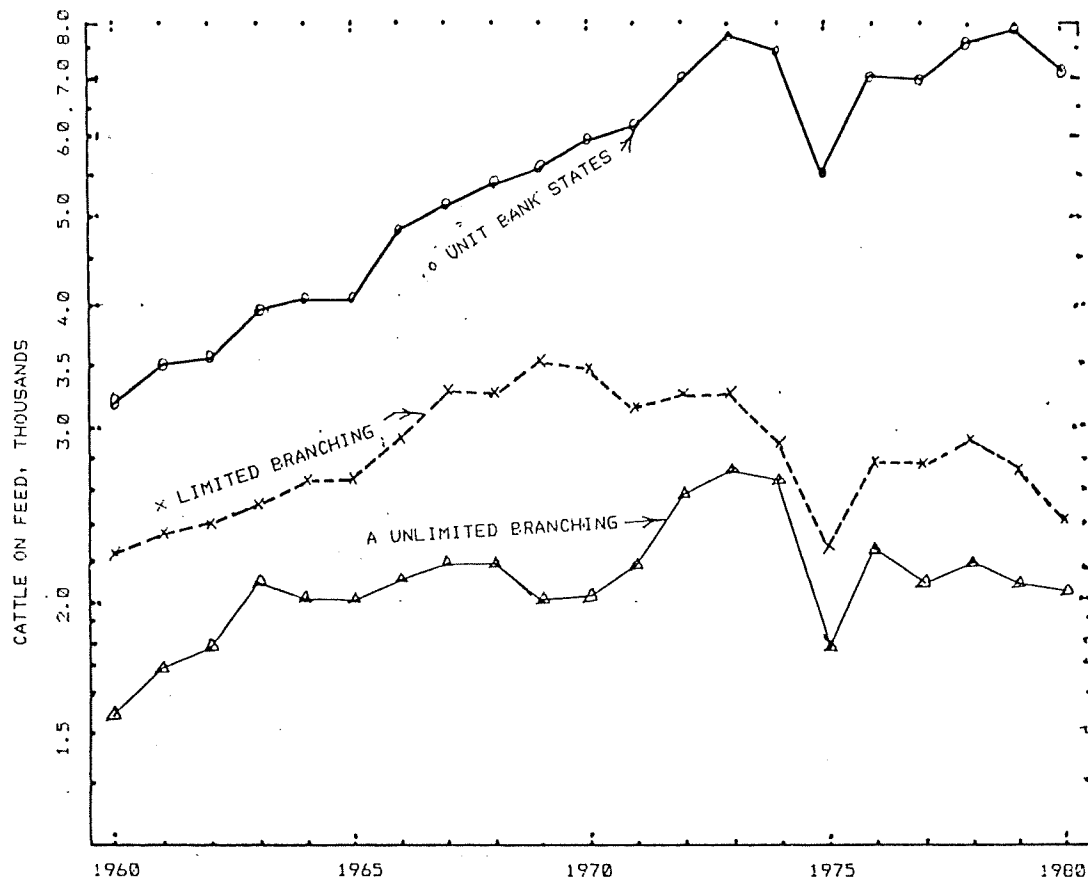


FIG. II CATTLE ON FEED, THOUSANDS, IN THE 23 CATTLE FEEDING STATES

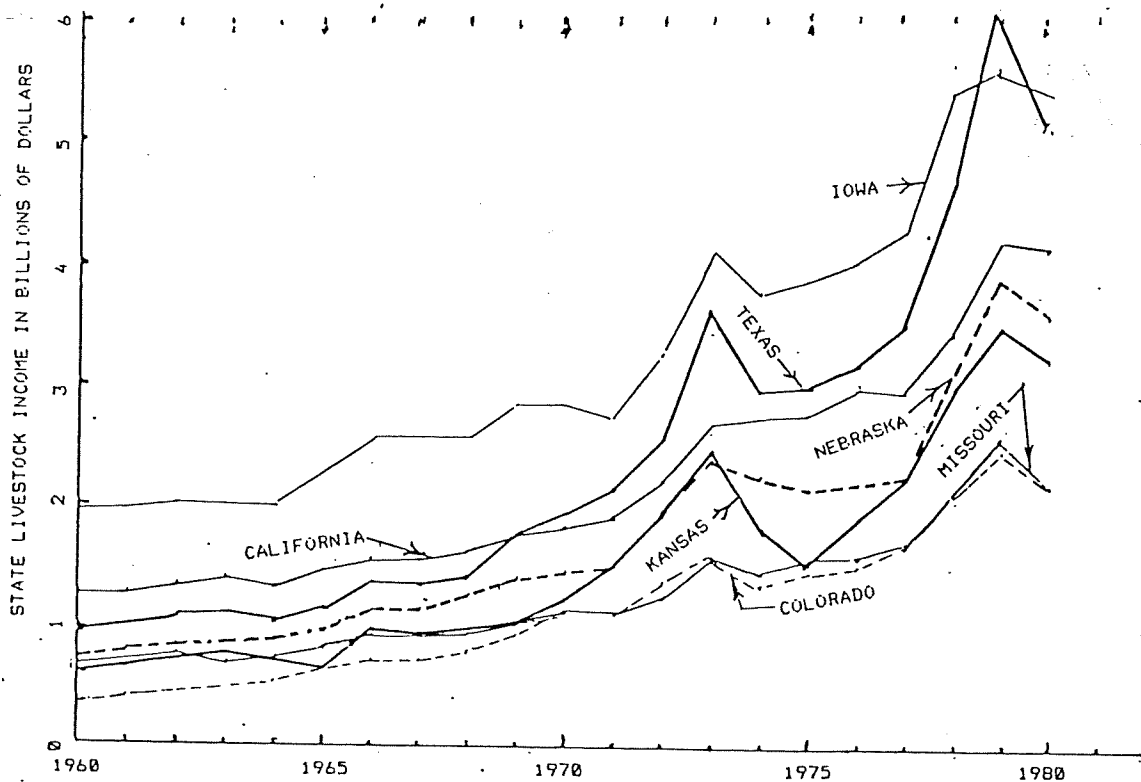


FIG. III LIVESTOCK INCOME IN SOME OF THE STATES WITH HIGH LIVESTOCK INCOME FOR YEARS OF 1960-1980

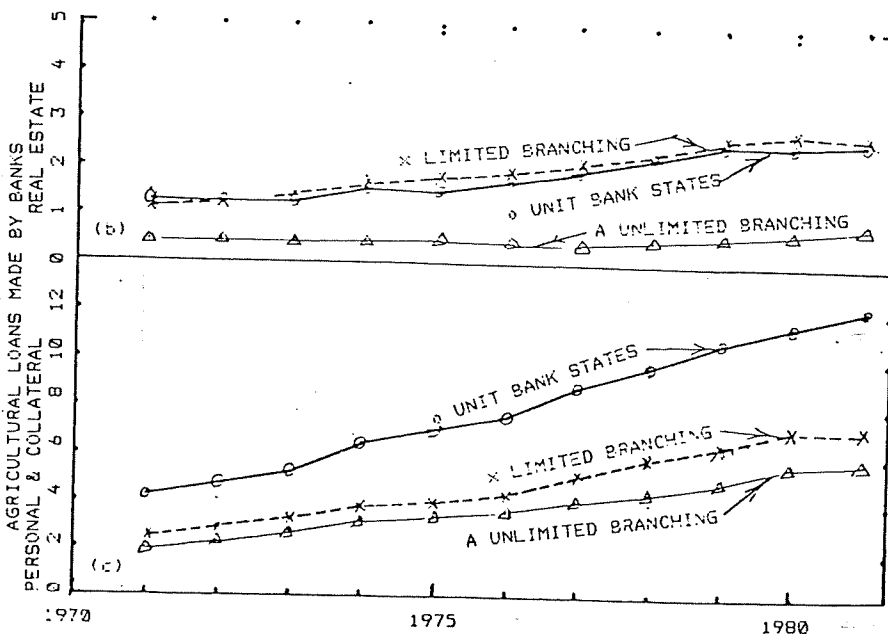
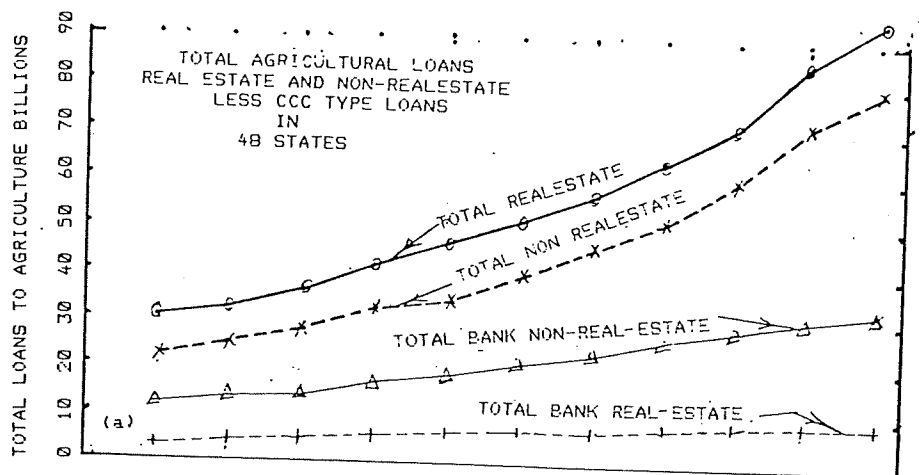


FIG. IV BANK PERSONAL, COLLATERAL AND REAL-ESTATE LOANS IN BILLIONS OF DOLLARS MADE TO AGRICULTURE.

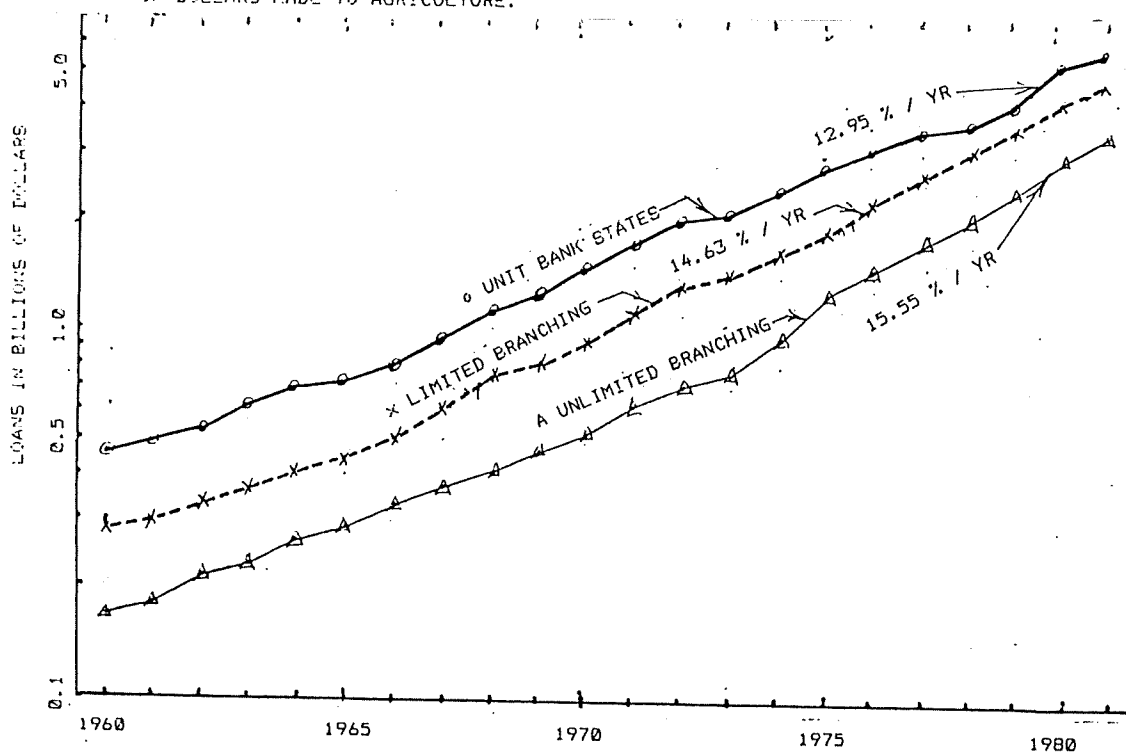


FIG. V PRODUCTION CREDIT LOANS IN THE STATES WITH HIGH LIVESTOCK INCOME FOR THE YEARS 1960-1981

AGRICULTURAL LIVESTOCK INCOME MILLIONS (CASH) \$

| | 1960 | 1961 | 1962 | 1963 | 1964 | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 |
|------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| UNIT BANK STATES | | | | | | | | | | | |
| ILL | 1149.9 | 1176.3 | 1190.2 | 1123.6 | 1116.9 | 1237.3 | 1326.1 | 1224.1 | 1224.2 | 1342.2 | 1298.8 |
| OKLA | 339.7 | 366.0 | 401.2 | 388.8 | 373.3 | 436.9 | 562.4 | 543.7 | 578.3 | 678.0 | 824.1 |
| KAN | 611.2 | 683.1 | 720.2 | 762.5 | 743.7 | 723.4 | 976.5 | 951.9 | 1002.0 | 1144.4 | 1223.2 |
| NEB | 747.9 | 798.2 | 834.0 | 842.9 | 881.9 | 971.7 | 1138.7 | 1162.4 | 1273.3 | 1399.2 | 1445.5 |
| N DAK | 170.3 | 208.3 | 203.7 | 207.6 | 212.3 | 247.8 | 271.1 | 281.8 | 267.0 | 265.0 | 263.9 |
| TEXAS | 981.2 | 1053.7 | 1088.1 | 1113.4 | 1033.8 | 1123.9 | 1385.3 | 1369.0 | 1414.1 | 1782.5 | 1945.7 |
| MINN | 1046.8 | 1070.6 | 1064.5 | 1032.6 | 1031.8 | 1126.4 | 1271.1 | 1236.7 | 1278.5 | 1341.7 | 1373.1 |
| MO | 716.9 | 733.9 | 763.5 | 739.5 | 736.1 | 823.0 | 918.0 | 895.4 | 955.5 | 1032.0 | 1128.6 |
| COLO | 392.2 | 414.4 | 445.9 | 463.7 | 462.9 | 534.5 | 618.4 | 685.0 | 686.5 | 795.8 | 921.7 |
| TOTAL | 6156.1 | 6504.5 | 6711.3 | 6674.6 | 6592.7 | 7224.9 | 8467.6 | 8350.0 | 8679.4 | 9780.8 | 10424.6 |

LIMITED BRANCHING STATES MILLIONS OF DOLLARS

| | | | | | | | | | | | |
|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| PENN | 596.9 | 582.6 | 583.1 | 575.2 | 572.8 | 597.5 | 674.9 | 657.4 | 688.9 | 752.3 | 777.2 |
| IND | 696.0 | 715.3 | 720.3 | 683.7 | 674.2 | 743.0 | 799.7 | 752.1 | 745.5 | 816.6 | 838.1 |
| IOWA | 1951.9 | 1957.4 | 2014.3 | 1983.7 | 1994.6 | 2310.5 | 2573.2 | 2547.0 | 2548.2 | 2857.7 | 2856.4 |
| WYO | 134.5 | 118.4 | 135.6 | 128.7 | 125.5 | 147.0 | 172.5 | 166.3 | 204.6 | 188.4 | 199.9 |
| N MEX | 142.0 | 151.3 | 168.0 | 167.1 | 148.0 | 163.0 | 191.7 | 221.0 | 220.8 | 298.9 | 369.9 |
| WIS | 983.4 | 1002.4 | 977.6 | 974.9 | 990.1 | 1069.1 | 1218.3 | 1212.2 | 1243.0 | 1313.1 | 1379.1 |
| OHIO | 595.1 | 636.0 | 634.4 | 617.4 | 627.6 | 671.5 | 730.7 | 696.3 | 704.3 | 770.0 | 768.1 |
| MICH | 392.0 | 394.3 | 400.8 | 402.7 | 410.3 | 424.8 | 488.2 | 455.6 | 453.9 | 480.2 | 482.6 |
| FL | 210.5 | 207.7 | 212.7 | 231.9 | 223.1 | 238.2 | 297.1 | 329.4 | 336.6 | 382.1 | 395.6 |
| TOTAL | 5702.3 | 5765.4 | 5846.8 | 5765.3 | 5766.2 | 6364.6 | 7146.3 | 7037.3 | 7145.8 | 7859.3 | 8066.9 |

STATEWIDE BRANCHING

| | | | | | | | | | | | |
|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| CAL | 1253.2 | 1278.7 | 1339.6 | 1361.7 | 1320.7 | 1447.7 | 1556.8 | 1547.5 | 1604.9 | 1765.8 | 1790.2 |
| WASH | 212.1 | 207.3 | 211.6 | 212.8 | 215.3 | 244.9 | 297.2 | 253.4 | 291.0 | 282.9 | 291.1 |
| ARIZ | 162.3 | 177.0 | 203.9 | 200.7 | 163.7 | 211.8 | 232.1 | 239.4 | 285.7 | 369.4 | 373.2 |
| OREG | 192.2 | 194.6 | 199.9 | 183.3 | 178.1 | 205.6 | 231.8 | 229.1 | 242.0 | 256.2 | 268.1 |
| S DAK | 451.3 | 484.5 | 499.6 | 489.0 | 500.3 | 598.3 | 692.2 | 705.8 | 753.0 | 802.8 | 811.5 |
| IDAHO | 191.8 | 196.6 | 197.5 | 194.3 | 196.9 | 217.8 | 239.9 | 227.1 | 251.8 | 278.9 | 304.3 |
| VA | 256.0 | 250.9 | 257.6 | 269.5 | 249.9 | 267.8 | 281.9 | 272.9 | 290.3 | 328.4 | 334.7 |
| UTAH | 124.3 | 122.9 | 130.4 | 129.4 | 116.5 | 129.3 | 150.3 | 145.4 | 151.7 | 166.5 | 182.5 |
| TOTAL | 2843.2 | 2912.5 | 3040.1 | 3040.7 | 2941.4 | 3323.2 | 3642.2 | 3620.6 | 3870.4 | 4250.9 | 4355.6 |

AGRICULTURAL LIVESTOCK INCOME MILLIONS (CASH) \$

| | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| UNIT BANK STATES | | | | | | | | | | |
| ILL | 1174.2 | 1463.6 | 1933.5 | 1789.1 | 1891.5 | 1866.9 | 1872.6 | 2138.7 | 2368.4 | 2312.4 |
| OKLA | 858.4 | 1081.7 | 1422.9 | 1117.5 | 1074.9 | 1248.8 | 1159.7 | 1675.1 | 2102.8 | 2147.0 |
| KAN | 1492.0 | 1899.3 | 2475.9 | 1835.3 | 1508.2 | 1917.2 | 2224.0 | 2955.6 | 3530.9 | 3361.8 |
| NEB | 1524.1 | 1915.1 | 2392.7 | 2264.7 | 2158.2 | 2176.9 | 2256.3 | 3098.2 | 3895.6 | 3570.3 |
| N DAK | 299.6 | 365.3 | 477.3 | 489.4 | 452.8 | 484.4 | 483.3 | 529.4 | 689.3 | 781.4 |
| TEXAS | 2121.6 | 2564.8 | 3673.8 | 2972.1 | 3060.1 | 3189.2 | 3524.7 | 4646.2 | 6092.1 | 5188.1 |
| MINN | 1453.6 | 1564.0 | 2130.4 | 1950.3 | 2042.9 | 2181.6 | 2238.8 | 2591.1 | 2947.0 | 3304.0 |
| MO | 1086.7 | 1237.8 | 1593.8 | 1441.3 | 1586.7 | 1577.7 | 1677.1 | 2098.6 | 2557.8 | 2181.3 |
| COLO | 1053.7 | 1396.5 | 1602.8 | 1408.9 | 1339.7 | 1446.0 | 1498.7 | 2074.2 | 2463.8 | 2219.5 |
| TOTAL | 11073.9 | 13488.1 | 17703.1 | 15268.6 | 15115.0 | 16088.7 | 16935.2 | 21807.1 | 26647.7 | 25066.2 |

LIMITED BRANCHING STATES

| | | | | | | | | | | |
|-------|--------|--------|---------|---------|---------|---------|---------|---------|---------|---------|
| PENN | 793.2 | 841.0 | 1009.3 | 1096.7 | 1146.3 | 1300.4 | 1303.0 | 1510.7 | 1783.1 | 1919.6 |
| IND | 795.2 | 967.2 | 1305.4 | 1161.7 | 1222.0 | 1334.8 | 1265.9 | 1556.7 | 1596.7 | 1661.8 |
| IOWA | 2729.8 | 3260.7 | 4172.4 | 3786.3 | 3902.5 | 4041.9 | 4300.0 | 5418.2 | 5590.8 | 5487.4 |
| WYO | 222.8 | 293.8 | 323.0 | 237.5 | 250.3 | 333.3 | 370.8 | 447.4 | 677.2 | 524.3 |
| N MEX | 374.5 | 471.7 | 649.1 | 410.3 | 545.0 | 518.4 | 569.3 | 751.2 | 881.1 | 875.9 |
| WIS | 1425.0 | 1598.1 | 1888.2 | 1918.7 | 2112.8 | 2486.9 | 2555.9 | 2970.9 | 3527.5 | 3743.2 |
| OHIO | 767.4 | 875.5 | 1071.4 | 998.4 | 1126.0 | 1163.9 | 1156.7 | 1272.3 | 1392.7 | 1356.1 |
| MICH | 514.0 | 574.7 | 712.6 | 706.6 | 712.8 | 815.8 | 840.6 | 977.7 | 1147.4 | 1118.8 |
| FL | 410.0 | 464.0 | 608.9 | 548.9 | 624.2 | 692.7 | 745.7 | 855.8 | 995.4 | 995.9 |
| TOTAL | 8031.9 | 9346.7 | 11740.3 | 10865.1 | 11641.9 | 12688.1 | 13107.9 | 15760.9 | 17591.9 | 17683.0 |

STATEWIDE BRANCHING

| | | | | | | | | | | |
|-------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|
| CAL | 1883.3 | 2205.8 | 2673.1 | 2787.9 | 2788.2 | 2953.2 | 2914.0 | 3414.1 | 4185.2 | 4148.6 |
| WASH | 291.1 | 332.3 | 458.8 | 457.9 | 442.2 | 523.1 | 507.7 | 561.7 | 778.5 | 846.9 |
| ARIZ | 420.1 | 480.0 | 672.5 | 583.1 | 488.3 | 541.1 | 508.7 | 717.9 | 853.9 | 782.7 |
| OREG | 276.0 | 288.8 | 404.3 | 328.1 | 325.5 | 355.8 | 356.3 | 455.6 | 635.8 | 537.3 |
| S DAK | 866.7 | 969.5 | 1254.9 | 1278.6 | 1256.3 | 1417.1 | 1117.1 | 1530.1 | 1693.0 | 1790.0 |
| IDAHO | 321.2 | 397.7 | 457.7 | 411.3 | 495.4 | 455.1 | 475.8 | 618.2 | 904.1 | 851.5 |
| VA | 351.8 | 385.8 | 507.1 | 453.2 | 524.7 | 555.0 | 559.8 | 707.2 | 791.2 | 949.5 |
| UTAH | 179.4 | 201.6 | 261.6 | 219.6 | 232.9 | 262.2 | 267.2 | 352.2 | 346.4 | 383.9 |
| TOTAL | 4589.6 | 5261.5 | 6690.0 | 6519.7 | 6553.5 | 7062.6 | 6706.6 | 8357.0 | 10188.1 | 10290.4 |

CATTLE ON FEED THOUSANDS

| | 1960 | 1961 | 1962 | 1963 | 1964 | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 |
|------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| UNIT BANK STATES | | | | | | | | | | | |
| ILL | 688.0 | 729.0 | 729.0 | 787.0 | 716.0 | 659.0 | 807.0 | 791.0 | 721.0 | 786.0 | 755.0 |
| OKLA | 69.0 | 74.0 | 86.0 | 87.0 | 119.0 | 115.0 | 129.0 | 170.0 | 181.0 | 205.0 | 223.0 |
| KAN | 275.0 | 337.0 | 347.0 | 392.0 | 388.0 | 407.0 | 480.0 | 586.0 | 610.0 | 766.0 | 892.0 |
| NEB | 665.0 | 699.0 | 845.0 | 844.0 | 1022.0 | 1027.0 | 1227.0 | 1308.0 | 1354.0 | 1430.0 | 1477.0 |
| N DAK | 125.0 | 175.0 | 124.0 | 161.0 | 166.0 | 158.0 | 118.0 | 101.0 | 80.0 | 72.0 | 63.0 |
| TEXAS | 248.0 | 254.0 | 323.0 | 450.0 | 478.0 | 488.0 | 538.0 | 674.0 | 810.0 | 1075.0 | 1417.0 |
| MINN | 416.0 | 478.0 | 440.0 | 497.0 | 487.0 | 506.0 | 536.0 | 557.0 | 585.0 | 556.0 | 589.0 |
| MO | 270.0 | 297.0 | 255.0 | 268.0 | 260.0 | 270.0 | 435.0 | 398.0 | 426.0 | 442.0 | 402.0 |
| COLO | 404.0 | 414.0 | 397.0 | 525.0 | 508.0 | 534.0 | 596.0 | 609.0 | 628.0 | 711.0 | 795.0 |
| TOTAL | 3160.0 | 3457.0 | 3546.0 | 4011.0 | 4144.0 | 4164.0 | 4866.0 | 5194.0 | 5395.0 | 6043.0 | 6613.0 |

LIMITED BRANCHING STATES

| | | | | | | | | | | | |
|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| PENN | 83.0 | 89.0 | 89.0 | 80.0 | 80.0 | 80.0 | 85.0 | 82.0 | 85.0 | 84.0 | 88.0 |
| IND | 189.0 | 195.0 | 199.0 | 225.0 | 250.0 | 220.0 | 321.0 | 311.0 | 336.0 | 349.0 | 349.0 |
| IOWA | 1531.0 | 1540.0 | 1571.0 | 1697.0 | 1731.0 | 1766.0 | 1776.0 | 2025.0 | 1924.0 | 2213.0 | 2213.0 |
| N MEX | 54.0 | 53.0 | 64.0 | 86.0 | 94.0 | 99.0 | 112.0 | 140.0 | 185.0 | 209.0 | 209.0 |
| WIS | 121.0 | 121.0 | 121.0 | 133.0 | 137.0 | 137.0 | 138.0 | 149.0 | 143.0 | 154.0 | 146.0 |
| OHIO | 209.0 | 209.0 | 192.0 | 219.0 | 210.0 | 200.0 | 328.0 | 341.0 | 341.0 | 324.0 | 318.0 |
| MICH | 133.0 | 126.0 | 138.0 | 153.0 | 162.0 | 160.0 | 173.0 | 185.0 | 187.0 | 200.0 | 210.0 |
| TOTAL | 2290.0 | 2333.0 | 2374.0 | 2593.0 | 2664.0 | 2662.0 | 2933.0 | 3233.0 | 3201.0 | 3533.0 | 3533.0 |

STATEWIDE BRANCHING

| | | | | | | | | | | | |
|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| CAL | 665.0 | 716.0 | 782.0 | 1000.0 | 946.0 | 915.0 | 952.0 | 984.0 | 902.0 | 968.0 | 1031.0 |
| WASH | 115.0 | 106.0 | 118.0 | 130.0 | 127.0 | 137.0 | 133.0 | 133.0 | 152.0 | 159.0 | 155.0 |
| ARIZ | 265.0 | 293.0 | 310.0 | 377.0 | 324.0 | 348.0 | 364.0 | 373.0 | 385.0 | 442.0 | 510.0 |
| OREG | 66.0 | 69.0 | 73.0 | 79.0 | 85.0 | 93.0 | 97.0 | 92.0 | 91.0 | 91.0 | 96.0 |
| S DAK | 247.0 | 294.0 | 325.0 | 232.0 | 329.0 | 332.0 | 348.0 | 390.0 | 406.0 | 361.0 | 361.0 |
| IDAHO | 138.0 | 143.0 | 121.0 | 150.0 | 143.0 | 153.0 | 174.0 | 201.0 | 199.0 | 248.0 | 230.0 |
| UTAH | 61.0 | 71.0 | 76.0 | 81.0 | 77.0 | 66.0 | 81.0 | 61.0 | 66.0 | 61.0 | 57.0 |
| TOTAL | 1557.0 | 1692.0 | 1805.0 | 2049.0 | 2031.0 | 2044.0 | 2149.0 | 2234.0 | 2201.0 | 2330.0 | 2440.0 |

CATTLE ON FEED THOUSANDS 1971-80

| | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 |
|------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| UNIT BANK STATES | | | | | | | | | | |
| ILL | 649.0 | 662.0 | 585.0 | 530.0 | 500.0 | 630.0 | 620.0 | 650.0 | 510.0 | 460.0 |
| OKLA | 236.0 | 253.0 | 272.0 | 292.0 | 232.0 | 286.0 | 305.0 | 360.0 | 345.0 | 330.0 |
| KAN | 916.0 | 1100.0 | 1250.0 | 1160.0 | 920.0 | 1340.0 | 1315.0 | 1400.0 | 1440.0 | 1270.0 |
| NEB | 1422.0 | 1550.0 | 1581.0 | 1525.0 | 1160.0 | 1390.0 | 1580.0 | 1700.0 | 1800.0 | 1600.0 |
| N DAK | 45.0 | 52.0 | 47.0 | 49.0 | 36.0 | 36.0 | 35.0 | 33.0 | 34.0 | 39.0 |
| TEXAS | 1480.0 | 1781.0 | 2245.0 | 2205.0 | 1327.0 | 1882.0 | 1710.0 | 1850.0 | 2000.0 | 1970.0 |
| MINN | 548.0 | 537.0 | 494.0 | 464.0 | 380.0 | 430.0 | 340.0 | 400.0 | 400.0 | 390.0 |
| MO | 342.0 | 373.0 | 310.0 | 250.0 | 200.0 | 260.0 | 255.0 | 220.0 | 180.0 | 120.0 |
| COLO | 888.0 | 993.0 | 1050.0 | 930.0 | 755.0 | 925.0 | 915.0 | 1020.0 | 1080.0 | 960.0 |
| TOTAL | 6526.0 | 7301.0 | 7834.0 | 7405.0 | 5510.0 | 7179.0 | 7075.0 | 7633.0 | 7789.0 | 7219.0 |

LIMITED BRANCHING STATES

| | | | | | | | | | | |
|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| PENN | 92.0 | 91.0 | 87.0 | 86.0 | 83.0 | 90.0 | 92.0 | 98.0 | 86.0 | 79.0 |
| IND | 314.0 | 327.0 | 276.0 | 263.0 | 250.0 | 285.0 | 290.0 | 315.0 | 280.0 | 250.0 |
| IOWA | 1992.0 | 2112.0 | 1922.0 | 1715.0 | 1200.0 | 1530.0 | 1520.0 | 1690.0 | 1620.0 | 1390.0 |
| N MEX | 165.0 | 188.0 | 226.0 | 232.0 | 135.0 | 212.0 | 163.0 | 206.0 | 202.0 | 239.0 |
| WIS | 150.0 | 144.0 | 143.0 | 136.0 | 135.0 | 136.0 | 130.0 | 130.0 | 106.0 | 112.0 |
| OHIO | 308.0 | 320.0 | 300.0 | 280.0 | 290.0 | 320.0 | 325.0 | 295.0 | 225.0 | 180.0 |
| MICH | 225.0 | 230.0 | 245.0 | 220.0 | 200.0 | 210.0 | 215.0 | 200.0 | 180.0 | 165.0 |
| TOTAL | 3246.0 | 3412.0 | 3199.0 | 2932.0 | 2293.0 | 2783.0 | 2735.0 | 2934.0 | 2699.0 | 2415.0 |

STATEWIDE BRANCHING

| | | | | | | | | | | |
|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| CAL | 1001.0 | 1045.0 | 1181.0 | 1209.0 | 688.0 | 960.0 | 812.0 | 845.0 | 796.0 | 764.0 |
| WASH | 141.0 | 168.0 | 180.0 | 160.0 | 135.0 | 168.0 | 176.0 | 184.0 | 188.0 | 155.0 |
| ARIZ | 524.0 | 539.0 | 655.0 | 609.0 | 319.0 | 510.0 | 361.0 | 422.0 | 490.0 | 420.0 |
| OREG | 80.0 | 82.0 | 69.0 | 77.0 | 65.0 | 79.0 | 88.0 | 98.0 | 75.0 | 73.0 |
| S DAK | 339.0 | 363.0 | 378.0 | 381.0 | 345.0 | 365.0 | 370.0 | 365.0 | 340.0 | 350.0 |
| IDAHO | 222.0 | 265.0 | 205.0 | 172.0 | 185.0 | 203.0 | 248.0 | 249.0 | 224.0 | 260.0 |
| UTAH | 68.0 | 55.0 | 53.0 | 58.0 | 52.0 | 60.0 | 60.0 | 62.0 | 55.0 | 60.0 |
| TOTAL | 2375.0 | 2517.0 | 2721.0 | 2666.0 | 1789.0 | 2345.0 | 2115.0 | 2225.0 | 2168.0 | 2082.0 |

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Opinions of Kansas Bankers
Opposed to
Multibank Holding Companies

The following quotations were taken from the 1982 summer interim survey of Kansas bankers and their opinions whether the Kansas legislature should allow multibank holding companies. They are arranged alphabetically by town.

Opinions:

"Locally owned banks better serve the credit needs of the local businessman and agriculture. Banks owned by multibank holding companies and operated by employers who do not remain long in the community do not serve the local community business and residents as evidenced by communities in other states where multibank holding companies are not allowed. . ."

Wendell Gugler
Farmers National, Abilene

"Once a bank is acquired by a MBHC, local control is lost—usually forever. Evidence supports that an informed electorate will overwhelmingly oppose any form of cartel banking. . ."

Max McConachie
Andover State

"The customers of Kansas banks would not have a net gain by multibank holding companies or statewide branching. . ."

Robert Brown
Home National,
Arkansas City

"I support the preservation of the independent banking system. Depositors are not being asked what kind of banking system they want. I believe the financial resources of the community should be used in that community. . ."

John Goings, Jr.
Citizens State, Ashland

"Small local institutions that are bought up by large banks lose personal

control, local pride and service to the community. Parent institutions would drain off working capital (through) participation loans, etc. . ."

Carl Rundquist
Assaria State

"The larger the company, the more people just become a number. . ."

Yale Marks
Farmers Bank & Trust
Atwood

"This would be great for me personally, but terrible for the community my bank serves. . ."

R.L. Goodyear
Security State, Auburn

"Destruction of free enterprise and individual ownership of a Kansas bank will result. Look at Missouri. How many banks are owned by either the Kansas City, or St. Louis bank giants?"

E.F. Heiman
Baileyville State

"Kansas banks have one of the highest net returns over nearly all other states and I feel as one of the speakers at the bank clinic a couple of years ago, this is due to community banking, knowing your customers, their needs, and the bankers have a personal interest in the community development. . ."

Donald Nutt
Baldwin State

"Multibank holding companies are less efficient and more distant in their relationship to the smaller communities. . ."

Floyd Chase
Baxter State

"They can grow too large for any commitment to the local community welfare. . ."

Leo Brenner
Bazine State

"Multibank holding companies will serve no useful purpose. What has traditionally happened in states that allow multibank companies is a draining of lendable funds from rural communities. Deposits or lendable funds are shifted to money centers where they can be lent at higher rates."

Ed Nutt
Marshall County,
Beattie

"All country banks and small cities are doing a good job in their area. I don't need 4th National of Wichita or any bank in Topeka to operate my bank. . ."

Herman Rome
Farmers State, Beaver

"In our opinion the banking structure as it now exists serves Kansas agriculture and industry more effectively than if the banking structure were altered to meet the desires of some large city banks. . ."

C.D. Makalous
First National,
Belleville

"The borrower is the loser in all cases of multibank holding companies. The control of deposits of the people of Kansas by a few big banks is not desirable. MBHCs tend to eliminate competition. . ."

Paul Fulcomer
Peoples National
Belleville

"We need an independent free enterprise system, which made America great."

Mahlon Morley
Valley State
Belle Plaine

"We need to keep our unit banking system in Kansas. Why have the big banks get all the smaller banks in the state? I believe the banks in the small towns can take care of their customers better than someone in a city bank."

F.W. Lampert
First National,
Beloit

"Feel the quality of present services in many rural and small communities would be diminished. . ."

John Atwater
Bendena State

"In almost every state with multibank holding companies, additional laws and regulations have been passed to limit a few large banks from control of most of the deposits of the state. . ."

James Sheik
State Bank of Bern

"Multibank holding companies could cause a concentration of ownership and a destruction of the unit banking system. . ."

Robert Schwartz
State Bank of Blue Rapids

"The size that some of these grow to worries me. It would be tough for us to compete in our area if several banks located closeby were owned by one MBHC. . ."

James Thompson
Farmers State
Bogue

"Bank ownership should not be placed in the hands of a few. . ."

Jerry Bredwell

Commercial State
Bonner Springs

"We do not need multibank holding companies in Kansas banking. . ."
Marvin Daniels
Brewster National

"Kansas does not need for the backbone of the state, namely banking, to be owned by a piano company in New Jersey which could care less about banking in Kansas. The sole purpose of multibank holding is profit. . ."
John Thompson
Bucklin State

"Believe that management should be indignant to the area served using the available assets in that area. . ."
George Nachtigall
Buhler State

"Customers are being adequately served with present operations! This bank strongly opposes changes that are not needed. . ."
Wayne Temple
State Bank of Burden

"Those seeking multibank holding legislation are primarily interested in extending their base of operation, profit and control of financial services. No evidence of better service to the customer has been presented. . ."

David Fowler
First State
Burlingame

"The need is not there. Kansas consumers are more than adequately being served. . ."

Webb Dreiling
Peoples National
Burlington

"I believe it would be detrimental to the people of Kansas that the banks now have provided services to for years. Community owned and operated banks have a good record of serving the people in rural Kansas . . ."

Marvin Boyles
Burr Oak State

"MBHCs are desirable only if the final goal is to put vast majority of deposits within the state under the control of a very few banking groups rather than under the control of several hundred independent bankers. What is really healthy?"

Judd Durner
State Bank of Burrton

"Control of our community banks would be held by the large city banks."

Dale Beiser
Bushton State

"Having worked for a multibank holding company in another state, I feel the bank lost its local control as the majority of decisions were made 'upstream.'"

Bert Garrett
Caney Valley National
Caney

"Some bankers may stand to benefit from multibank holding companies, but from the track record of other states with multibank holding companies, the people lose."

Jack Fisher
State Bank of Carbondale

"Both the multibank and branch bank issues serve only to benefit the large and powerful and do nothing to serve small business or protect the personalized service in and the existence of the small rural community."

Robert Drury
Farmers & Merchants
Cawker City

"Small banks will have a difficult time competing with extremely large multibank holding companies."

Bruce Bachman
First National
Centralia

"Allows too great of concentration of economic power without giving any appreciable benefit to the user of banking services."

Ron Davis
Rice County State
Chase

"Kansas as a state is not a regional money center. . . I sincerely believe MBHC legislation would open 'a Cherokee Strip' among Kansas banks. . . profits generated in Kansas would be channeled to out of state ownership interests."

Edward Roembach
Citizens State
Cheney

"Would not be in the best interest of the consumer."

C.S. Anderson
Exchange Bank of Clyde

"We need the community bank."

Dale Harkins
Thomas Co. National

Colby

"Local control of the financing of businesses and farmers and ranchers would be lost to parent bank which would have no strong ties with the community."

James Herrington
Coldwater National
(President, Independent
Bankers Association of
America)

"The attitude that big is better is not true. If you want to squeeze out independent banking which provides for local economies and local employees and helps form the backbone for Independent business, then approve MBHCs and you will help stamp out the independent bank."

Mike Gullion
Peoples State
Coldwater

"Multibank holding companies tend to monopoly operations. Money and ownership would flow out of the state . . ."

John Suellentrop
State Bank of Colwich

"I oppose all forms of monopolistic banking practices and any further concentration of economic power through centralized banking controls. I feel this type of banking structure would be detrimental to the public's interest. . ."

W.L. Bennett
First National Bank
Conway Springs

"Branching should be limited."

Roger Billings
State Bank of Delphos

"I have not heard a great outcry from the vast majority of consumers requesting change in Kansas bank structure. . ."

Arlen Gabriel
De Soto State Bank

"Opens the door for branch banking."

H.W. Hall
First National
Dighton

"The above changes would do nothing to provide the customer with services not now available. . ."

Dennis Vander Gieson
Downs National

"This would lead to the monopolistic control of Kansas banking by a few

corporations, perhaps from out of state. You only need look at our neighbor, Missouri, to confirm . . . "

Paul Berkley
State Bank of Downs

"Too much power concentrated in large multibank holding companies . . . "

Dorman C. Becker
Durham State Bank

"I know that if the community bankers were owned by non-local ownership, their primary concern would be profits and not taking care of the community which would be good for the banking industry, but not for local people. . . "

Eugene Hegarty
Farmers & Merchants Bank
Effingham

"Small banks in Kansas are meeting the needs of their customers. No complaints."

J. Murray Downing
Ellis State Bank

"Smaller community banks are owned and operated by home town people and they look after their community. It is doubtful if a large bank holding company has the same outlook."

George Nelson
Eskridge State Bank

"To allow creation and operation of multibank holding companies is a step in the door for branch banking. No objection to one bank holding companies."

Kelvin Hoover
Kaw Valley State Bank
Eudora

"The people of Kansas will suffer when money center bank buys out the independents."

Phil Evans Jr.
Citizens National Bank
Eureka

"I don't feel the community will be served in the same manner by multibank holding companies as by community bank whose growth and wellbeing is maintained by investing back in their own community."

Charles Jackson
Farmers State Bank
Fairview

"This would not be for convenience, for competition nor would it be a plus for customers."

Larry Kelley

Falun State

"Bank consumers are not asking for this. Surveys indicate this. Who wants it? The large banks."

V.E. Chance
Fowler State Bank

"Need or Greed? Competition is fine but a lot of multibanking is greed. Look around. Who will pay for the bank failures? The good ol' consumer. We better stand pat and take care of our existing problems."

J.P. Kennedy
First National Bank
Frankfort

"Would create the demise of independent community owned banks and the entire structure would fall into the hands of a few. Look what happened in California and Arizona. They they could set loan rates as they pleased."

Earl Brown
Citizens State Bank
Galena

"I am not in favor of a concentration of economic power in this state."

Jim Warren
Farmers State Bank
Galva

"I disagree, because only a few of the large metropolitan banks would be in a position to carry out such a program."

Hoy Etling
Fidelity State Bank
Garden City

"Missouri and Colorado banking industry is controlled by city banks."

Richard D. Powers
Garden National Bank
Garden City

"Creates a concentration of economic power in Kansas City, Topeka and Wichita."

Tom Dalton
First National Bank
Gaylord

"Allowing MBHCs will only squeeze out the small to medium size operators, i.e. farmers, small town businesses especially in rough years such as these. The banks excuse will be that money is tight and not enough margin when in fact dollars being channeled to big corporations . . . on an open basis."

Steve Prickett
Citizens State Bank
Geneseo

"Our system of private independent Banks is competitive. Keep it like it is."

Martin Schifferdecker
Girard National Bank

"Prefer the single unit structure, more equitable. We cannot permit the draining of dollars out of Kansas."

Larry Schmidt
Wheatland Bank of Goessel

"I feel multibank is not best for rural America and the money will wind up in Central banks, with no financing for rural America."

Lee McCubbin
Citizens State Bank
Grainfield

"While it might be good for the banks, the customers are the ones to lose the relationship they have enjoyed with their hometown bank for many years."

Dale Weller
First National Bank
Great Bend

"A good bank is an anchor and a positive force for most Kansas communities. We can do without a large chain bank who has a manager in a community and is only interested in a job in a larger bank up his success ladder."

Robert Corns
Greensburg State Bank

"Believe allowing MBHCs will eventually lead to banking control by a small number of large holding companies, to the detriment of the public. This concentration is not allowed in other industries."

J.W. Stevenson
First National Bank
Hamilton

"Banking and the resultant power structure would become entirely too centralized. Centralized money control would definitely give emphasis on credit to the larger corporate borrower . . . to the detriment of the family farm unit. It is notable that Kansas banks already showing a commitment to the MBHC concept have taken an ardent stand against the MBHC crossing state lines . . . "

Bob Kille
Farmers State Bank
Hardtner

"History of other states experiencing MBHCs shows larger banks immediately move to absorb smaller banks simply to maintain their relative size position."

Dean Fahrbach
Haven State Bank

"Experience in other states that loans of all banks (in MBHC system) are centered in lead bank with some small communities suffering from lack of loanable funds."

Wayne Stearns
Haysville State Bank

"Multibank holding companies are only a subterfuge for large metropolitan banks to obtain statewide branch banking."

Les Whited
State Bank of Herndon

"Viewed from ownership of the bank, especially controlling ownership, and considering a possible sale, I would be inclined to agree. Viewed from the benefit of my patrons, I must disagree (with MBHCs)."

Robert Showalter
Hesston State Bank

"The large banks would like to take over the small banks. This would make it possible for them to do so. This is not needed. Each community should have its own bank."

Harlin Schram
Morrill & Janes Bank
Hiawatha

"Banks are obligated to serve their customers on an individual basis. MBHCs concentrate bank assets and decrease competition. In my opinion this is not in the interest of the customer. . ."

Ed Webb, President
Farmers State Bank,
Highland

"I believe bank customers in Kansas are best served with bank structure as it is now."

Lloyd Alexander
Hoisington National Bank

"Check with Colorado, where people were given the choice of independent banking or branch banking and see how it turned out. . ."

Leon Coup
First National Bank, Hope

"Unit banking has worked well for Kansas in a competitive environment in the past. Times have changed and other financial institutions are now directly competing but no crack in the dam to providing customer services can be seen in unit banking in Kansas. The system continues to operate efficiently and serve customer needs."

Van Norris
Bank of Horton

"Allows bank holding companies of other states to come into Kansas and monies flow out of state to other banks of the holding companies in other

states. BHC not responsive to local consumers. . ."

J.W. Eby
Howard State Bank

"Independent banks are better adapted to meeting community needs because they must by necessity in order to survive."

Robert Ames
Humboldt National Bank

"The largest bank in the state would waste little time in becoming much larger, forcing out small competition."

D.P. Peckham
Farmers State Bank
Hunter

"Resources would tend to flow away from communities. Management and ownership would also move from communities where the bank is located."

Gary Webring
Farmers State, Ingalls

"We do not feel that MBHCs are needed . . ."

Adolyn Bartels
Bank of Inman

"Too difficult for small banks to compete. This helps only the owners of such operations -- not consumers -- rural banks can give good service to farmers and country people. We understand the needs of these areas much better."

Don Troutman
Isabel State Bank

"The bank correspondent system seems to work well in Kansas without reduction of competition from concentrated ownership."

Warren Taylor
Iuka State Bank

"Concentration of the majority of assets should never be in a few locations."

Wayne Grindol
Citizens State Bank
Jewell

"We are not convinced that problems of banking in Kansas would be solved by a change of banking structure."

Darrel Cockrum
Johnson State Bank

"I believe this would lead to branch banking in Kansas."

L.D. Farrington
First State Bank
Junction City

"Small banks would be bought out by the large banks and the community relations would suffer."

Gerald Hall
Douglass State Bank
Kansas City

"Present system of independent banks, on balance, excellent. Management most often tied to community by living over long term and by investment."

John Boyer
State Bank of Kingman

"In the interest of better relationship with the banking customer, both borrower and depositor, the personal relationship will definitely become more strained as centralized authority plays a larger part. . ."

Gerald Wright
Bank of Kincaid

"Permitting MBHCs would tend to create very large institutions who tend to be less responsive to local needs. As we have seen from Chrysler, Dreyfus, Penn Square and others, Bigness does not necessarily denote safety and soundness."

L.D. Stevens
First State Bank
Kiowa

"There would certainly appear to be more important issues to use the legislature (for) at this time . . ."

Robert Hamilton
Farmers & Merchants Bank
LaCrosse

"It is extremely important that small independent banks can continue to serve the local community."

Gary Beymer
Kearny County Bank
Lakin

"In my opinion, personal contact with the customers is most important. The closer ownership is to its customers, the better they are served."

A.J. Danielson
Exchange Bank of Lenora

"Would fund capital away from local communities."

Thomas Holman
State Bank of Leon

"If the existing structure needs strengthening, then look to that. Otherwise, why fix something that is working? The people who push branch banking, etc. are people who are hungry for more power and/or money for themselves."

Warren Ford
Leonardville State Bank

"I agree on MBHCs — ONLY if by so doing better service will be provided to the public. I am not fully convinced this will happen, however.

James Thompson
Peoples National Bank
Liberal

"The present unit banking system has always served Kansas well. Local ownership banks have always been more responsive to the uniqueness of the communities they serve. Funds would be siphoned off to money market centers."

Charles Brisendine
Citizens State Bank
Liberal

"With multibank holding companies, finances would be controlled outside the community. . ."

J. M. McReynolds
Farmers National Bank
Lincoln

"There is no evidence that a change to multibank holding companies will benefit the consuming public of . . . Kansas. In fact it could be detrimental from what has been learned that occurred in states where they have them. Especially for people in rural communities. Deposits can flow out and credit needs go begging."

Bernard Griffiths
Commercial State Bank
Long Island

"Takes away local ownership and management."

Larry Henne
Lorraine State Bank

". . . 'Big' is not better for depositors nor for the stockholders. Instead of operating more efficiently in Bigs, as MBHC advocates tell us, the inefficiencies are compounded with size."

John Tinch
Lyndon State Bank

"This system will not serve the small communities to the best advantage in meeting their credit needs. . . . the independent bank can do it better."

Dale Snyder
Lyons State Bank

"There is no need for anything which would affect the size and structure of the present system."

Richard Weers
Macksville State Bank

"I believe this will hurt your small town banker."

Ray Scadden

Maize State Bank

"The unit banking system is doing fine the way it is. Leave it as it is. Banks don't have to be big to serve their communities well, in fact a small bank will do a better job."

Max Fuller
Stockgrowers State Bank
Maple Hill

"Too much control in the hands of a few."

Allan Lindfors
Farmers State Bank
Marquette

"We need to maintain homeowned community bank."

Allen Holean
Citizens State Bank
Marysville

"I believe MBHCs are simply a form of branch banking with limitations that require a subterfuge to overcome these limitations."

Richard Jackson
Mayfield State Bank

"Eventually control will be with less and less as years go by (with MBHCs). Making it almost impossible for individuals ever to get into banking, or for a community to have local ownership."

Stanley Braksick
Bank of McLouth

"We are fearful that (MBHCs) would eventually place the banking assets of the state in too few hands."

C.B. Fullerton
First National Bank
Medicine Lodge

"There is absolutely no benefit to any consumer, industry or statewide commerce from MBHCs. I am very strongly opposed."

Daryl Becker
State Bank of Meriden

"The state is primarily agriculture and small businesses whose credit needs and other banking services can best be served by local unit banks, this has been proved by the performance of the MBHCs in those states permitting such companies."

J.R. Ayres
Citizens State Bank
Miltonvale

"Believe in Independent Banking!"

J.W. Hisle
Exchange Bank of Moline

"A network of strong city-center big banks will spread its tentacles out across this state and the cash resources of our communities will be found to go in the direction of the big cities and big banks, to cities that have no claim on our deposits. Don't swallow that line that these people will buy 80% of the bank and let the home folks make the decisions. . ."

Hal Hedlund
Montezuma State Bank

"Any changes in banking structure . . . brings us closer to full branching banking and the ultimate demise of our small, ag banks.

Fay Minium
Citizens State Bank
Morland

"I feel the Kansas Banking industry is well served by community bank ownership. I feel conglomerate ownership will not benefit the present banking system."

Terry Jelinek
Munden State Bank

"Will have concentration of deposits in large banks and small banks will be forced out of the market. I believe that the small banks will serve their local areas and needs better than a large holding company can or would. I have yet to see a large bank sensitive to each personal need. Local decision making would become a thing of the past should the changes the legislature plans be allowed . . ."

Brad Noll
Murdock State Bank

"Many communities need the small independent bank."

Ted Emerson
Nickerson State Bank

"Multibank holding companies would only worsen the agriculture lending functions by moving money upstream for more profitable loans. . ."

James Prickett
Nortonville State Bank

"I believe it would give an unfair advantage to the larger banks. It would also take the community deposit out of that community and the interest for the community would only be profit oriented."

Ted Hill
Farmers State Bank
Norwich

"A rural bank such as Kansas will realize little or no benefits from MBHCs. Unit banking allows individualized financial service that the larger organizations can't provide."

William Griffith
Farmers State Bank
Oakley

"Without proper safeguards, the state banking system could very easily be controlled by a few major institutions. If one follows the news releases, it would appear that Fourth National Bank of Wichita anticipates that you will change the laws and they will be a dominant force."

Joseph Wendling
Olpe State Bank

"The attitude that big is better is not true. If you want to squeeze out independent banking which provides for local economies and local employees and helps form the backbone for Independent business, then approve MBHCs and you will help stamp out the independent bank."

Mike Gullion
Oketo State Bank;

"I believe the people of Kansas can be served better by small hometown banks owned by the people in the community in which they operate."

Dean Allet
Union State
Olsburg

"MBHs, by their very nature, mean management decisions all made at remote headquarters with the primary emphasis on continuity of earnings and payment dividends at the expense of the local welfare and the interests of the individual customers."

Conant Wait
Citizens State Bank
Osage City

"This would seem to be the trend that our bank would agree to. But we think that we should be held off for at least a minimum of five to ten years."

Ted Lewis
First National Bank
Osawatomie

"The unit system of banking takes care of the needs of our customers in small communities. Larger holding companies look after the interest of large corporations and shut off the rural areas."

John Peters
Farmers National Bank
Osborne

"One Bank holding companies are adequate. Our present system serving our communities well."

Roger Leeseberg
First National Bank
Oswego

"The present system has worked for Kansas for years. I am not against change, however, this concentration would not benefit the customers or the economy."

Freeman Higgason
Otis State Bank

"The Independent bank is the way to keep safe, competitive banking for Kansas citizens. . ."

Max Friesen
Kansas State Bank of
Overbrook

"Who do you propose to help by having MBHCs? Surely not the customer. Only large banks."

John Cordts
First Security Bank
Overbrook

"MBHCs will reduce competition between banks to the detriment of Kansas business and consumers."

Elmer Heitman
Bank of Palmer

"We feel this banking structure would draw funds out of rural areas, making loans in the areas more expensive, less available or both. . ."

R. Avery
Peabody State Bank

"I hope the commission will study carefully how, if MBHCs are allowed in Kansas, local economies will be affected. Will the money go out of state or will it be available to be loaned out to local farmers and businesses?"

Jo Galbraith
Bank of Perry

"If I no longer had any loyalty to this community and individual customers I would say, 'Let the legislature give all the big banks their wishes in allowing MBHCs.' . . . The reasons are quite simply with all those laws I could sell out at an excellent profit and retire, saying to HELL with this community, its individuals, our state and the rest of the country."

Jack Curry
Piqua State Bank

"We seem to be doing pretty well the way it is."

B.H. Van Dyke
Plainville State Bank

"You no longer will have a community bank, which is the backbone of a small town."

Steve Ellis
Bank of Pleasanton

"A form of branch banking which eventually could end up with just one central bank."

L.C. Goodrich
State Bank of Plevna

"Strongly believe the independent owned bank can best serve the needs of its community."

Merle Wait
Bank of Protection

"Do not believe concentration of banking resources in a few holding companies would be in the best interest of Kansas businesses, farmers or consumers."

Howard Loomis
Peoples Bank, Pratt

"Forces the small banks out."

Leon Johnson
Randall Bank

"Eventually would help larger banks in the banking business."

C.J. Moeder
Rexford State Bank

"This will allow the large banks from out of state to make the move they have been wanting. They will buy some of the small banks in the state, and eventually force many of the smalls to sell because they will not be able to compete on an equal basis."

Robert Idol
Bank of Robinson

"Local county and state deposits should remain with the community banks to service the needs of the local citizens."

George Waitt, Jr.
Rose Hill State Bank

"Independent banks are doing a good job taking care of agriculture and the small businessman in Kansas."

Ron Lutz
Peoples State, Rossville

"It would allow the larger banks to dominate banking statewide."

W.R. Shaffer
Home State Bank
Russell

"Banking structure presently is strong. No serious change necessary. Needs are being met."

J.A. Mock
Farmers State, Sabetha

"Outsiders cannot and will not serve the local communities to its fullest possible extent. Each entity is to reach a certain profit margin, per instructions of the parent bank and will do this without regard to the community. Also the argument of efficiency (bigger is better) I believe is unfounded. Look at the year end reports."

Kent Saylor

Morrill State, Sabetha

"Kansas banking would become dominated by a few large metropolitan holding companies."

Jack Wedge
Planters State, Salina

"Branch banking will lead to the concentration of financial power in few hands which is not good for the common man. . . "

Walter Boyles
Scandia State

"Agriculture has been the 'whipping boy' of the federal government policies as well as some state policies for a very long time. It is the most important and fundamental of all activities and cannot and will not be served best by "chain" banking."

Robert Alsup
Cheyenne Co. State Bank,
St. Francis

"Having experience in two states with multibank holding companies, I know this leads to siphoning off deposits to money centers and creates greater difficulty for smaller banks to meet the needs of their agricultural industry which is the backbone of the Kansas economy. . . "

John Huemoeller
First National Bank
Scott City

"Small communities in Kansas cannot best be served by control of the local bank being outside the community. Local directors are only figureheads and eventually will have very little input in the policies that are instituted."

Duane Ramsey
Security State,
Scott City

"I think the present system has served us well."

Robert Barnes
First National, Sedan

"It is believed that it would lead to undesirable concentration of economic power. . . "

William Casement Jr.
Sedan State Bank

"Too much centralization of deposits with resulting loss of personal contact and ability to serve on a local basis. . . "

Lee Grimwood
Sedgwick State Bank

"Multibank holding companies and branch banking produce the same effect."

James Garver

Severy State Bank

"Public does not demand formation of this. . ."

David Riordan
Solomon State Bank

"The attitude that big is better is not true. If you want to squeeze out independent banking which provides for local economies and local employees and helps form the backbone for Independent business, then approve MBHCs and you will help stamp out the independent bank."

Mike Gullion
First National Bank
Smith Center

"Within a few years, MBHCs will control most of the deposits of the state and they'll control from Topeka, KC and Wichita. Will not have the interests of the rural community at heart. . . "

Jack Berkley
Stockton National

"Will allow large banks to expand, however, this will take away the local decision making factor. I've noted these larger organizations lose the personal factor that we small bankers provide."

Brad Noll
Strong City State

"I believe the banks in Kansas are serving their customers very well. . ."

Gary Walker
Sylvia State Bank

"I see no need for branch banking and multibank holding companies in Kansas. The consumers, small businesses and farmers of Kansas are best served by an independent unit bank."

Ed Costello
Tampa State

"I can see no need to change the banking structure of Kansas. Only the big banks want to get bigger. . . "

Lawrence White
Tipton State

"Current banking law provides Kansans with the choice of 600 banking philosophies from which to choose. In the current environment a negative decision made by one large bank does not have a correspondingly negative effect across the state. Local ownership and management insures more community interest."

Bill New
First State,
Tonganoxie

"My home state of Minnesota where MBHCs operate are an example. Banking men do not lead their communities with their "puppet banks."

John Finden
Topeka Bank & Trust

"I believe the banks in Kansas are doing a good job of servicing their customers needs under our present laws."

R.H. Patton
First Bank of Troy

"Individually owned community banks do a better job of serving its customers."

James Needham
Troy State

"Multibank holding companies are very close to branch banking which I oppose."

J.J. Horner
Bank of Commerce
Udall

"MBHC owned banks drain resources from communities and are no different than a branch of a parent bank."

Sam Forrer
Grant County State Bank
Ulysses

"The hometown bank is an important part of the community and the competition created is one of the most important aspects of Kansas banks."

Kent Holt
Union State
Uniontown

"The creation of multibank holding companies will be the demise of the independent community bank, which is the backbone of the banking structure in Kansas."

Don Elder
First Bank of Wakeeney

"Don't believe in concentration of financial influence by conglomerates in any way! Sure not in consumers best interest down the road. They will siphon off funds and not be had for local communities. Agriculture and small business will definitely suffer."

Earl Herman
Farmers & Merchants State
Wakefield

"It is already evident what kind of power and control the existing holding companies have with the 25% limit. The personal service provided by the small bank would be lost. . ."

Randy Vogts
Farmers State Bank,
Walnut

"We don't need concentration of banking and control of assets in our banks. Local communities would suffer from lack of funds and direct concern over its welfare."

J.E. DeBord
First National, Wamego

"Weakens agriculture, small business and consumer credit source alternatives and tends to drain funds to financial centers from local areas."

John Umbach
Bank of Whitewater

"Multibank holding companies will lead to excessive banking concentration which is to the detriment of the people of Kansas."

J.E. Naftzger
Southwest National,
Wichita

"Kansas has always had a good statewide banking system covering the state well. If you let the East and West Cost bankers in Kansas, our individual customers would lose their identity with their banks."

R.E. King
First National,
Winfield

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☒ Strongly Agree
☐ Agree
☐ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Signed

Bank

[Signature]
[Signature] H. B. L.

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Multi Bank Holding company leads to Monopoly in Banking at expense of the local community

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Branching like Multi Bank Holding Co places too many assets in too few hands & thus economic control.

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxiliary banking facilities.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

This would be the first step to Branching

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Leave the structure as is. Kansas has done a fine job historically and there is no reason to believe we cannot progress in the future without a monopolistic banking structure. Don't let the 1st wolf (Change in structure) in the house to avoid the second wolf (Federal Interstate Banking threat).

Signed

Bank

Leah B. [Signature]

THE FARMERS & MERCHANTS STATE BANK
ARGONIA, KANSAS 67004

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxiliary banking facilities.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

None

Signed

Bank

[Signature]

The Home State Bank

10. 000 000808 07352

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

We feel that the multi national companies would gain control of too many rural banks. Without local control local interests, especially agriculture, would not be properly served. Also, more funds would be taken out of local economies than would be put in.

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☒ Agree
☐ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

We don't feel threatened by other banks. We believe it would be unprofitable for large city banks to open branches in locales as sparsely populated as where we are. On the other hand there is some profit potential for small banks to open branches in larger cities.

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☐ Agree
☐ Disagree
☐ Strongly Disagree
☒ No Opinion

Regardless of your answer, please explain briefly.*

At this time this issue would have little or no effect on us.

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Signed *David Winters*
Bank The Roxbury State Bank

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

No Comment

Signed *Red Shuckee*
Bank *FARMERS STATE BANK*
SELDEN, KS 67757

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxiliary banking facilities.

☒ Strongly Agree
☐ Agree
☐ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Signed

Kenyon

Bank STATE BANK, HEALY, KANS. 67850

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxiliary banking facilities.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Signed Nick Hoffman
Bank Nat'l Bank of America
Salina

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Our customers are individuals, not account numbers that need to be controlled by a city bank that doesn't know their needs

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Signed

Bank

[Signature]
Home State Bank
La Crosse

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Resources would tend to flow away from communities, and Management and ownership would also move from communities where the bank is located.

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Same as above

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxiliary banking facilities.

☐ Strongly Agree
☒ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

location and number of such facilities and the State law presently limits the location and number of such facilities and does not prevent the above mentioned problems.

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Signed

Bank

James E. [Signature]
Farmers State Bank, Topeka, Kas.

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

would create redistribution of capital - taking away from rural areas and concentrating in urban. - Reduces competition - harms small communities & small business and farmers.

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Same response as above - Allows large metropolitan banks to transfer deposits from rural to metropolitan areas

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxiliary banking facilities.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Perhaps in Urban areas - I feel it is not necessary in rural areas and it's actually a subversion of no branch banking statutes no one the books.

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Signed

Bank

D. DeLoach
Valley State Bank

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

*Small banks statistics show handle the bulk of ag loans & keep it local.
By concentrating money in money centers, you lose the local connection
& pulse.*

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Above.

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Could handle this

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

*Would consider, if necessary, loans in drive-ins & possibly
facilities in communities that do not currently have banks.*

Signed

Bank

[Signature]
1st Co St Bank

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☒ Agree
☐ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

This would not affect banking in general
in Kansas

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

This would hurt banks more than MBHC

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxiliary banking facilities.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

This bill would limit the growth of new
banks and lessen competition

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Signed The First State Bank
Bank Edna, KS

Art Dushar Pres.

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☒ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

I understand that CU and Savings and Loans can multibank, branch bank now.
Under deregulation it is my understanding that CUs and S&L will have full
bank powers. It seems ridiculous to not study and inform the bankers of the
advantages and disadvantages of OBHC rather than make it political.

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*
Same as above.

Of course I am not in favor of branch banking or branch CUs or S&Ls

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxiliary banking facilities.

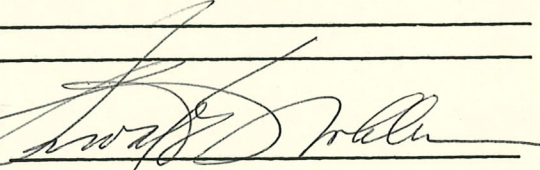
☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*
Same as above -

I don't want any competition to the present banking system. MBHCs will speed
the demise of independent banking.

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*
Stop CUs and S&Ls from branching and MBHC (it can't be done nor contemplated)

Banks must stop competing with each other and be less concerned about powers
of other banks and their restriction and recognize the greater threat.

Signed 

Bank

THE FIRST NATIONAL BANK
HARVEYVILLE, KANSAS 66431

I typed this.

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Creation of ^{MULTI}Bank Holding Companies would disrupt the stable
banking community, thus resulting in less services to the
customer at a higher price.

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

See comments on question #1.

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Unless proper safeguards are maintained, this very easily
could lead into branch banking.

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Signed

Bank

S. R. W. Hayward
FIRST STATE BANK
ELKHART, KS 67950

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

I feel we have a very strong banking system in our state at the present time. That there little to gain and much to loose in serving the people of Kansas financial needs

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Here again we have a strong viable banking system in Kansas now. I think as a whole independent ^{Banking} banks are serving Kansas more effeciently and creatively than can state wide Branching.

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

I can agree in allowing full banking services in auxillary banking facilities within city limits

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Signed

Charles V. Meyer

Bank



FIRST NATIONAL BANK
PHILLIPSBURG, KANSAS 67661

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Multibank holding companies would increase the concentration of financial resources & reduce the local decision-making for the consumer & saved money.

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxiliary banking facilities.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

None

Signed

Lester Fry

Bank

Wilmar City Bank

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

It would be hard for small Bank to compete.

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Community Banks are closer to people in their area.

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

The same as putting another Bank in the area.

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Keep as is.

Signed

Bank

Tom Chappell, Pres.
First State Bank, Okmura

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Small local institutions that are bought up by large banks loose personal control, local pride and service to the community. Parent institutions would also drain off working capital - participation loans, etc.

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

The present system of banking is taking care of the people of Kansas very efficiently - why disturb a good thing?

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

This would drive up the banks operating costs requireing added space needs, personnel, etc. These costs are ultimately passed on to the borrower.

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

None!

We need less legislation - not more!

Signed

Bank

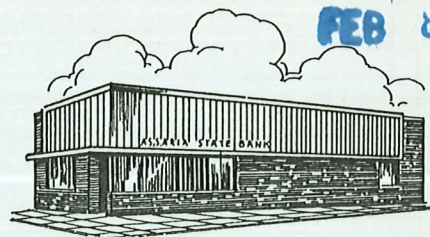
Assaria State Bank

RECEIVED

FEB 8 1983

The Assaria State Bank

Ralph Rundquist, President
Carl Rundquist, Vice President



Post Office Box 305
Assaria, Kansas 67416
Phone 913-667-2165

February 4, 1983

Senator Ben Vidricksen
Rep. Jayne Aylward
Rep. Bob Ott
Rep. Larry Turnquist

Dear friends:

Please excuse me for not writing to you individually; there are not enough hours to do everything these days. It seems that in the past four weeks, all I have accomplished is Federal and State reports.

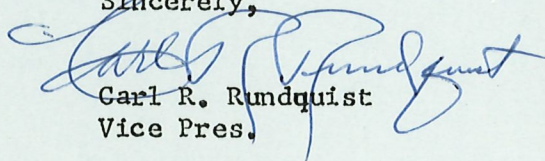
I received the enclosed "Questionnaire" to which I have made my brief comments. I was not asked to forward same to you, however I am doing so to express to you my feelings on these matters.

In addition, it seems to me that everything is geared to "bigness" and I contend that "bigness" is not "better". Look at what has happened to Graves Truck Line and Roberts Mfg; just two examples right at home. If any institution is not as profitable as it should be, "bigness" closes the shop!

You and I also know that there are two country banks and one in Salina that are owned by out-of-town interests, all three of which are very close to us. In all three cases, the acting officers of these banks cannot and will not make any major decision without the advise and consent of the owners. This then must inhibit local service, lendability, retention of profits and much more.

Thank you for listening! I know that each one of you are doing a conscientious job as you consider all of the problems of State.

Sincerely,


Carl R. Rundquist
Vice Pres.



EACH DEPOSIT INSURED TO \$40,000



QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☒ Agree
☐ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

It is coming thru Federal Regulation for Federal Savings & Loans
so to compete, Kansas should proceed with multibank holding Co.

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☒ Agree
☐ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

I don't know that it should be state-wide but certainly in the
trade area.

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☒ Agree
☐ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Again, I feel it is coming Federal regulations and there is no point
in the independents fight it any longer. We opposed these measures
for many years but it is a "new ball game" now.

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Feb 7, 1983

Signed

Edwin W. Olson

Edwin W. Olson, Pres.

Bank

Russell State Bank

Russell, Ks. 67665

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

All Country banks and small cities are doing a good job in the area
I don't need Fourth National in Wichita or any bank in Topeka
to operate my bank.

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☒ No Opinion

I have written to Roy Ehrlich
 and Buehler & Friedeman. They are personal
 Friends of mine

Regardless of your answer, please explain briefly.*

Branch Banking will also take away the country bank's freedom.
We don't want them to tell us how to run a bank or Draw funds away from us.

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Detached facilities have their purpose and giving them more Banking
Service will gradually make a full Service bank.
It just puts another bank in the area.

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Quit making more banking rules and regulations. We have enough laws.
The Federal Gov. is doing a lot of Damage. We used to have 3 banking accounts.
Now we have 7 or 8 different bank deposits.
Beaver is at the north end of Barton Co and take good care of the area.
We are a \$9,000,000.00 Total assets bank with capital of About \$1,400,000.00
loans \$120,000.00 Deposits over \$600,000.00

a Former State Representative.
 1963

Signed *Norman Perry* Pres
 Bank Farmers State Bank, Beaver, Kan 67517

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Feel that the quality of present service in many rural & small communities would be diminished.

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Would compound problems being caused by current devaluation of the industry.

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxiliary banking facilities.

☐ Strongly Agree
☐ Agree
☐ Disagree
☐ Strongly Disagree
☒ No Opinion

Regardless of your answer, please explain briefly.*

This would be a less critical issue than the above.

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

No opinion.

Signed

Bank

John C. Atkinson, Pres
Bankers State Bank

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Customers are being adequately served with present operations!
This Bank Strongly Opposes Changes That Are Not Needed!

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Same as #1

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxiliary banking facilities.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Same as #1

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

None - Same as #1

Signed

Wayne E. Temple Pres

Bank

State Bank of Burden

Box 6.

Burden, KS 67019

Tele 316 488-2212

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

This will put the small bank such as we are out of business - Small businesses must be a part of this country - we are the backbone

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Again only a few would control the money if this is allowed

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☒ Agree
☐ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

I see nothing wrong with this as long as the detached facility is not allowed to move beyond a certain distance from main bank

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

I think multibank holding companies and branch banking legislation if passed would make competition by small independent banks virtually impossible - the big ones would take care of it.

Signed Richard L. Cyprian
Bank Cedar Vale State Bank

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☒ Agree
☐ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Signed Nadine Brown, Vice Pres.
Bank Centerville State Bank

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

This is a step toward ownership of all banks in the US by
3 or 4 large banks.

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Same as #1

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

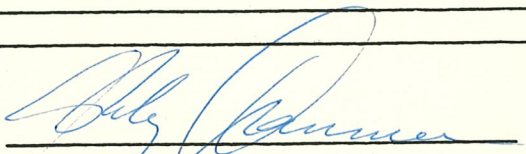
Regardless of your answer, please explain briefly.*

Same as #1

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

The Legislature should do more to encourage local ownership
and operation of local banks.

Signed



Bank The StateBank of Conway Springs

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Signed

Roman J. Duffey

Bank

Edwardsville State Bank

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

see back

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

see back

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

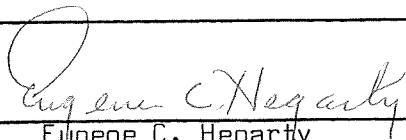
Regardless of your answer, please explain briefly.*

see back

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

see back

Signed



Bank

Eugene C. Hegarty
Farmers & Merchants State Bank
Effingham, Kansas 66023

These are difficult questions to answer. Having spent six years on the State Banking Board, I realize that the problems of the Urban Banks such as those in Northeast Jackson County, Wichita, Topeka and Kansas City are different than those in the Rural areas of Kansas. I am sure that if this bank was owned & operated by a Money Center Bank that my customers would not be as well served as they are now. The large farm operators, no doubt could be taken care of, but the smaller operator which the majority of my customers are, would have difficulty obtaining their necessary operating funds. At the same time, our competitors, such as the S & L's, Credit Unions, Sears and etc. have no restrictions as to where they operate. I don't know what is right. I have often thought that the easy way would be for me to sell out and work for somebody, where I wouldn't have to worry about such things. I know that if the community banks were owned by non-local ownership, that their primary concern would be profits and not taking care of the community, which would be good for the banking industry but not for the local people.

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

I have not heard a great outcry from the vast majority of consumers
requesting change in Kansas Banking structure.

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Any concentration of assets can lead to a concentration of power, both
political and economic.

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Not really necexxary. About the only thing that cannot be done in
detached facilities now, is make loans. (And this is being done in
some detached facilities in a circumvention of the law)

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

None

Signed

Bank

DeSoto State Bank

DeSoto, Kansas 66018

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☒ Agree
☐ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Signed

Donald G. Lentes Pres.

Bank

Union State Bank

Everest

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Banks are obligated to serve their customers on an individual basis.
MBHC's concentrate banks assets, and decrease competition. In my
opinion this is not in the interest of the customer.

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☐ Agree
☐ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Signed

EDWERT, PRES

Bank

The Farmers State Bank Highland, Ks.

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

over

THE FIRST NATIONAL BANK

Signed HOPE, KANSAS 67451

Bank John J. Camp

The present banking structure has been operating very successfully with all communities, both large and small, being served by locally owned and operated banks with the best interest of the community at "heart". To allow multi-bank holding companies or state or nation wide branching would have a tendency to "bleed" all deposits away from the rural areas into the urban and metro. areas where the deposits could be loaned nation wide or even worse, world wide, to some very financially "weak" countries that are unable to pay existing debts.

The problem with people depositing money into the "money market funds" instead of the local bank creates the same problem of deposits leaving the area that branching would create.

Check with the state of Colorado where the people were given the choice of independent banking or branch banking and see how it turned out!!!

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Allows BHC of other states to come into Kansas and monies can flow out of State to other Banks of the holding companies in other states. BHC not responsive to local consumers. One bank in our area are not making Real Estate Loans.

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Basically the same as above, monies would flow to those areas where highest return can be found - penalizing the local area unless they pay the higher rate. Consumer again limited to his choice of banking.

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☒ Agree to
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

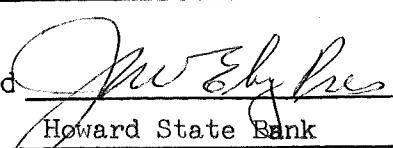
I can see a need for facilities in larger cities for consumer convenience, but feel this is just opening the door wider to county, then district, then regional then state facilities. As this grows, consumer choices become fewer, unless he pays the price. Should be limited to communities say 40,000 + in population.

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

None. Unit banking is serving the needs of the consumer; competition is there which would eventually if BHC dry up. Concentration of money in few banks would simply be terrible.

Signed

Bank


Howard State Bank

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

In the interest of better relationship with the banking customer, both borrower, and depositor, the personal relationship will definitely become more strained as centralized authority plays a larger part.

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Kansas has not suffered economically because of the failure of Banking to take of the needs, as many proponents of change have indicated.

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

This would tend to weaken the structure, because of lack of adequate qualified personel to appraise and evaluate loans, investments, and many of the other detailed operations of the bank.

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Signed

Donald L. Angert

Bank

The Bank of Kincaid, Kincaid, Kan.

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Country Banking is the true Banking Structure in Kansas - this would be a move to allowing more out Country Bank.

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Large City Banks can soon absorb up the small Banks & push them aside.

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Would be another step in letting the Big Money Banks eat up the small County Banks.

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

City Banks do no outside Banking except from a correspondent arrangement with their small banks they serve.

Signed

Bank

*Wayne Ott Pres.
Bank of Kansas*

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

WITH M.H.C.'s COMMUNITY FINANCES WOULD BE CONTROLLED
OUTSIDE OF THE COMMUNITY

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

BRANCH BANKING IS A DEVICE THAT ALLOWS A FEW PEOPLE
TO CONTROL THE WEALTH. SMALL BUSINESS AND FARMERS
WOULD HAVE DIFFICULTY GETTING FUNDS TO OPERATE.
BECAUSE OUR MONEY WOULD GO TO MEXICO, SOUTH AMERICA ETC.

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxiliary banking facilities.

☐ Strongly Agree
☒ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

THIS IS A PLOY OF THE M.H.C. + BRANCH BK PEOPLE
HOWEVER PROPERLY CONTROLLED IT WOULD BE
HELPFUL + BENEFICIAL TO CONSUMERS.

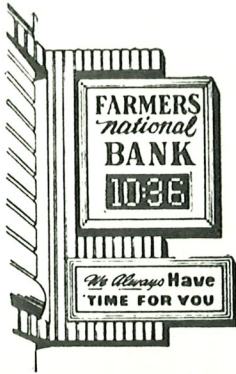
4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

I DON'T SEE ANYTHING WRONG WITH THE PRESENT
BANK STRUCTURE IF WE CAN PLAY ON A LEVEL
WITH S&Ls + CREDIT UNIONS

Signed

Bank

John M. McLaughlin
FARMERS NATIONAL BANK
LIN. COLN. KS 67455



THE FARMERS NATIONAL BANK

OF LINCOLN

LINCOLN, KANSAS 67455

Phone 913 524-4840

February 4, 1983 J .M. McREYNOLDS, President

REPRESENTATIVE CLIFF CAMPBELL
STATE CAPITOL BUILDING
TOPEKA, KS. 66612

Dear Cliff:

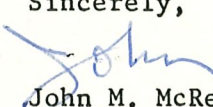
This is the time of year that the legislature starts work on bills and I know that you are busy.

Legislative hearings on branch banking are scheduled soon. And to help you understand our position on this, we are sending you some very brief responses to a questionnaire. This might help explain our attitude on banking legislation.

Branch banking and multiple holding company adherents will tell you that Kansas industry and farmers are suffering because Kansas banks do not have the bigness to take care of credit needs. This just isn't true and a study made by the Federal Reserve Bank, Kansas City, Missouri, supports this. Other studies show the farmer as receiving too much credit.

Please be assured that we appreciate your help on these matters.

Sincerely,


John M. McReynolds
President

jm/ss
enc

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Prefer Status quo.

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Prefer Status quo.

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Prefer Status Quo

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Just back off and leave things on a Status Quo basis.
The waters are muddy enough now with all else going on. The Independent system has served this state well and needs no help from Topeka legislators now.

Signed Stan Ernst, President

Bank The Madison Bank
Madison, Kansas
 66860

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Believe in Independent Banking

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☐ Agree
☐ Disagree
☐ Strongly Disagree
☒ No Opinion

Regardless of your answer, please explain briefly.*

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Signed *W. B. Biele Jr.*

Bank

THE EXCHANGE STATE BANK
MOLINE, KS 67353

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Signed

Robert E. Dawson

Bank

Farmers & Merchants Bank
Mound City Kansas

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

*I believe it would eliminate small banks
where personal knowledge of the people is desired
and be beneficial to the community*

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Signed

Luella Moran

Bank

The Oklahoma State Bank

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☒ Agree /slightly
☐ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

I have no objection to multibank holding company legislation provided that a
restriction is placed on the number of banks in a Kansas BHC be no more than
five nor the total assets involved in the BHC amount to no more than
\$1,000 MM. These restrictions prevent concentration of monetary power.

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☒ Agree /slightly
☐ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Consumer loans up to \$25,000. should be allowed to be made at detached
facilities.

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Signed 

Bank THE BANK OF COMMERCE & TRUST CO.

Wellington

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

multibank holding companies would only worsen the ag lending function by moving money upstream for more profitable loans.

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

I believe unit banking serves the rural section of our economy best.

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☒ Agree
☐ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

I agree as long as detached facilities remain within city limits.

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Signed

James W. Puckett

Bank

Bank of Newtonville

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

*The Independent Bank is the way to keep safe
Competitive banking for Kansas Citizens.*

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

*Eventually you will lose competition and everyone
one will suffer at the expense of the Big City Money Banks!*

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

This is just a step in the direction of Branch banking.

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

None

Dear Bert & Jim

We hope you both agree with all of the
 Bankers in your districts.
 Thanks for your Help!
 CC: Bert De Baus
 Jim Allen

Signed Mar J. Mieser, Pres
 Bank KANSAS STATE BANK
OVERBROOK, KS. 66524

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

see answer to # 2, multibank holding companies would probably not create
as severe a problem as would branch banking.

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

We feel the use of this banking structure would draw funds out of the
rural areas, making loans in these areas more expensive, less available
or both.

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☒ Agree
☐ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Since the law has allowed the facilities they may as well be used. It
will be more convenient for residents near the detached facility.

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

We have gotten along with unit banking for many years, is there really
a need for any change? Bankers tend to be protective, this would be
a good question to ask their customers, if they feel they are getting
good service, don't mess with it.

Signed



Bank

Peabody State Bank

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Too much centralization of deposits with resulting loss of personal
contact and ability to serve on a local basis.

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Same as above on # 1.

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*


For all practical purposes, most detached services are already managing
th provide the above-mentions services in some guise. Just as well
make it legal.

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Strongly oppose the proposed centralization of filing of Financing
statements. Would make any reasonable search almost impossible.

Signed

Bank


Sedgwick State Bank

Sedgwick, Kansas 67135

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

It is believed that it will lead to undesirable concentration of economic power

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

same objections apply to branching that apply to multibank holding

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxiliary banking facilities.

☐ Strongly Agree
☒ Agree
☐ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Signed

Bank

William A. Sement Jr.
Sedan State Bank
Sedan, Kans

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☒ Strongly Agree
☐ Agree
☐ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Signed

Bank

George W. Clark
Shorn Valley State Bank

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

PUBLIC DOES NOT DEMAND FORMATION OF THIS

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

SAME AS #1

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

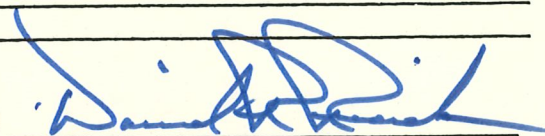
☒ Strongly Agree
☐ Agree
☐ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

GOOD ALTERNATIVE TO BRANCH BANKING

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Signed



Bank

SOLOMON ST. BANK

(

- ☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

- ☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

- ☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

- [Handwritten signature]*

Bank

3 Debra M. C.
Debra M. C. Bank

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

I believe that the banks in Kansas are servicing their customers very well.

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Why should outside interest be allowed to take Kansas dollars to other states this is what would happen. Branch Banking & Multibank holding Co. are usually owned by outstate.

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxiliary banking facilities.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

What is wrong with what we have. State Bank charters are still available to those who want to do the work.

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Why do we need any alternatives. The present structure is confusing enough with the Federal government fakes. The State Legislature should be on the side of independence not compliance.

Signed

Bank

Larry L. Walker
Squire State Bank

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

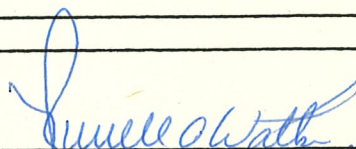
3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Signed



Bank



QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

*Will lead to control of credit - prefer to branch bank-
ing*

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

*Branching is more central control than multibank
holding companies*

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxiliary banking facilities.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

*Would create city wide branching if
all functions were offered in facilities*

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

*Anything that would ease bank cooperation
for use of bank cards - interchange of facilities
using R.T.M. Is a very difficult problem since
Federal legislation has hampered small
institutions - S & L & Credit Unions have no
restrictions*

Signed

Bank

Walter W. Reynolds
FIRST STATE BANK & TRUST CO. TOPEKA, KANSAS

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

It is already evident what kind of power & control the existing holding companies have with the 25% limit - the personal service provided by the small banks would be lost.

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

Once again, personal service provided by the small independent bank would be lost.

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxiliary banking facilities.

☐ Strongly Agree
☐ Agree
☒ Disagree
☐ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.*

This was not the original intention of the detached facility.

4. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Leave them as they are

Signed

Randolph West, EVP
Bank *Farmers State Bank*
Walnut, Kansas
66780

QUESTIONNAIRE

1. Banking structure in Kansas should be changed by the Legislature to allow for the creation and operation of multibank holding companies.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.* A network of strong city-center big banks will spread its tentacles out across this State and the cash resources of our communities will be found to go in the direction of the big cities and big banks. To cities which have no claim on our depositor's deposit. Don't swallow that line that these people will buy 80% of the bank and let the home folks make the decisions.

2. Banking structure in Kansas should be changed by the Legislature to allow for statewide branch banking.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

Regardless of your answer, please explain briefly.* The same thing will occur. It will just cost the big banks less money to get their paws on country deposits.

3. Banking structure in Kansas should be changed by the Legislature to allow full banking services to be provided in detached auxillary banking facilities.

☐ Strongly Agree
☐ Agree
☐ Disagree
☒ Strongly Disagree
☐ No Opinion

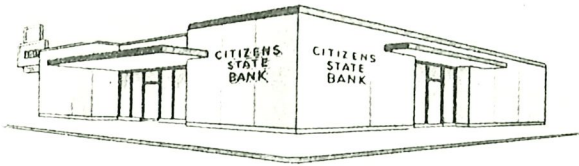
Regardless of your answer, please explain briefly.*

4. If you do this you must address it as full branching. You will have, in the beginning, city-wide branching and every session of the legislature will be involved in enlarging the area of the big bank's operation until you will have State-wide branching. In fact, if you pass city wide branching, State-wide branching is only a hair's breadth away. What other alternatives to existing bank structure should be considered by the Legislature. List and explain briefly.*

Every city or community or area within a city which wants a bank has, under present law, the privilege of having one. But the proponents of change have so confused the issue that few charter applications are being received. Should you look favorably upon branching and multi-bank holding companies, then you will see an increase in charter applications. There are a lot of go-go boys already primed for the takeover and there will be some more come out of the woodwork. Start a bank, let it flounder around for awhile and then give it a hell of a selling to the multi-bank holding companies or the branching banks.

Signed _____

Bank Montezuma State Bank



The Citizens State Bank

ESTABLISHED 1888

ST. FRANCIS, KANSAS 67756

February 8, 1983

RECEIVED

FEB 11 1983

Rep. Mike Hayden
Speaker of the House
Capitol Building
Topeka, Kansas 66612

Dear Mike:

Several months ago I received a questionnaire from the KIBA and on this questionnaire they were asking questions concerning multibank holding companies. Evidently I answered this question indicating that I would be in favor of multibank holding companies. You know, however, from our past discussions on the telephone that I am not in favor of multibank holding companies and I would like to go on the record now indicating my position on the matter.

I do appreciate the stability and sound judgement that you are bringing to your office. If I can ever be of any service to you, please feel free to call on me.

Yours Sincerely,

Ronald R. Loudon
President

cc: Pete McGill & Associates

RL/red

first national bank of glasco

Glasco, Kansas 67445

2-14-83

Mr. Cliff Campbell
HOUSE OF REPRESENTATIVES
State Capital Building
Topeka, Kansas 66612

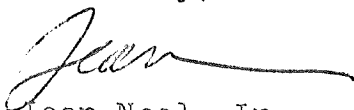
Dear Cliff,

It has been brought to my attention that on a recent survey this bank indicated our support for multibank holding companies for the state of Kansas. It has also been brought to my attention that the results of this survey are in the hands of legislators working on this issue.

This had to be checked in error on our part. While we are not as adamant as many, I do not want to be counted among those being listed as being in favor of this change at this time. We remain in the "independent" camp at this time.

Please note this position and please contact me if you have any questions regarding this matter. As always, I enjoy chatting with you about any of the issues before you

Sincerely,



Jean Noel, Jr.

cc: Bill Fuller ✓

Multi-bank Holding Companies
and
Their Potential Impact on Kansas

A Position Paper
Presented to the 1983 Kansas Legislature
on Behalf of
The Kansas Independent Bankers Association
by
Pete McGill & Associates

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Executive Summary

Kansas legislators should be aware:

1. Not one consumer of banking services from Kansas purporting to represent bank consumers testified in favor of multibank holding companies. All supposed consumers testifying on behalf of MBHCs during the interim were Presidents of multi-million dollar corporations. Mr. Robert Brock, of Brock Hotel Corporation, said after questioning, that his decision to move his enterprises to Dallas, Texas, did not come as a result of an inability to get business financing in Kansas.

2. No statistics were presented the interim committee conclusively showing the Kansas economy is better assisted by introduction and formation of MBHCs.

3. Not one agricultural, labor or consumer organization, testified in favor of changing Kansas bank structure laws.

4. All other proponent witnesses were either bankers, or employees or paid consultants of banks.

5. The Bankers Survey commissioned by the interim committee showed a solid majority of the bankers in Kansas responding to the survey did not favor multibank holding companies. (See Appendix "F")

6. An even greater majority of bankers responding to the interim committee survey on bank structure did not favor statewide branch banking. (See Appendix "F")

7. Consumers without banking interests did testify to the interim committee—against the multibank holding company proposal.

8. With the new federal legislation of 1982, it is too early to make sweeping changes in bank structure laws. Kansas bankers need to see what effect the 1982 Garn-St. Germaine bill will have on their industry.

Kansas Agriculture Against Multibanking

Proponents of multibank holding companies argue that MBHCs will help support and adequately finance Kansas agriculture.

Why then have the following farm organizations included resolutions against Multibank Holding Companies?

Their resolutions opposing MBHCs follow.

Kansas Farm Organizations
Resolutions Against
Multibank Holding Companies

The KAWG opposes multibank holding and branch banking. The small town bank is the backbone of farm credit. They are best suited to serve the needs of the average farmer. Branch banking poses a threat to all small town banks and farmers they service.

-- Kansas Association of Wheat Growers, passed during their 1982 Convention

We believe there should be no further development of detached facilities or services by banks or other financial institutions. We are opposed to branch banking and to the acquisition of banks or other financial institutions by multi-bank holding companies.

— Kansas Farm Bureau; Adopted 12/82 at their convention

WHEREAS; Kansas prohibits branch banking and multibank holding company structures; and WHEREAS, small town Kansas banks are vital to the Agricultural interest of the state of Kansas; BE IT RESOLVED: United Farm Wives of America, Inc. (Kansas) opposes allowing this form of banking in Kansas and will work for retention of the unit banking system in Kansas.

— Kansas Chapter, United Farm Wives of America; adopted 11/82 in convention

We oppose multibank holding companies, branch banking and chain banking.

— Kansas Farmers Union; adopted 1/82 in their convention

Who Wants Multibank Holding Companies?

1. A few bankers who believe their banks (and their influence in the state) will grow and be enhanced if MBHCs are allowed.
2. A few bankers who want to make larger and larger loans to bigger corporate customers, and who do not want to use the correspondent banking system to make these overline loans. They admit in their testimony that they want to keep more banking profits to themselves.
3. Out of State banking interests, notably Missouri, who lent their "consultants" to the Kansas proponents for purposes of testimony during the summer of 1982. See Appendix "I."
4. Some small bank stockholders who want to sell their banks and who believe that MBHCs would provide the best market for their banks.

What is Bank Structure?

"Bank Structure" describes the methods used by bank managers and owners to "control" financial institutions and their financial policies. Several terms pertinent to the issue of multibank holding companies are discussed at the beginning of the 1982 Interim Report on Proposal #7, concerning structure of financial institutions. Several need to be clarified.

Chain Banking is the ownership or control of two or more banks by one individual or group of individuals. Sometimes these owners live outside Kansas. MBHC proponents argue there is no difference between "chain banking" and multibank holding companies.

There are, however, important differences. Chain banks are each individually purchased through separate financing arrangements. This insures there is actual capital in the bank. MBHCs acquire their affiliate banks through stock swaps, and there is rarely any cash involved in the transaction.

Under the current unit banking structure, control of the bank--i.e. setting loan policies, limits, costs for services--is decided by the unit bank's board of directors which typically are local individuals.

If the chain-owned bank is sold, it is often purchased by other local stockholders where the bank is chartered.

Multibank systems, on the other hand, control bank policies from a central institution often miles away from local affiliate banks. Few "control" decisions are made locally for that affiliate bank.

And, once sold into "MBHC affiliate" status, a MBHC affiliate bank is hardly ever resold to local investors to become a community owned bank again. Because affiliate banks remain in MBHC "servitude" forever (or until they are unprofitable), the opportunity for individual Kansans to own profitable banks diminish. Subsequent buyers of affiliate banks of existing holding companies are almost always other multibank holding companies.

Conclusions of the Interim Committee

The conclusions of the Interim Committee are presented here, and Independent Banking arguments against each conclusion is blocked below each paragraph. The interim committee's reasoning to repeal multibank holding company prohibitions included:

1. "Permissive legislation to allow multibank holding companies in Kansas would provide for increased utilization of financial resources, such utilization could significantly enhance and support economic growth and development in our state." (emphasis ours)

At the beginning of the summer interim study—aware of proponent claims in this regard--independent bankers simply asked the committee to require proponents to statistically prove this assertion. Banking is so strongly regulated that the ability of one bank to "significantly enhance" banking services to customers is quite limited. Proponents did not offer such statistics because such statistics are unavailable. As committee

staff stated in June, 1982, every state that has implemented MBHCs has done so without any empirical evidence that the change would be good or bad for the state.

Independent bankers offered statistics from several states showing various indices of economic growth, and the economic health of neighboring states were lower in MBHC states than in Kansas. See Appendix "A".

2. "Multibank holding companies would provide Kansas consumers enhancements to their existing banking services and more services because of a greater consumer base of demand and greater expertise of multibank holding companies." (Emphasis ours)

There is not one single service a multi-bank holding company bank can perform for its customers that an independent bank cannot perform using the correspondent banking system, and that includes making large loans to credit-worthy customers.

No information was provided to the interim committee in support of this contention.

3. "Multibank holding companies would allow a more competitive environment of financial services which in turn would benefit the consumer and the support and development of Kansas businesses."

If this argument were true, those states which already have multibank holding companies

would already enjoy this "competitive environment" and the banking system would already foster the growth of local businesses.

Missouri, which has multibank holding companies, has in the past few years seen many Kansas City area businesses "cross the line" and relocate in Johnson County, Kansas. Obviously, the MBHC structure of Missouri is unable to make a significant contribution toward keeping Missouri businesses from moving into Kansas. Why would Kansas want that type of banking system here? Could it be the Missouri interests who would like to see MBHCs in Kansas feel they could "follow their customers" better?

See also Appendix "A" which indicates many MBHC states, including Missouri, trail Kansas in per capita loans to consumers and farmers.

4. "Multibank holding companies would provide greater parity between Kansas Banks and other financial institutions and corporations offering financial services. With recent developments in federal legislation and deregulation, a continuance of multi-bank holding company restrictive legislation would place an unfair and unnecessary burden on the banking industry."

Similar "Chicken-Little" arguments have been used for twenty years to justify MBHCs in

Kansas.

If this argument were true, it stands to reason that MBHC banks in states such as Missouri or Colorado which have multibank holding companies should not concern themselves with federal deregulation, since their "structure" difference from what we have in Kansas will make them competitive.

Yet we see the contrary happening.

Even Bankers who are part of MBHC state systems argue loud and long against certain portions of the new federal law.

"Deregulation of banking" and "bank structure" are not the same! The former refers to the method by which banking is conducted; the latter determines the type and style of ownership of banks.

The "deregulation" argument is used to confuse consumers, not justify the MBHC issue.

5. "Multibank holding company law would recognize by statute the type of bank structure which already exists through the ability of individuals and one-bank holding companies to own or control unlimited numbers of banks either separately or through voting stock arrangements with other one-bank holding companies or individuals."

If those who "chain bank" individually or corporately have all the benefits of owning a MBHC, and chain banking is legal in Kansas,

then why do Kansas bankers say they need Multibank holding companies?

The claim that chain bank ownership and MBHCs are the same is false. If there really is no difference in these structures, why should Kansas bankers be worried about setting up a MBHC system in place of Independent banking?

While it is true that individuals can control more than one Kansas bank, each such chain bank is separately incorporated and in most instances separately managed. Each chain bank has separate capitalization requirements to insure that there is adequate capital in the bank to protect bank customers and the assets of one bank cannot be used to purchase another (except bonafide full-value stock loans to officers, which is strictly regulated as to amount by FDIC). Each chain bank is independently audited and regulated by FDIC and the state or federal banking regulators. Even if a person corporately owns more than one bank, each is individually managed often with separate officers and employees. When it comes time to be sold, each chain-owned bank can be individually sold to local businessmen or minority bank stockholders which may keep local control of the bank and its financial

resources.

Multibank holding companies, however, act just the opposite of chain banking and have none of the virtues of local management and control.

The interim committee did hear testimony—from the bankers themselves—that they did not care what the law was on MBHCs in Kansas, that they were going to "go around" its clear prohibition and construct "paper" multibank holding companies through the formation of tiers of single bank holding companies each owning parts of several banks. The Legislative intent of the 1957 Kansas law prohibiting MBHCs was clear. The legislature would not allow other businesses to thumb their nose at clear legislative intent.

If there are ambiguities in the current law, the law should be strengthened, not abandoned.

If the legislature wants a banking system which will meet the needs of agriculture and small businessmen, which is the backbone of the state's economy, then the banking system should reflect that type of philosophy. Independent unit banking accomplishes support for those industries far better than multibank holding companies, many who see agriculture as "high risk" loan areas, and whose bias is generally towards big corporate borrowers. See Appendixes "B" and "C".

Appendix "A"

Bank Performance for Customers Various Domestic Deposit and Loan Figures As of December 31, 1980

| <u>STATE</u> | <u>Banking Structure</u> | <u>Population 12/31/71</u> | <u>Per Capita</u> | | <u>Per Capita</u> | | <u>** % Growth Deposits</u> |
|--------------|--------------------------|----------------------------|--------------------------|----------------------------|--------------------------|--|-----------------------------|
| | | | <u>Deposits 12/31/71</u> | <u>Population 12/31/80</u> | <u>Deposits 12/31/80</u> | | |
| ILL | Unit* | 11.1 mil. | \$3,468 | 11.4 mil. | \$7,114 | | 105% |
| CA | MBHC | 20.0 mil. | 2,730 | 23.7 mil. | 5,793 | | 112% |
| NY | BB/MBHC | 18.2 mil. | 4,857 | 17.6 mil. | 9,823 | | 102% |
| MICH | BB/MBHC | 8.9 mil. | 2,595 | 9.3 mil. | 4,483 | | 73% |
| OHIO | BB/MBHC | 10.7 mil. | 2,205 | 10.8 mil. | 3,925 | | 78% |
| TEXAS | MBHC | 11.2 mil. | 2,669 | 14.2 mil. | 6,302 | | 136% |
| KANSAS | Unit | 2.2 mil. | 2,545 | 2.4 mil. | 5,875 | | 131% |
| COLO. | MBHC | 2.2 mil. | 2,272 | 2.9 mil. | 4,620 | | 103% |
| MO. | MBHC | 4.7 mil. | 2,702 | 4.9 mil. | 5,510 | | 104% |
| WASH | BB/MBHC | 3.4 mil. | 1,794 | 4.1 mil. | 4,219 | | 135% |
| SCar | BB/MBHC | 2.6 mil. | 1,076 | 3.1 mil. | 2,032 | | 88% |
| Ariz. | BB/MBHC | 1.8 mil. | 2,388 | 2.7 mil. | 4,185 | | 75% |

| ----- PER CAPITA ----- | | | | | | |
|------------------------|---------------|---------------|-------------|----------------------------|--|----------------------------|
| | <u>1970</u> | <u>1980</u> | <u>%</u> | <u>Auto Loans 12/31/80</u> | <u>Individual, Personal & Farm Loans</u> | |
| | <u>INCOME</u> | <u>INCOME</u> | <u>INC.</u> | | <u>Household 12/31/80</u> | <u>Farm Loans 12/31/80</u> |
| Ill: | \$4,446 | \$10,658 | 140% | \$272 | \$1,233 | \$186 |
| CA | 4,423 | 10,856 | 145% | 287 | 1,291 | 120 |
| NY | 4,605 | 10,143 | 120% | 190 | 1,363 | 38 |
| MICH | 4,041 | 9,847 | 144% | 255 | 928 | 42 |
| OHIO | 3,949 | 9,398 | 138% | 314 | 1,130 | 44 |
| TEXAS | 3,507 | 9,513 | 171% | 382 | 1,302 | 165 |
| KANSAS | 3,725 | 9,958 | 167% | 287 | 1,228 | 840 |
| COLO. | 3,838 | 9,964 | 159% | 254 | 1,211 | 254 |
| MO. | 3,654 | 8,846 | 142% | 278 | 1,046 | 263 |
| WASH | 3,997 | 10,363 | 159% | 199 | 1,102 | 136 |
| SCar | 2,951 | 7,519 | 154% | 254 | 770 | 25 |
| Ariz. | 3,614 | 8,649 | 139% | 285 | 1,132 | 160 |

*Illinois went into the MBHC column in 1981. Through the 1970s, it was an independent unit banking state.

**Is not factored for the impact inflation had on deposit growth during the decade.

Sources: US Dept of Commerce, Commerce News, Bureau of Economic Analysis, Publ BEA 81-25, May 3, 1981. 1979 BAI Index of Bank Performance. 1980 Bank Operating Statistics Manual, FDIC, Washington, DC. Assets & Liabilities of Commercial & Mutual Savings Banks, FDIC, Washington, DC, December, 1979

Partial Comparisons

| STATE | Employment (in thousands) | | % Change | % Unem- ployment 1980 |
|--------|------------------------------|------|-------------|--------------------------------|
| | 1976 | 1980 | | |
| | | | | |
| ILL | 5060 | 4993 | -1.3% | 9.0% |
| MICH | 4000 | 3757 | -6.1% | 14.4% |
| OHIO | 4731 | 4660 | -1.5% | 9.1% |
| TEXAS | 5578 | 6075 | 8.9% | 5.5% |
| KANSAS | 1080 | 1145 | 6.0% | 4.6% |
| MO. | 2130 | 2134 | 0.2% | 7.5% |

Sources: US Dept of Commerce, Commerce News, Bureau of Economic Analysis, Publ BEA 81-25, May 3, 1981.

Ratio of Growth of Deposits Compared with Growth of Population 1970 to 1980

| | |
|--------|------|
| ILL | 0.75 |
| CA | 0.93 |
| NY | 0.85 |
| MICH | 0.51 |
| OHIO | 0.56 |
| TEXAS | 0.79 |
| KANSAS | 0.78 |
| COLO. | 0.65 |
| MO. | 0.73 |
| WASH | 0.84 |
| SCar | 0.57 |
| Ariz. | 0.54 |

| | Population Growth <u>1970-1980</u> | 1980 Per Capita | | 1980 |
|--------|---------------------------------------|--|---|--|
| | | 1980 Per capita Auto Loans to Per Capita | Individual & Household to 1980 Per Capita Income | per Capita Farm Loans to 1980 Per Capita Income |
| | | <u>1980 Income</u> | <u>Capita Income</u> | <u>Capita Income</u> |
| ILL | 2.7% | 2.55% | 11.56% | 1.74% |
| CA | 18.5% | 2.64% | 11.89% | 1.10% |
| NY | -3.2% | 1.87% | 13.43% | 0.37% |
| MICH | 4.5% | 2.58% | 9.56% | 0.42% |
| OHIO | 0.1% | 3.34% | 12.02% | 0.46% |
| TEXAS | 26.8% | 4.01% | 13.68% | 1.73% |
| KANSAS | 9.1% | 2.88% | 12.33% | 8.43% |
| COLO. | 31.8% | 2.54% | 12.15% | 2.54% |
| MO. | 4.2% | 3.14% | 11.79% | 2.97% |
| WASH | 20.5% | 1.92% | 10.63% | 1.31% |
| SCar | 19.2% | 3.37% | 10.24% | 0.33% |
| Ariz. | 50.0% | 3.29% | 13.08% | 1.85% |

Appendix "B"

Background:

In 1970, the Board of Governors of the Federal Reserve Study committee on rural banking commissioned a study on the differences in providing banking services to rural banking customers. The report was 5 years in the making and released in June, 1975, entitled "Improved Fund Availability at Rural Banks." It dealt heavily with funding availability in rural banks.

The impact of bank structure on rural funding of agriculture was one of the areas addressed. Selected excerpts of that study that deal specifically with bank structure and its impact follow.

Gene D. Sullivan, Federal Reserve Bank of Atlanta

IMPACT OF HOLDING COMPANIES ON FARM LENDING BY BANKS IN FLORIDA

In States that prohibit or limit branching by banks, multibank holding companies are often formed to enlarge banking resources under one ownership and to enter new market areas. Because Florida does not permit branching, the formation and expansion of holding companies became a prominent feature of banking in that State after passage of the Bank Holding Company Act in 1956. By the end of 1969, Florida had accounted for about one-sixth of the holding company decisions rendered by the Board of Governors of the Federal Reserve System under that Act.

Formation of a holding company, in effect, places several formerly independent banks under one ownership. If the consolidation of ownership is accompanied by centralization of management, the former pattern of lending of the institutions could be altered. This study examines the impact on the allocation of loanable funds between the farm and nonfarm sectors.

The analysis was based on call report data for all Florida banks as of June 30 of each year from 1962 through 1970. In order to identify differences in patterns of loan growth, both total loans and agricultural loans outstanding at holding company banks were compared with those of independent banks located within each of four relatively homogeneous agricultural areas.

ANALYSIS BY FARMING AREA

CITRUS FARMING AREA

Of the 64 banks organized into holding companies between 1962 and 1969, 43 were located in the citrus farming area in the central portion of the State. Table 1 compares loan data for 1962-70 from banks that joined holding companies during 1962-69 with loan data from other banks in the region. Total loans at both groups of banks increased throughout the period. However, farm loan volume behaved quite differently. Farm loans in the holding company group reached a peak in 1966 and then declined substantially by 1970, whereas farm loans at other banks rose in every year except 1969.

The decline of \$6.4 million in farm loans at holding company banks from 1966 to 1970, while farm loans at other banks increased by \$21.9 million, suggests that farm lending policies or attitudes of the two groups differed during this period. Although some holding company banks did show an uninterrupted increase in farm loan volume, more than half of the banks acquired by holding companies registered a decline in such loans during the first full year following the acquisition. The decrease in total

Table 1
BANK LOANS IN FLORIDA, 1962-70

(Amounts in millions of dollars; ratios in per cent)

| June 30— | All banks | | | Holding company banks ¹ | | | Other banks | | |
|----------------------------------|-----------|------|---------------|------------------------------------|------|---------------|-------------|------|---------------|
| | Total | Farm | Farm Total | Total | Farm | Farm Total | Total | Farm | Farm Total |
| Citrus farming area | | | | | | | | | |
| 1962..... | 1,122.7 | 38.6 | 3.4 | 336.9 | 9.5 | 2.8 | 785.8 | 29.1 | 3.7 |
| 1963..... | 1,283.9 | 46.9 | 3.6 | 376.7 | 12.5 | 3.3 | 907.2 | 34.4 | 3.8 |
| 1964..... | 1,544.4 | 55.7 | 3.6 | 454.3 | 17.8 | 3.9 | 1,090.1 | 37.9 | 3.5 |
| 1965..... | 1,733.8 | 62.6 | 3.6 | 516.6 | 19.4 | 3.8 | 1,217.2 | 43.2 | 3.5 |
| 1966..... | 1,948.6 | 76.1 | 3.9 | 575.1 | 25.9 | 4.5 | 1,373.5 | 50.2 | 3.7 |
| 1967..... | 2,108.3 | 83.9 | 4.0 | 595.3 | 24.3 | 4.1 | 1,513.0 | 59.6 | 3.9 |
| 1968..... | 2,313.2 | 93.1 | 4.0 | 672.4 | 25.5 | 3.8 | 1,640.8 | 67.6 | 4.1 |
| 1969..... | 2,734.8 | 88.5 | 3.2 | 778.7 | 21.2 | 2.7 | 1,956.1 | 67.3 | 3.4 |
| 1970..... | 2,885.1 | 91.6 | 3.2 | 814.6 | 19.5 | 2.4 | 2,070.5 | 72.1 | 3.5 |
| Winter truck farming area | | | | | | | | | |
| 1962..... | 938.6 | 14.8 | 1.6 | 264.2 | 2.7 | 1.0 | 674.4 | 12.1 | 1.8 |
| 1963..... | 1,059.3 | 20.2 | 1.9 | 286.0 | 4.7 | 1.6 | 773.3 | 15.5 | 2.0 |
| 1964..... | 1,252.8 | 25.4 | 2.0 | 325.0 | 5.4 | 1.7 | 927.8 | 20.0 | 2.2 |
| 1965..... | 1,502.6 | 28.2 | 1.9 | 388.0 | 5.0 | 1.3 | 1,114.6 | 23.2 | 2.1 |
| 1966..... | 1,729.4 | 26.5 | 1.5 | 442.7 | 4.3 | 1.0 | 1,286.7 | 22.2 | 1.7 |
| 1967..... | 1,891.7 | 30.6 | 1.6 | 483.5 | 6.0 | 1.2 | 1,408.2 | 24.6 | 1.7 |
| 1968..... | 2,169.7 | 45.1 | 2.1 | 532.3 | 10.4 | 2.0 | 1,637.4 | 34.7 | 2.1 |
| 1969..... | 2,712.0 | 43.6 | 1.6 | 646.3 | 9.7 | 1.5 | 2,065.7 | 33.9 | 1.6 |
| 1970..... | 2,937.2 | 35.8 | 1.2 | 684.1 | 6.2 | .9 | 2,253.1 | 29.6 | 1.3 |
| Flatwoods farming area | | | | | | | | | |
| 1962..... | 53.2 | 7.5 | 14.0 | 29.6 | 2.3 | 7.8 | 23.6 | 5.2 | 22.0 |
| 1963..... | 60.8 | 9.6 | 15.7 | 33.3 | 2.9 | 8.7 | 27.5 | 6.7 | 24.4 |
| 1964..... | 70.1 | 11.3 | 16.2 | 38.5 | 3.1 | 8.1 | 31.6 | 8.2 | 25.9 |
| 1965..... | 77.5 | 11.7 | 15.1 | 41.4 | 3.0 | 7.3 | 36.1 | 8.7 | 24.1 |
| 1966..... | 87.0 | 13.3 | 15.3 | 46.7 | 3.3 | 7.1 | 40.3 | 10.0 | 24.8 |
| 1967..... | 94.5 | 13.4 | 14.2 | 50.5 | 3.9 | 7.7 | 44.0 | 9.5 | 21.6 |
| 1968..... | 110.3 | 17.3 | 15.6 | 59.3 | 6.2 | 10.5 | 51.0 | 11.1 | 21.8 |
| 1969..... | 126.7 | 17.1 | 13.5 | 64.9 | 4.2 | 6.5 | 61.8 | 12.9 | 20.9 |
| 1970..... | 137.7 | 16.9 | 12.3 | 68.9 | 4.1 | 6.0 | 68.8 | 12.8 | 18.6 |
| Lower coastal plain farming area | | | | | | | | | |
| 1962..... | 125.9 | 10.5 | 8.3 | 36.1 | 1.0 | 2.8 | 89.8 | 9.5 | 10.6 |
| 1963..... | 144.6 | 12.6 | 8.7 | 42.3 | 1.0 | 2.4 | 102.3 | 11.6 | 11.3 |
| 1964..... | 174.3 | 14.5 | 8.3 | 52.9 | 1.3 | 2.5 | 121.4 | 13.2 | 10.9 |
| 1965..... | 205.0 | 17.3 | 8.4 | 62.7 | 1.4 | 2.2 | 142.3 | 15.9 | 11.2 |
| 1966..... | 234.0 | 18.4 | 7.9 | 70.4 | 1.7 | 2.4 | 163.6 | 16.7 | 10.2 |
| 1967..... | 257.6 | 20.6 | 8.0 | 75.9 | 1.8 | 2.4 | 181.7 | 18.8 | 10.3 |
| 1968..... | 297.0 | 21.9 | 7.4 | 85.5 | 1.6 | 1.9 | 211.5 | 20.3 | 9.6 |
| 1969..... | 355.3 | 24.4 | 6.9 | 90.6 | 1.6 | 1.8 | 264.8 | 22.8 | 8.6 |
| 1970..... | 394.9 | 26.4 | 6.7 | 96.6 | 1.4 | 1.4 | 298.3 | 25.0 | 8.4 |

¹ Holding company banks in the citrus farming area and the winter truck farming area joined their respective holding companies between 1962 and 1969. Banks belonging to holding companies in the flatwoods farming area and the lower coastal plain farming area joined before 1970.

farm loan volume at the holding company group followed the period, in mid-decade, when a majority of these banks first became members of holding companies.

WINTER TRUCK FARMING AREA

In the winter truck farming area at the southern end of the State, 15 banks became

members of holding companies between 1962 and 1969. At both holding company and other banks, farm loan volume reached a peak in 1968 and then declined in both 1969 and 1970, while total loans continued to increase. The relative drop, however, was much sharper at the holding company group, where farm loans decreased from 2.0 per cent to 0.9 per cent of total loans.

FLATWOODS FARMING AREA

By the end of 1969, only six banks in the flatwoods farming area were affiliated with holding companies. As Table 1 indicates, however, these banks had total loans about equal to those of the other 19 banks in the area, but farm loans were a relatively less important component of their loan portfolios.

Over the period as a whole, farm loan volume grew somewhat more slowly at the holding company banks. Total loan volume at both groups rose steadily at a faster pace than the farm loans.

LOWER COASTAL PLAIN FARMING AREA

In the lower coastal plain farming area, which comprises the northwest part of the State, 11 banks were members of holding companies by 1969, 5 of them having joined after 1961. All 11 banks are included in the holding company group for this analysis.

At both the holding company and independent banks in this area, total loans grew much faster than farm loans; therefore for each group the ratio of farm loans to total loans dropped by about one-half. In the holding company group, however, farm loan volume reached a

peak in 1967 and then declined. In sharp contrast, farm loans at the independent banks continued to increase during every year of the study period.

COMPARISON BY YEAR OF HOLDING COMPANY AFFILIATION

Additional evidence that affiliation with holding companies tended to reduce farm lending activity is obtained when the holding company banks are classified according to their initial year of operation as a member of a holding company. Table 2 shows the 1962-70 loan record for banks that first operated as members of holding companies in 1967, 1968, and 1969. These three groups included 19, 10, and 18 banks, respectively.

In both the 1967 and the 1968 groups, the peak volume of agricultural loans coincided with the year of their change in organizational status. For banks first affiliated in 1969, farm loan volume in both that year and the next was lower than in the five preceding years. Meanwhile, at each of the groups total loans continued to increase at a rapid rate.

Table 2
LOANS AT BANKS GROUPED BY YEAR OF AFFILIATION
WITH A HOLDING COMPANY

(Amounts in millions of dollars; ratios in per cent)

| June 30— | Affiliated in— | | | | | | | | |
|-----------|----------------|------|---------------|-------|------|---------------|-------|------|---------------|
| | 1967 | | | 1968 | | | 1969 | | |
| | Total | Farm | Farm Total | Total | Farm | Farm Total | Total | Farm | Farm Total |
| 1962..... | 121.4 | 3.6 | 3.0 | 136.1 | 1.3 | .9 | 139.0 | 6.7 | 4.8 |
| 1963..... | 136.2 | 4.1 | 3.0 | 153.8 | 2.0 | 1.3 | 155.9 | 8.7 | 5.6 |
| 1964..... | 163.5 | 4.2 | 2.5 | 176.4 | 1.8 | 1.0 | 188.2 | 14.0 | 7.5 |
| 1965..... | 185.0 | 4.6 | 2.5 | 187.9 | 2.8 | 1.5 | 219.5 | 14.1 | 6.4 |
| 1966..... | 201.2 | 5.6 | 2.8 | 209.3 | 5.2 | 2.5 | 242.0 | 17.4 | 7.2 |
| 1967..... | 213.0 | 6.3 | 2.9 | 217.3 | 5.1 | 2.3 | 250.7 | 15.5 | 6.2 |
| 1968..... | 246.8 | 5.7 | 2.3 | 243.7 | 5.8 | 2.4 | 278.8 | 17.5 | 6.3 |
| 1969..... | 284.0 | 6.0 | 2.1 | 274.6 | 4.3 | 1.6 | 316.8 | 13.5 | 4.3 |
| 1970..... | 308.4 | 5.6 | 1.8 | 302.3 | 3.6 | 1.2 | 350.7 | 13.5 | 3.8 |

Table 3

DISTRIBUTION OF FLORIDA BANKS BY
TOTAL LOANS ON JUNE 30, 1970

| Total loans (in millions of dollars) | Holding company banks ¹ | | Other banks | |
|---|------------------------------------|--------------|-------------|--------------|
| | Number | Per cent | Number | Per cent |
| Citrus farming area | | | | |
| Less than 10..... | 23 | 53.5 | 118 | 67.4 |
| 10-19.9..... | 13 | 30.2 | 33 | 18.9 |
| 20-29.9..... | 1 | 2.3 | 15 | 8.6 |
| 30-39.9..... | ... | ... | 4 | 2.3 |
| 40 and over..... | 6 | 14.0 | 5 | 2.9 |
| Total..... | 43 | 100.0 | 175 | 100.0 |
| Winter truck farming area | | | | |
| Less than 10..... | 3 | 20.0 | 83 | 51.9 |
| 10-19.9..... | 6 | 40.0 | 41 | 25.6 |
| 20-29.9..... | 2 | 13.3 | 14 | 8.7 |
| 30-39.9..... | ... | ... | 11 | 6.9 |
| 40 and over..... | 4 | 26.7 | 11 | 6.9 |
| Total..... | 15 | 100.0 | 160 | 100.0 |
| Flatwoods farming area | | | | |
| Less than 10..... | 3 | 50.0 | 17 | 89.5 |
| 10-19.9..... | 2 | 33.3 | 2 | 10.5 |
| 20-29.9..... | 1 | 16.7 | ... | ... |
| 30-39.9..... | ... | ... | ... | ... |
| 40 and over..... | ... | ... | ... | ... |
| Total..... | 6 | 100.0 | 19 | 100.0 |
| Lower coastal plain farming area | | | | |
| Less than 10..... | 7 | 63.6 | 52 | 88.1 |
| 10-19.9..... | 2 | 18.2 | 5 | 8.5 |
| 20-29.9..... | 2 | 18.2 | 2 | 3.4 |
| 30-39.9..... | ... | ... | ... | ... |
| 40 and over..... | ... | ... | ... | ... |
| Total..... | 11 | 100.0 | 59 | 100.0 |

¹ Banks joining holding companies between 1962 and 1969 in the citrus and winter truck farming areas and before 1970 in the other areas.

INFLUENCE OF BANK SIZE

Because the holding company groups in the preceding analyses contained larger proportions of large banks than did the independent bank groups (Table 3), a further analysis was conducted to determine whether the differences in bank size were responsible for the previously observed differences in farm lending. This analysis was restricted to the citrus farming area, where there were sufficient holding company banks to permit a meaningful analysis after the larger banks were excluded. Table 4 shows the lending behavior of banks with loans under \$40 million.

At the small holding company banks, farm loans exhibited a strong uptrend until 1968 and then fell only slightly by 1970; for the larger banks in the group the peak in farm loans had been reached earlier, in 1966, and a sharper drop had ensued. At the other small banks, farm loans peaked in 1967 and then drifted lower, in sharp contrast to the continued uptrend through 1970 shown when the large banks were included. In short, the farm lending behavior of the small holding company and of other small banks did not differ significantly. Surprisingly, therefore, differences in the farm lending behavior of the larger banks were primarily responsible for the significant differences

Table 4

LOANS AT SMALL BANKS IN THE CITRUS FARMING AREA, 1962-70¹

(Amounts in millions of dollars; ratios in per cent)

| June 30— | All banks | | | Holding company banks ² | | | Other banks | | |
|-----------|-----------|------|---------------|------------------------------------|------|---------------|-------------|------|---------------|
| | Total | Farm | Farm Total | Total | Farm | Farm Total | Total | Farm | Farm Total |
| 1962..... | 610.0 | 29.4 | 4.8 | 77.3 | 4.9 | 6.3 | 532.7 | 24.5 | 4.6 |
| 1963..... | 716.8 | 35.5 | 5.0 | 90.4 | 6.1 | 6.7 | 626.4 | 29.4 | 4.7 |
| 1964..... | 874.3 | 40.2 | 4.6 | 112.9 | 6.9 | 6.1 | 761.4 | 33.3 | 4.4 |
| 1965..... | 1,000.9 | 46.0 | 4.6 | 136.9 | 7.0 | 5.1 | 864.0 | 39.0 | 4.5 |
| 1966..... | 1,144.9 | 55.0 | 4.8 | 152.6 | 9.9 | 6.5 | 992.3 | 45.1 | 4.5 |
| 1967..... | 1,279.3 | 73.2 | 5.7 | 165.5 | 10.7 | 6.5 | 1,113.8 | 62.5 | 5.6 |
| 1968..... | 1,405.2 | 63.8 | 4.5 | 191.6 | 12.5 | 6.5 | 1,213.6 | 51.3 | 4.2 |
| 1969..... | 1,687.2 | 70.5 | 4.2 | 240.9 | 12.5 | 5.2 | 1,446.3 | 58.0 | 4.0 |
| 1970..... | 1,824.1 | 68.9 | 3.8 | 253.6 | 11.7 | 4.6 | 1,570.5 | 57.2 | 3.6 |

¹ Banks with total outstanding loans under \$40 million on June 30, 1970.² Banks joining holding companies between 1962 and 1969.

observed in the first analysis of the citrus farming area.

farm loans tended to decrease soon after banks became affiliated with holding companies, while at the same time farm loans at other banks were continuing their upward trend.

SUMMARY

Lending patterns of holding company banks differed from those of independent banks in Florida between 1962 and 1970. On average,

December 1971

Pages 128-129 indicate that, contrary to proponent claims that MBHCs will allow greater flexibility for agricultural loans for Kansas bankers, the big banks and their flagship lending policies are the problem rather than a solution.

Excess funds in smaller affiliate banks in a holding company system are sent "upstream" to the flagship bank, usually the largest bank in the system. That bank, and the holding company personnel, determine which loans are filled. As this study indicates, farm lending does not have the high priority with this size of bank.

There is a flagship, or "anchor" bank, usually a large one, in most multiple holding company systems.

Appendix "C"

Academic Research Into the Impact Of Bank Structure on Farm Lending

In November, 1978, under the United States Department of Agriculture Grant, Warren F. Lee and Alan K. Reichert, of Ohio State, and Purdue, respectively, collaborated on an article reproduced in the "Commercial West" magazine. That research paper analyzed Ohio multi-bank holding companies and independent banks and their impact on rural Ohio bank needs. The article follows.

Proponents of multibank holding companies in Kansas argue that MBHCs will give smaller bankers greater flexibility to provide services to their customers while giving bankers greater operating efficiency and expertise. Lee and Reichert's study indicates the opposite. In discussing "Bank Profitability and Efficiency", the duo concludes:

"The holding company representatives interviewed unanimously expressed an overall objective of increasing the level of expected after-tax earnings per share on the holding company stock. Each affiliate bank was expected to contribute proportionately to the profitability of the system after an initial adjustment period. Furthermore, there appeared to be a belief that the best route to achieving higher longrun holding company profits was to acquire more banks in an effort to increase their share of the State's total volume of deposits and loans."

While increasing customer services and the promise of "enhanced banking services for the community" may be the goal of multibank holding companies, what is put into actual practice leaves much to be desired.

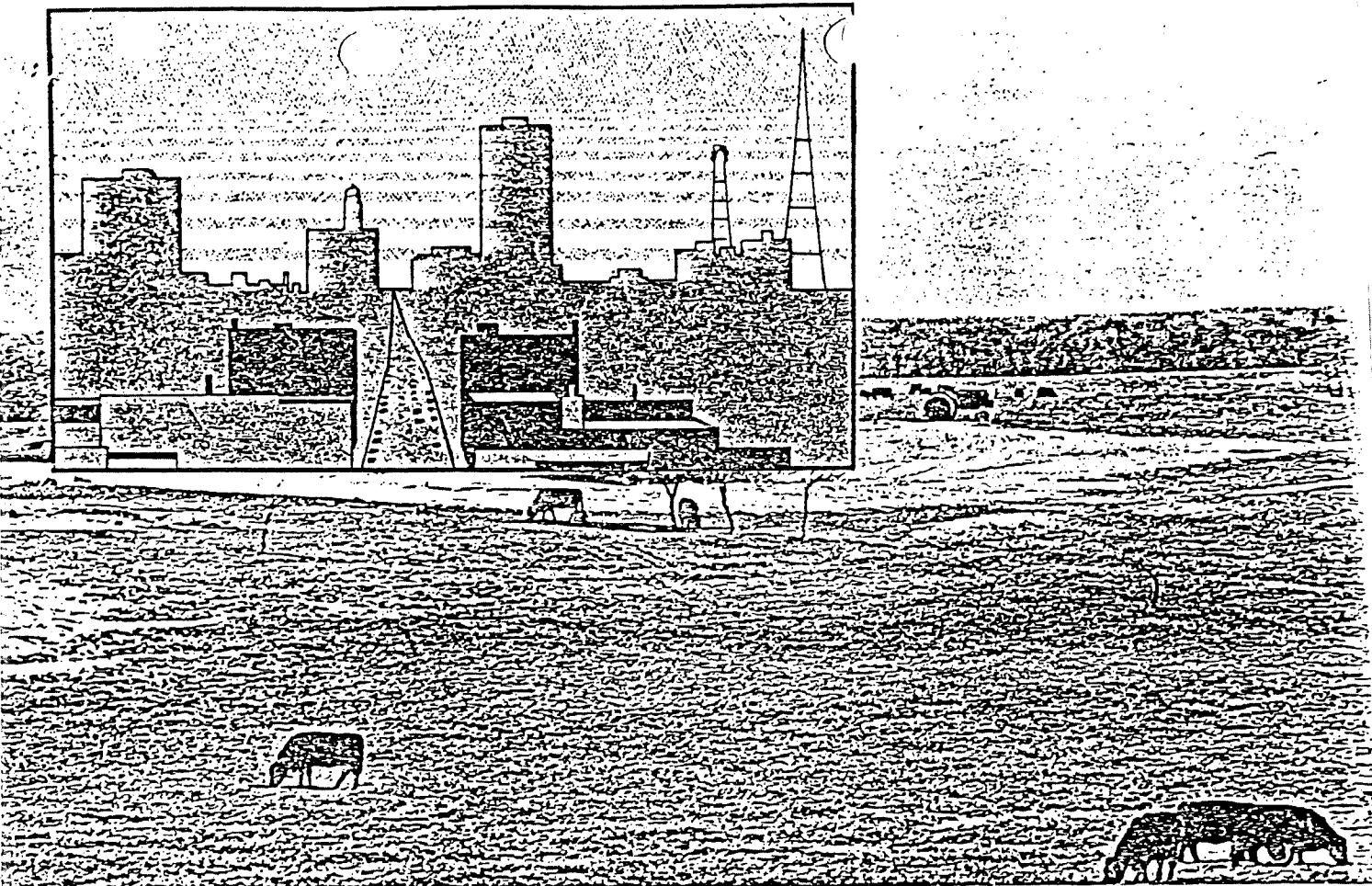
Major points by Lee & Reichart:

(1) "Both groups (independent and MBHC affiliates banks) also had approximately the same loan-to-deposit ratio; however, compared with independent banks, the holding company affiliates were investing . . . significantly lower proportions in residential mortgages and farm loans."

(2) "Despite the services available to affiliates for managing their investment portfolios, the independent banks earned significantly higher average yields on their government securities . . . "

(3) "... there were no discernable differences in the profitability of the two groups of banks in 1972-73."

(4) "Affiliates were paying an average of 5.3% on all interest bearing deposits compared with the 5.0 percent average rate by the independents. . . . At the same time the survey data revealed the effective rates of interest on all types of personal and business loans from affiliate banks were 0.3 to 0.5 percentage points above the independent banks' rates on similar loans."



Special Report

11/11/78

The Effects of Multibank Holding Company Acquisitions on Rural Banking

By Warren F. Lee and Alan Reichert¹

Recent trends toward more concentrated ownership of rural community banks are welcomed by many, based on popular assumptions about economies of size in providing banking services. This article reports the findings of a study in which 43 rural Ohio banks affiliated with multibank holding companies were compared with similar independent banks in the same communities (14).²

The underlying hypothesis for this study was that small rural banks that are affiliated with statewide multibank holding companies can capture some of the alleged economies of size inherent in multibank holding company systems and, thereby, offer better and more competitively priced services than their independent counterparts (16).

Ohio provided an excellent environment in which to study the effects of multibank holding companies. In 1960, Ohio had only one active multibank holding company which owned 21 affiliate banks. However, by the end of 1973, there were 12 distinct multibank holding companies which owned 101 of Ohio's 501 banks. Their affiliated banks accounted for 36 percent of total State deposits.³

Several previous studies have examined the structure and performance of commercial banks in rural communities. While the evidence from these studies is not conclusive, several size-related constraints in banking have been identified (15). Because of equity capital limitations, many country banks have low legal lending limits (9,10). Cost considerations presumably make it difficult for small banks to offer auxiliary financial services such as computerized data processing, trust departments, credit cards, and specialized services such as agricultural departments.

Maintaining an adequate supply of loanable funds is a problem for many rural banks. A Federal Reserve Board study on this problem concluded that improved access to Federal Reserve discount credit, more effective marketing of negotiable instruments and finance acceptances, and revisions of correspondent banking practices are needed (2, pp. 1-10). Some small banks have to adopt conservative asset management policies (such as a greater ratio of liquid reserves to total assets) because they cannot spread their risks either geographically or among different economic sectors (1).

Sample Selection for Subject Study

The population for this study was defined as all rural-based affiliates of multibank holding companies that owned five or more affiliate banks each at the end of 1973. Seven of Ohio's 12 multibank holding companies met this criterion and six of these organizations agreed to cooperate in the study. These six bank groups accounted for 86 affiliates, or about one-sixth of all Ohio banks, and \$7 billion in deposits, or about one-quarter of all bank deposits in Ohio as of yearend 1973.

In an attempt to identify variations in rural bank performance, only those affiliate banks located in moderately small communities in predominately rural areas were selected for study. Banks located in, or within 15 miles of, communities with populations over 25,000 were excluded. This procedure was used to define reasonably isolated banking markets with minimum influences associated with metropolitan bank markets. Forty-five of the 93 affiliate banks fulfilled the location criterion.

A group of independent banks was selected for use as a standard against which the performance of the holding company affiliates could be measured. Each affiliate bank was paired with one independent bank, or a composite of two or more, located within a 35-mile radius of the affiliate's main office. In addition to the location criterion, each eligible independent had to be reasonably comparable to the affiliate bank in terms of four financial variables observed one year prior to affiliation. These four financial performance variables were total deposits, rate of growth in total deposits over the 5 years preceding affiliation, ratio of time and savings deposits to total deposits, and the loan-to-deposit ratio.

All independent banks located within each affiliate's home county and all contiguous non-SMSA (Standard Metropolitan Statistical Area) counties were examined for comparability. Independent banks whose four performance variables were within plus or minus 20 percent of the affiliate's performance prior to its affiliation were selected.⁴ When two or more independent banks met the comparability test, they were averaged together to form a single composite independent bank.

Of the 45 affiliate banks initially selected for study, two had to be deleted because no reasonably comparable independent banks were identified. The remaining 43 affiliates were paired with a total of 101 independent banks.⁵ Paired comparison t-tests on 33 financial variables from the sample banks' Reports of Condition confirmed that, in addition to the four performance variables used, the two groups of banks were quite similar in most other respects prior to affiliation. Thus, any significant differences in the 1972-73 post affiliation period could, with substantial justification, be attributed mainly to differences in ownership and management resulting from holding company affiliation.

Performance Criteria and Hypotheses

The Federal Reserve Board is instructed to approve a holding company's application to acquire a bank if the acquisition has no anticompetitive effects or if the anticompetitive effects are clearly outweighed by the promise of enhanced banking services for the community. In either case the financial condition of the bank and the holding company are carefully considered. On the basis of these criteria alone, one might expect holding company affiliates to become larger, more profitable, and generally more efficient than

their independent counterparts. In addition, affiliate banks might be expected to offer more competitive interest rates on both loans and deposits and a greater variety of banking services.

Consequently, it was hypothesized that the affiliate banks would be larger in terms of total deposits and more effective in terms of assets and liabilities management. It was further expected that these superior management practices would be reflected in higher profitability for the affiliate banks.

Sources of Data

Three sources of data were used. In summer 1974, personal interviews were conducted with the senior management personnel of the six holding companies that owned the 43 affiliate banks in the sample. They were asked to provide information on acquisition objectives, management and marketing policies, and the types of services provided to their affiliate banks.

The sample banks' Reports of Condition for 1960 through yearend 1973 and their Reports of Income and Dividends for 1972 and 1973 provided a wealth of financial data (4). These data were supplemented with additional qualitative and quantitative information obtained from a mail-in survey of the sample banks conducted in early 1975. Completed questionnaires were received from 27 of the 43 affiliate banks and 54 of the 101 independent banks, for an overall response rate of 56 percent.

Bank Profitability and Efficiency

The holding company representatives interviewed unanimously expressed an overall objective of increasing the level of expected after-tax earnings per share on the holding company stock. Each affiliate bank was expected to contribute proportionately to the profitability of the system after an initial adjustment period. Furthermore, there appeared to be a belief that the best route to achieving higher longrun holding company profits was to acquire more banks in an effort to increase their share of the State's total volume of deposits and loans.

The six holding companies surveyed for this study had tried to make each affiliate a profitable member of the system as quickly as feasible. Each affiliate bank was usually required to submit a detailed statement of its financial condition to the holding company on a regular basis. The holding companies used this information to closely monitor

(Continued on page 22)

⁴Warren F. Lee is an associate professor, Ohio State University and the Ohio Agricultural Research and Development Center. Alan K. Reichert is an assistant professor, Division of Business and Economics, Indiana University-Purdue University at Fort Wayne. This article summarizes findings of a project funded by the Ohio Agricultural Research and Development Center under Regional Project NC-123.

The article is excerpted from the USDA publication "Agricultural Finance Review."

⁵Italicized numbers in parentheses refer to references listed at the end of the report.

⁶The trend to holding company domination of banking has been similar for the entire United States. At the end of 1973, multibank holding companies owned about 1,726 of the Nation's 14,170 commercial banks. These affiliates accounted for slightly more than one-third of all commercial bank deposits.

⁷For example, if an affiliate bank had total deposits of \$25 million the year prior to affiliation, all nearby independent banks with total deposits between \$20 million and \$30 million in that same year were judged to be reasonably comparable in terms of this variable.

⁸In three cases, only one comparable independent bank was identified while one affiliate had 10 comparable independents. On average, 3.3 independent banks were associated with each affiliate.

the liquidity positions of their affiliates. In most cases, the lead bank became the primary correspondent for all smaller banks in the holding company. Compensating balances were centralized within the organization and the use of "outside" correspondents was discouraged. Banks with surplus liquidity were urged to enter loan participation agreements with other banks in the system. One of the holding companies in the sample had developed a formal system for coordinating loan participation agreements among its affiliates. A majority of the holding companies indicated a desire to make their affiliate banks' pricing decisions more responsive to regional money market conditions. In addition, the management of the affiliate banks' securities portfolios was usually centralized with the holding company or the lead bank.

Holding companies provide a variety of supporting services to their affiliate banks. In most holding companies studied, data processing services were being standardized for all affiliate banks. Although no widespread policy of staffing affiliate banks with holding company personnel was evident, greater employee mobility among the banks in each holding company was being facilitated by systemwide employee benefit and retirement plans. The six holding companies surveyed were also coordinating marketing efforts such as customer surveys and advertising layouts. All affiliates had been encouraged to adopt the same credit cards, 24-hour automated teller systems, and packaged service plans as the lead bank. Services from the lead banks' trust departments and international departments were also generally made available to all banks in the system.

Quantitative Differences in Financial Performances

The financial performance of the 43 matched bank pairs was measured for the 2-year period, 1972-73. Seventeen variables were chosen to measure quantitative differences in bank size, asset management practices, liabilities management practices, and profitability. Paired comparison t-tests were used to detect statistically significant differences between the mean values of each variable (table 1).

The results indicate that both groups of banks were virtually identical in terms of size as measured by total deposits. Both groups also had approximately the same loan-to-deposit ratios; however, compared with the independent banks, the holding company affiliates were investing a significantly higher proportion of their loan funds in consumer loans and significantly lower proportions in residential mortgages and farm loans. Commercial loans accounted for approximately equal proportions of total loans for both bank groups. These differences in loan portfolio composition resulted in significantly different gross yields on loans—8.4 percent for the affiliates compared with 7.8 percent for the independents.

The differences in loan portfolio composition probably reflected the response of the profit-oriented affiliates to the Ohio usury law which, in 1972-73, limited the contractual rate of interest on most loans to individuals to a maximum of 8 percent. Usury ceilings can be circumvented on most types of consumer installment loans by using add-on or discount methods to compute finance charges (13). Opportunities for increasing effective yields above the 8-percent ceiling are much more limited for long-term mortgage loans. The usury law along with competition from production credit associations and Federal land banks have made farm loans relatively unattractive for banks in Ohio.

Despite the services available to affiliates for managing

their investment portfolios, the independent banks earned significantly higher average yields on their Government securities in 1972-73 (5.2 percent versus 4.8 percent for the affiliates). Government securities accounted for a significantly higher proportion of total assets for the affiliates, and U.S. Government securities constituted about 65 percent of total securities for the affiliates versus 55 percent for the independents. This finding was somewhat surprising because State and local issues generally offer higher after-tax yields. Further analysis revealed that this result could be attributed to the investment behavior of the largest holding company in the sample. All other holding companies exhibited the predicted investment behavior of preferring State and municipal securities over U.S. Government issues.

Significant differences in liabilities management practices were also noted (table 1). The affiliate banks were operating with a slightly higher degree of financial leverage—a total capital to total deposit ratio of 8 percent versus 8.6 percent for the independent banks. There is also some evidence that the affiliate banks were making an effort to attract deposits as evidenced by the 0.3-percent higher average rate they were paying on time and savings deposits. Nevertheless, individual, personal, and corporate time and savings deposits represented a significantly higher proportion of total deposits for the independent banks.

The most notable difference in sources of funds was observed in the ratio of government deposits to total deposits. Government deposits accounted for an average of 13.9 percent of the affiliates' deposits, compared with only 7.5 percent for the independents. Although government deposits are not broken down by level of government, it is likely that in most rural communities, these deposits would be from State and local government units. Public deposits tend to be an attractive source of funds since they are usually fairly large, with predictable inflows and outflows. Government deposits represent a low cost source of funds given current regulations against interest payments on most public deposits.

Despite these observed differences in assets and liabilities management practices, there were no discernable differences in the profitability of the two groups of banks in 1972-73. Both groups earned nearly 8 percent on total assets and a 12-percent rate of return on their equity capital.*

Qualitative Differences in Services

The mail-in survey data provided additional information on the two major banking services—deposits and loans—as well as descriptive information on auxiliary banking services.

As the data in table 1 indicate, the affiliates were paying an average of 5.3 percent on all interest bearing deposits compared with the 5.0-percent average rate paid by the independents. A 0.3-percent interest rate differential may not appear to be very important to an individual depositor; however, the survey data revealed that effective yields on time and savings accounts in the responding affiliate banks were further enhanced by more frequent compounding and crediting of interest earnings.

At the same time, the survey data revealed that the

*These rates of return were computed by expressing the average annual earnings in 1972-73, as a percentage of yearend 1972 earnings assets and total capital.

Table 1—Selected financial comparisons of 43 pairs of holding company affiliates and independent banks in nonmetropolitan Ohio counties, 1972-73

| Variable description ¹ | Mean affiliate bank value | Mean independent bank value | Significance level ² |
|---|---------------------------|-----------------------------|---------------------------------|
| Total deposits (\$1,000) | 23,593 | 22,481 | n.s. |
| Assets management variables | | | |
| Total loans ÷ total deposits | .564 | .583 | n.s. |
| Real estate loans ÷ total loans | .385 | .434 | 5% |
| Total farm loans ÷ total loans | .107 | .141 | 1% |
| Commercial loans ÷ total loans | .163 | .142 | n.s. |
| Consumer loans ÷ total loans | .389 | .341 | 5% |
| Average annual return on loans | .084 | .078 | 1% |
| Total securities ÷ total assets | .357 | .319 | 10% |
| U.S. Government ÷ total securities | .652 | .554 | 1% |
| Average annual return on securities | .048 | .052 | 5% |
| Liabilities management variables | | | |
| Total capital ÷ total deposits | .080 | .086 | 5% |
| Demand deposits I.P.C. ÷ total deposits | .262 | .289 | 5% |
| Time and savings deposits I.P.C. ÷ total deposits .. | .590 | .627 | 5% |
| Government deposits ÷ total deposits | .139 | .075 | 1% |
| Average annual rate of interest paid on time and savings deposits | .053 | .050 | 5% |
| Profitability variables | | | |
| Total operating income ÷ total earning assets | .078 | .078 | n.s. |
| Net operating earnings ÷ total capital | .121 | .124 | n.s. |

¹ Financial flow variables were averaged for calendar years 1972 and 1973. Financial stocks were observed as of yearend 1972.

² Denotes whether differences between means for paired banks were not significant (n.s.), or significant at the 1-, 5-, or 10-percent levels.

effective rates of interest on all types of personal and business loans from affiliate banks were 0.3 to 0.5 percentage points above the independent banks' rates on similar loans. These higher contractual rates were partially offset by the more liberal lending policies of the affiliates; in general, they offered lower minimum downpayment requirements and somewhat longer loan repayment periods. It was also observed that the affiliates tend to follow more standardized and more formal loan evaluation procedures.

Given the high degree of regulatory and legal restrictions on price competition in banking, banks typically engage in various forms of nonprice competition in an effort to differentiate their services. Large, attractive offices, drive-in windows, 24-hour automated tellers, credit cards, and packaged service plans are common.

Because of their close ties with their parent corporations and lead banks, holding company affiliates should be in a position to offer a wider range of these auxiliary services. Surprisingly, the survey revealed that a higher proportion of the responding independent banks, either on their own or with the assistance of a city correspondent, were offering credit cards, 24-hour automated tellers, bookkeeping, financial and tax advice, and billing and inventory accounting.

The most notable difference was in the area of farm management services. Nearly 41 percent of the responding independent banks were offering some type of specialized agricultural lending and counseling services, compared with only 7 percent of the responding affiliates. Trust management was the only major service offered with greater frequency by the affiliate banks, as all responding affiliates indicated that trust services were offered through their holding company or correspondent banks.

The questionnaire results indicate that the holding companies were attempting to facilitate the reallocation of

loanable funds among their member banks. The affiliate banks reported purchasing a greater number of larger loan participations than did the independent banks. At the same time, the affiliate banks were more effective in initiating participation arrangements within the holding company system than those independents seeking similar services from their correspondent banks.

The affiliate banks reported purchasing an average of 7.0 loan participations during 1974 representing an average total investment of \$693,000 per bank. The independent banks reported participating in an average of 3.4 loans during the same period with an average total investment of \$329,000 per bank. For participations initiated by the sample banks, the affiliates reported an average of 4.6 participations each with an average total value of \$964,000, compared with 3.2 participations averaging \$587,000 per bank for the responding independents.

CONCLUSIONS

Given the statutory standards applied by the Board of Governors when approving bank acquisitions by multibank holding companies, it was hypothesized that affiliate banks in rural communities would be more profitable than comparable independent banks. It was also expected that the affiliates would be in a position to offer more auxiliary banking services.

Although affiliate banks legally retain an independent corporate status, it is apparent that they are treated by holding company management as part of an integrated system. Centralized management was evident in policies such as regular financial reporting, internalized compensating balances, coordinated loan participations, standardized marketing and advertising programs, and centralized

(Continued on next page)

management of government securities portfolios.

Holding company involvement in the management of affiliate banks was reflected in their asset and liabilities management practices. Compared with their independent counterparts, the affiliates clearly demonstrated a preference for higher yielding consumer installment loans over residential mortgages and farm loans. While not reflected in the aggregate figures due to atypical behavior on the part of the largest organization in the sample, the holding companies generally reduced their holdings of cash and U.S. securities in favor of tax-exempt municipal issues. The affiliates were paying slightly higher effective rates of interest on interest bearing deposits than independent banks, and government deposits made up a much larger proportion of the affiliates' total deposits.

Despite these differences in management, the hypotheses regarding profitability and expanded bank services were generally not supported. The two groups of banks earned similar rates of return on both earning assets and equity capital in 1972-73. Furthermore, the bank survey results indicate that the independent banks were offering at least as complete a range of auxiliary services as were the affiliates and, in certain areas such as farm management counseling, the independents were clearly superior.

There are two plausible explanations for these results. First, the holding company movement is relatively new. Most of the 43 affiliate banks studied were acquired after 1969; hence, there may not have been sufficient time for the changes in management to be reflected in significantly higher profits by 1972-73. Second, since rural bank markets tend to be oligopolistic, independent banks may be forced to retaliate with their own set of auxiliary services and increased advertising when a nearby competitor is acquired by a holding company. Thus, although a holding company affiliate may be the first to offer a new service in a community, one would not expect to observe significant differences in bank services once the independent banks have had time to respond. Since many bank services are too costly for a small bank to offer on its own, a holding company acquisition in a small community may force nearby independent banks to develop closer working relationships with their city correspondents or to join bank consortiums in order to remain competitive.

These findings have several implications for owners, managers, and customers of banks in rural communities.

Owners and managers clearly relinquish control of their bank when they become affiliated with a holding company. In many cases, affiliation may be the only method of resolving serious financial or management problems in a small bank. However, the results of this study suggest that independent banks in rural Ohio can compete effectively with holding company affiliates in their market areas. Thus, other solutions such as improved correspondent relationships should probably be investigated before reaching a decision to affiliate with a holding company.

Holding companies have mixed impacts on bank customers. Depositors clearly benefit from the higher interest rates that result from holding company competition. Borrowers may be better or worse off depending on the type of credit they are seeking. Farmers and residential mortgage borrowers are more likely to be better served by an independent bank because, when interest rates are high, the profit-oriented affiliates tend to allocate lower proportions of their loanable funds to those types of loans covered by State

usury laws. Borrowers seeking consumer installment credit will generally receive more favorable terms from affiliates, although the effective rate of interest will be slightly higher. All borrowers can anticipate a more formal, and presumably more objective, evaluation of their loan applications from affiliate banks. Clearly, there are many borrowers who prefer the less formal or personal approach.

As with previous studies on bank structure, the results of this study are somewhat mixed, with both advantages and disadvantages associated with holding ownership. An in-depth study of the bank service needs of customers in rural communities would be a useful followup. For instance, how have local bank customers responded to the consumer orientation of the affiliate banks? Have large agricultural and commercial borrowers found holding company affiliates to be more capable of handling their credit needs? What impacts have the more formalized operating procedures of affiliate banks had on customer attitudes and loyalty? Final answers to the multibank holding company question will ultimately depend upon a careful analysis of these and similar questions.

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Appendix "D"

Proponents of multibank holding companies claim MBHCs can operate more efficiently than independent banks, resulting in better services for consumers. As this 1979 article from the Federal Reserve indicates, that claim isn't backed up with competent research.

Holding company affiliation and scale economies in banking

Dale S. Drum

How affiliation with a holding company affects the cost structure of banks has been a controversial subject in banking for some time. In support of their applications to acquire banks, holding companies argue that economies in the operation of banks can be achieved through affiliation. If these opportunities for economies do exist and if these economies are passed on to the public, then it may be argued that the resulting public benefits can be presumed to offset, in part or perhaps in whole, any anticompetitive effects present in the application.

While holding company applicants and their advocates cite scale economies as an argument for acquisitions, they seldom support their position with concrete data. On the other hand, opponents rarely support their views either. Empirical studies examining this issue also have reached mixed conclusions.

A study of 208 Seventh District banks was undertaken to explore the impact of affiliation on the cost structure of banks. These banks ranged from \$6 million to \$650 million in asset size. The effect of branching on the efficiency of these banks was also examined.

Results of the Study. The results of the study indicate that independent banks—banks not affiliated with either a one-bank or a multibank holding company—are subject to at least moderate economies of scale. That is, the percentage increase in total cost is less than the percentage increase in output.¹ For

NOTE: A copy of the more technical working paper entitled "The Effect of Holding Company Affiliation Upon the Scale Economies of Banks," Research Paper No. 79-2, is available from the Public Information Center, Federal Reserve Bank of Chicago.

¹As employed in this study, output is estimated as loan revenue plus revenue from securities plus income from other sources. Thus bank output is viewed as the value of credit extended plus the value of other services performed by the bank. Total cost is defined as total operating cost less all service charges received by the bank.

independent banks, an increase in output of 10 percent increases total cost about 9.5 percent. Since cost rises more slowly than output, per unit cost declines.

Banks in SMSAs typically incur slightly higher costs than do comparable non-SMSA banks. Competitive pressures may force SMSA banks to engage in more advertising or to offer comparable services either free or at reduced prices. Higher costs can also be associated with an urban environment as, for example, higher taxes or real estate prices.

In addition, banks with branches appear to have slightly higher costs than banks without branches. This cost difference does not become particularly significant, however, until the bank has at least three branches.

Overall, affiliation with a one-bank holding company has no significant effect on scale economies. In fact, in most cases, the one-bank holding company is an organizational shell that merely transfers ownership of the bank from individuals to a corporation. Operating efficiency is probably not affected by this change in the form of ownership, although it may affect net income due to the difference in the tax status accorded a corporate entity.

Multibank affiliates, on the other hand, are slightly less efficient than banks not affiliated with holding companies. Although of marginal statistical significance, a 10 percent increase in the output of these affiliate banks increases total cost about 9.7 percent. There seems to be no empirical justification, then, for the assertion that affiliation with a multibank holding company will produce scale economies not otherwise available to independent banks.

Other findings. Additional information can be gleaned by grouping the banks into different size classes. Scale economies show up predominantly in medium and medium-



large banks. Banks having assets from \$50 million to \$100 million are considered medium-sized, while banks with assets from \$100 million to \$200 million are considered medium-large.

For medium-sized independent banks, a 10 percent increase in output will increase total cost approximately 8.8 percent. A similar increase in output for a medium-large independent bank increases total cost 9 percent.

Branching affects medium-large and large banks more than the other groups. In both groups, banks with branches incur slightly higher costs than comparable banks without branches.

Affiliation with a one-bank holding company has a negligible impact on the scale economies of all but medium-sized banks. These affiliates are somewhat more efficient than independent banks of the same size, with a 10 percent increase in output increasing total cost only 8.5 percent. This compares to an 8.8 percent increase in total cost for medium-sized independent banks.

Affiliation with a multibank holding company tends to reduce the efficiency of all banks except medium and medium-large banks. These banks share the same scale economies as their independent counterparts of the same size.

Policy implications. The Bank Holding Company Act provides the Board of Governors of the Federal Reserve System with guidelines for evaluating applications to establish a holding company or to acquire a bank in the case of an existing holding company. One of the principal concerns of the act is the probable effect such a holding company will have upon competition in the relevant market. An application that, if approved, would result in adverse competitive effects will be denied unless there is evidence of sufficient public benefits to clearly outweigh the anticompetitive effects.

In making its decision, one of the criteria the Board considers is whether an acquisition will result in gains in efficiency which will benefit the public. Section 4(c)(8) of the Act, which deals with the acquisition of *nonbank*

firms, requires the Board to consider gains in efficiency as one of the factors that could potentially offset adverse effects. No such specific requirement exists in section 3, however, which applies to *bank* acquisitions.

Together with the convenience and needs of the community, the Board is obligated to consider the financial and managerial resources and future prospects of the company. Since these will be affected if economies are realized, this serves as the springboard allowing the Board to consider gains in efficiency as a separate factor in assessing whether the public benefits will outweigh the anticompetitive effects of a bank acquisition.

Gains in efficiency resulting in reduced prices or better service are additional benefits falling within the competitive or convenience and needs criteria. Gains in efficiency do not have to be passed on to customers but can instead be held as higher retained earnings, thereby improving the capitalization of the acquired bank. The resulting increase in financial strength and soundness of the bank could be a factor weighing favorably for approval of the application.

Conclusion. The results of this study indicate that banks affiliated with holding companies do not achieve economies of scale beyond those available to independent banks of the same size. Therefore, considering economies of scale as a factor that can be relied upon to outweigh the anticompetitive effects of a proposed acquisition has little merit. The argument simply lacks firm empirical support.

Affiliation does seem to have a positive effect on scale economies in the case of medium-sized banks affiliated with one-bank holding companies. Competitive issues, however, are seldom a significant factor in these cases. They are more important in applications of multibank holding companies, where affiliation appears detrimental to scale economies of affiliated banks. Only among medium and medium-large banks do affiliates of multibank holding companies manage even to match the scale economies of independent banks.

Appendix "E"

The following articles on MBHCs are from various Kansas publications concerning the MBHC issue.

Local Banks Split Over

By T.F. McDaniel

A shoot-out of sorts over Kansas banking laws is facing the 1983 session of the Kansas legislature and bankers from the Emporia area are taking sides.

The issue, in a nutshell is: shall present laws be changed to permit multiple-bank holding companies to exist in this state. On one side are most of the larger banks in Kansas, and on the other — opposing a change in the law — are most smaller banks that are members of the Kansas Independent Bankers Association.

And caught in the cross-fire, as usual, are the customers of the 620 or so banks in Kansas, customers who, as usual, will not have much to say about the issue.

One Emporia banker who is on the multi-holding company side is State Representative James E. Lowther, a vice president of the Citizens National Bank, and a member of legislature's Special Committee on Commercial and Financial Institutions. This group held hearings during the past summer and heard both sides of the issue. Mr. Lowther said the committee has approved the law changes and a bill will be brought up before the coming session.

Area "small town" bankers on the other side include Joseph Wendling, president of the Olpe State Bank, and James George, president of the Hartford State Bank. They are being joined by many other independent bankers, including John C. Tinch, president of the Lyndon State Bank, who is one of the "movers and shakers" among the independent bankers.

Definition: A holding company is a financial service firm which owns one or more banks, and has the option of owning other non-banking businesses, although related to banking. And a holding company which owns more than one bank is known as a multi-bank holding company, now illegal in Kansas.

The proposed law would permit a holding corporation to control any number of banks, but would continue to prohibit branch banking and bar multi-holding corporations

Proposed Law

from outside the state. Under current law, ownership of any number of banks is legal for individuals. Some people, including non-Kansans, own several banks.

In general, opponents of the holding company plan say:

1. That agricultural lending would be curtailed because holding-company banks would be insensitive to farmers' needs;
2. That these banks would not be aware of community needs;
3. That "a handful of Kansas bankers" would control the majority of bank assets;
4. That competition as it exists today would be reduced, resulting in higher borrowing costs, and
4. That small communities would lose their individuality. They also contend that figures show most multi-bank states have higher rates.

Proponents say, in brief:

1. That a concentration of resources would serve corporate customers better;
2. That agricultural lending would be enhanced because more money would be available;
4. That the availability as well as the quality of banking service would be improved;
5. That banking would be more cost-effective, thus lowering costs;
5. That Kansas banking resources will be protected from outsiders, and
5. That satellite banks would have to "try harder" to hold their present customers.

Many more issues and differences of opinion have surfaced and more will come up as debate over the proposed changes progresses, and the intensity of lobbying increases. People who use banks — and who doesn't? — would do well to keep up with the discussions as the legislation goes through the mill.

Mr. Lowther had this statement:

"To not repeal the law that prohibits multi-bank holding companies and thus refuse to permit multi-bank ownership by holding companies, instead of just by individuals, is to penalize Kansas bankers who have the wisdom, daring

"The proposed change in the law is permissive. Bankers should have the right to decide for themselves how they can best serve their customers instead of the decision being made for them by the Legislature — or bankers who disagree. The marketplace should be the final judge."

Joseph Wendling, of the Olpe bank, made this statement:

"I subscribe to the philosophy that a concentration of economic power in the hands of a limited number of financial institutions is contrary to the public interest and that

the people of Kansas can be best served by strong competing unit banks responsible to the communities they serve and responsive to the public interest serving the financial needs of agriculture, business and individual customers.

"If multi-bank holding companies are permitted, it could create a concentration of economic power in the hands of a few banks located in the metropolitan areas. As smaller banks are absorbed and vanish from the scene, the borrower and depositors will find their choices are diminished.

"It is important that the people of Kansas look at this issue very seriously and communicate their wishes to their state senators and legislators, whose decision in the upcoming term of the legislature will have a tremendous effect on the future of banking in Kansas."

James George of the Hartford bank had this to say:

"All areas of our economy are affected by free enterprise. Our present banking structure supports free enterprise and to change that structure to allow multi-bank holding companies would have a direct negative effect on the customers of our bank. Concentration of the control of the banks of Kansas in the hands of a powerful few will have the effect of eliminating the free competitive spirit that presently exists between banks.

"Because of their past support of a strong, sound banking system, the people of Kansas deserve the right to retain the present unit bank structure."

So now is the time for bank customers to lend an ear, show a little interest, check out the facts, borrow some advice and deposit their opinions with their legislators!

Appendix "F"

Results of the 1982 Special Interim Committee legislative survey
on bank structure. Survey respondents are bankers only.

Responses to Each Proposition Summarized Under the Headings Agree (A), Disagree (D) and No Opinion (NO)

Proposition I (Multi-Bank Holding Companies)

| <u>Agree</u> | <u>Disagree</u> | <u>No Opinion</u> |
|--------------|-----------------|-------------------|
| 132 (39.3)% | 197 (58.6)% | 7 (2.1)% |

Proposition II (Branch Banking)

| <u>Agree</u> | <u>Disagree</u> | <u>No Opinion</u> |
|--------------|-----------------|-------------------|
| 43 (12.8)% | 283 (84.2)% | 10 (2.9)% |

Proposition III (Detached Facilities)

| <u>Agree</u> | <u>Disagree</u> | <u>No Opinion</u> |
|--------------|-----------------|-------------------|
| 165 (49.1)% | 143 (42.6)% | 28 (8.3)% |

- Proposition #1: Favor Multibank Holding Companies in Kansas?
- Proposition #2: Favor Statewide Branch Banking?
- Proposition #3: Favor Loans in detached facilities?

TABLE II

Tabulation of the Responses to Each Proposition
Arranged by Bank Asset Size

| Asset Size | Total Banks | Responses | Proposition I | | | | | Proposition II | | | | | Proposition III | | | | |
|--------------------------|----------------|------------|---------------|----|----|-----|----|----------------|----|----|-----|----|-----------------|----|----|----|----|
| | | | SA | A | D | SD | NO | SA | A | D | SD | NO | SA | A | D | SD | NO |
| Under \$6.5 million | 116 | 63 (50.4)% | 4 | 6 | 7 | 45 | 1 | 1 | 2 | 11 | 47 | 2 | 5 | 13 | 11 | 26 | 8 |
| \$6.5 to \$9.0 million | 70 | 35 (50.0) | 4 | 3 | 4 | 23 | 1 | 0 | 2 | 3 | 27 | 3 | 2 | 6 | 10 | 10 | 7 |
| \$9.0 to \$12.5 million | 81 | 46 (56.8) | 3 | 12 | 4 | 25 | 2 | 2 | 0 | 14 | 28 | 2 | 5 | 15 | 4 | 17 | 5 |
| \$12.5 to \$17.5 million | 83 | 36 (43.4) | 6 | 7 | 7 | 16 | 0 | 3 | 2 | 6 | 25 | 0 | 9 | 9 | 3 | 13 | 2 |
| \$17.5 to \$23.5 million | 69 | 37 (53.6) | 5 | 5 | 7 | 19 | 1 | 1 | 2 | 7 | 27 | 0 | 4 | 12 | 7 | 10 | 4 |
| \$23.5 to \$35.0 million | 72 | 48 (66.7) | 15 | 9 | 8 | 14 | 2 | 3 | 8 | 13 | 24 | 0 | 18 | 13 | 9 | 8 | 0 |
| \$35.0 to \$60.0 million | 74 | 38 (51.4) | 21 | 7 | 3 | 7 | 0 | 4 | 4 | 13 | 15 | 2 | 23 | 6 | 5 | 2 | 2 |
| Over \$60.0 million | 53 | 33 (62.1) | 19 | 6 | 1 | 7 | 0 | 3 | 6 | 9 | 14 | 1 | 19 | 6 | 3 | 5 | 0 |
| TOTAL | | | 77 | 55 | 41 | 156 | 7 | 17 | 26 | 76 | 207 | 10 | 85 | 80 | 52 | 91 | 28 |

Appendix "G"

Notes on Bank Profitability

Proponents of multibank holding companies want legislators to believe retail banking is no longer profitable under the "unit banking" concept. A new structure is needed, they argue, to relieve these bankers from their economic straits.

Their argument is disguised in several terms such as "deregulation" of banking.

As the following article dated January 13, 1983, from the Wichita Eagle indicates, the state's largest bank is having its best year ever under this "tired old system" of independent banking it advocates abolishing.

4th's Net A Record In 1982

Wichita
1-15-83

Dividend Hiked; Stock to Split

By Frank Garofalo
Staff Writer

Fourth Financial Corp. Friday announced record earnings in 1982, a 3-for-2 stock split and an increased quarterly cash dividend.

The Fourth, parent holding company of Fourth National Bank & Trust Co., the state's largest bank, reported net income of \$12.47 million, or \$3.56 a share, as compared to \$11.44 million, or \$3.30 a share, in 1981. Net per-share income adjusted for the 50 percent stock dividend was \$2.37.

Named a director of the corporation and bank was Ken Wagnon, Wichita business investor in Pizza Hut franchise restaurants, oil and gas and real estate.



Wagnon

The record earnings were boosted by a profitable fourth quarter that saw quarterly income rise to \$3.75 million before securities transactions.

That was an increase of \$608,000, or 19.3 percent, over a year earlier, and an increase of \$95,000 over the \$3.66 million income in the third quarter of 1982.

The stock dividend — one additional share for each two shares now held — is payable March 1 to shareholders of record Feb. 15. Fourth Financial's stock closed Friday at 30½ ask and 28½ bid on the over-the-counter market.

For the 55th consecutive quarter, the corporate board of directors, which met Friday, declared a quarterly cash dividend, increasing it from 35 cents to 37½ cents per share, up 7.1 percent. The cash dividend also will be payable March 1 to shareholders of record Feb. 15.

TOTAL CORPORATE assets at the end of the year were \$1.11 billion, an increase of 8 percent over 1981. The Fourth said its return on average assets, based on income before securities transactions, was 1.60 percent, while return on average stockholders' equity was 20.67 per cent.

In a news release, the Fourth said, "Both measures of profitability will be among the highest recorded in 1982 by banking companies with assets over \$1 billion."

Bank deposits and loans reached record levels. Deposits hit \$776.38 million and loans totaled \$475.64 million. Net chargeoffs for 1982 were \$796,000, or 0.18 percent of average loans.

Wagnon, 44, also is on the board of Cessna Aircraft Co. and several closely held companies. He is a graduate of Wichita East High School, University of Kansas and Harvard University.

Appendix "H"

MBHCs Lead to Branch Banking

As the January 30, 1983 article in the Kansas City Star indicates, Missouri has branch banking, even though in 1957 Missourians voted 21 against branch banking in a statewide referendum!

As the article indicates, the Centerre Banks holding company purchases numerous banks all across Missouri in the past few years. This MBHC then seeks permission in nearly all of its acquired banks to change their bank name from, as in this case, "First National Bank of Independence," to "Centerre Bank of Independence." The banks do not retain their local image or identity. This is not an isolated example. The former Peoples Bank of Branson became the Centerre Bank of Branson on January 4, 1982.

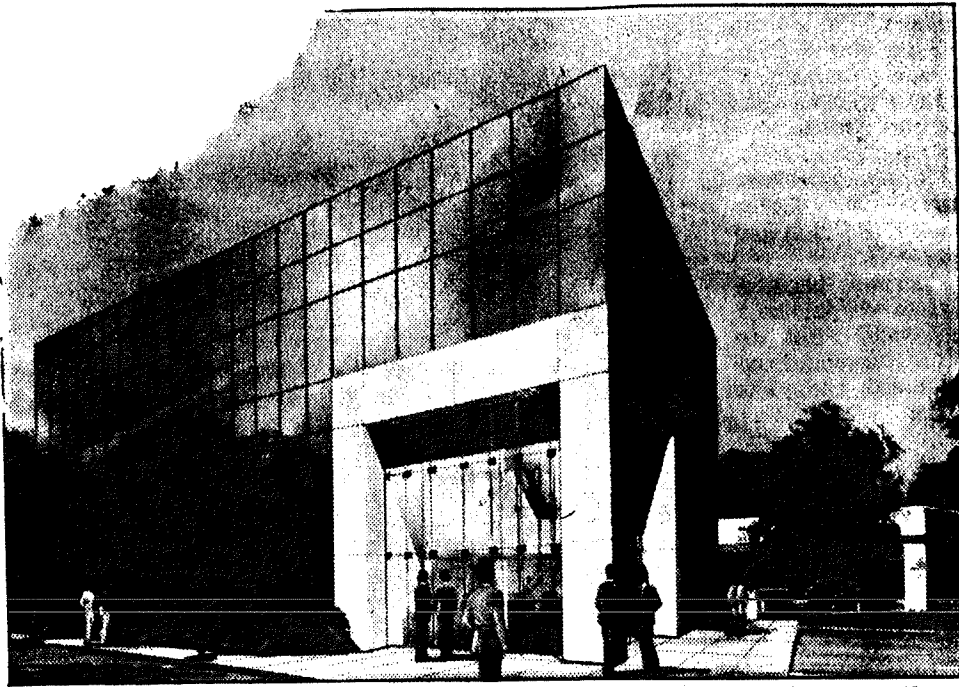
During summer interim hearings, William Carner of Springfield, Missouri stated "The holding companies have a committment to the [Missouri] communities they are in because they see a need for a vital local economy for them to prosper." However, Carner also indicated that MBHCs sometimes "clean house" when they acquire a bank. Apparently, this means name changes, too, in some instances.

Under the Centerre MBHC system, the former bank's identity is entirely eliminated when Centerre applies to the Missouri Commissioner of Finance (the same as our bank commissioner) for permission to change the names of these banks.

In 1982, most Kansas banks indicated they strongly OPPOSED statewide branch banking. Many who favored MBHCs strongly opposed statewide branch banking.

Missourians opposed statewide branching in 1957. Yet they have a form of statewide branching because of the presence of MBHCs and no specific law prohibiting such activity. The prohibitions MBHC proponents are asking the Kansas legislature to enact would give us the same result. This form of "name brand" branching is distinguished from the regular branch banking only in that Centerre has not had to build new brick and mortar banks in their new market communities. They branch simply through acquisition of existing facilities.

Construction costs for new facilities are prohibitively high in some instances. MBHCs in Kansas would mean statewide branch banking even though Kansas bankers and the Kansas public do not want it. All that is needed is a bank commissioner to sign off on the request to recharter existing facilities!



An artist's rendering shows the new Centerre Bank of Independence south facility under construction just southwest of 39th Street and Noland Road at 4041 Lynn Court Drive.

Centerre Independence Bank to be ready April 15

By The Star's real estate editor

An April 15 occupancy is planned for the new south facility of Centerre Bank of Independence under construction near 40th Street and Noland Road.

The building, a three-story, 15,000-square-foot structure, is being erected on a site just southwest of 39th Street and Noland Road at 4041 Lynn Court Drive. The building site is one block north of the Noland Road intersection with Interstate 70.

Robert Karch, bank president, said the new facility will replace an existing Centerre bank building at 17400 U.S. 24 Highway in the Farview-Susquehanna section of Independence. The headquarters for the bank, formerly known as the First National Bank of Independence, is located at 129 W. Lexington St. on the Indepen-

dence Square. A second banking facility is located at 23rd Street and Randall Road.

The new facility on Lynn Court Drive has been designed by the Metropolitan Architects Collaborative and is being constructed by Maxwell & Associates Construction Co. of Independence.

A steel frame structure sided in gold reflective glass, the bank will contain a central atrium and stairway. Commercial and retail banking facilities will be housed on the first two floors and office space on the third floor will be offered for lease.

An unusual design feature of the building will be eight drive-in banking lanes arranged so customers face the teller window head-on rather than the traditional side-by-side arrangement of most banks.

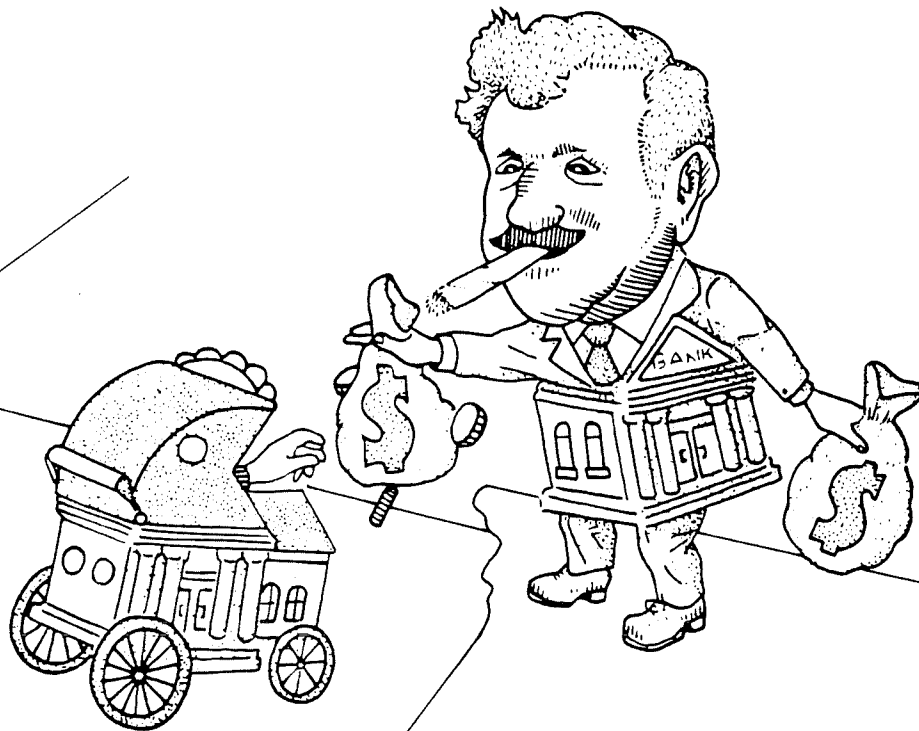
1/30/83
KC Star

Appendix "I"

Who Wants MBHCs in Kansas?

As the following article from the January, 1983, Kansas Business News indicates, those that want MBHCs in Kansas are numerous, and they aren't always Kansans! Missouri entrepreneurs who want to buy and sell banks in an unregulated environment are lining up on the border, much like the Oklahoma Land Rush of the turn of the century.

Only this time the claims they seek to stake out are in Kansas banks!



Betting on the cum:

Missouri investors gamble on change in banking laws

BY WILLIAM REDDIG JR.

They're like riders on the wind to C. Wayne Stearns, chairman of the Haysville State Bank and president of the Kansas Independent Bankers Association.

Sometimes they're chairmen of multi-bank holding companies in Missouri. But, more often they're lawyers, car dealers, or captains of conglomerates from out of state. They're entrepreneurs, if you will, buying up stock in one or more of Kansas' 620 banks at a rising rate.

"We hear they've been here and they're all around the state buying positions," Stearns says. "Their interests, almost always below 25 percent, are hard to pin down. But, I can see the attraction. They're like a bunch of gamblers betting on the cum."

The cum, or risk dividend, will flow

Propelled by the Monetary Control Act of 1980, bank holding companies may be crossing state lines as early as 1984.

if Kansas leaves unit banking behind, as it might in 1983, and allows multi-bank holding companies. (There are already 312 one-bank holding companies in the state).

Single bank investors may then exchange their stock for that of an acquiring holding company. Shareholders controlling a chain of banks in attractive market areas can demand a premium over book value, sometimes in the form of cash or notes. Meanwhile, their one-bank holding companies serve as nice tax shelters as holding company debt is written off.

Adding extra spice is the promise of interstate, perhaps even national,

bank holding companies that might offer even higher premiums on buying out a profitable chain. Bank deregulation, as propelled by the Monetary Control Act of 1980, may well find holding companies crossing state lines as early as 1984.

"Interstate banking is just going to happen all of a sudden one of these days," says Ronald Langford, the Comptroller of the Currency's administrator for operations in the 10th Federal Reserve District.

Present Kansas banking laws grease the way for the entrepreneurs, although the laws are tough on corporations.

A single holding company can own more than 25 percent of only one bank. (It may, though, hold a smaller posi-

tion in several banks.) And federal holding company laws are even more stringent, blocking positions above 4.9 percent.

Holding companies in tenth district states

| State | 1980 number | Percent of deposits |
|------------|-------------|---------------------|
| Colorado | 112 | 82.7 |
| Kansas | 291 | 56.9 |
| Missouri | 161 | 78.0 |
| Nebraska | 249 | 74.6 |
| New Mexico | 17 | 59.4 |
| Oklahoma | 196 | 67.2 |
| Wyoming | 32 | 78.2 |
| Total | 1,058 | 71.6 |

Source: Federal Reserve Bank of Kansas City.

In contrast, an individual, even a bank president, can control 100 or more Kansas banks if he so wishes and has enough capital.

Just how pervasive chain banking by individuals has become in Kansas is made clear by a recent study of the Federal Reserve Bank (10th District) in Kansas City.

A team led by Forest E. Myers, manager of banking structure and standards, found out there are now at least 68 individual-style chains in Kansas controlling 176 banks. Two of the chains own ten banks a piece, and 22 control at least three.

Strangely enough, the state also has at least five bank holding groups with more than \$500,000,000 in deposits

(Continued)

Banking

(Continued)

that classify as multi-bank holding companies under federal guidelines.

While analysts believe the influx of fresh banking capital into Kansas in the past five years is well under \$1,000,000,000 (mostly in Missouri), the spiraling nature of the chains makes it possible that non-Kansans now control banks with more than \$4,000,000,000 of the state's \$15,100,000,000 in deposits.

Unfortunately, the Federal Reserve study was made using holding company application documents deemed confidential. Chain owners aren't identified by name or location. Nor are the nature or size of their investments.

Myers says, however, that the data was detailed enough to allow the Fed to pick apart individual and syndicate groups. Sometimes a partner would lead one acquisition foray, but become a minority investor in the next.

A bank officer with five percent of the stock in two banks is presumed to have control.

The Fed's "presumption of control" seems unreasonable to some banking brokers. But, it also demonstrates just how little stock an outsider can buy in a so-called independent Kansas bank and end up calling the shots.

The Fed believes that if an owner has a management position and owns more than five percent of the stock in two banks or holding companies, he has control of both. He's presumed to be in control if he has no official position but owns more than ten percent of the stock in each bank.

Myers testified on the study before the interim Committee on Commercial

and Financial Institutions, that's been holding a series of hearings prior to this year's session of the Kansas Legislature. Any proposals for tightening up current banking laws or for allowing multi-banks probably will flow from the group.

But, the state attorney general already is grappling in specific cases with the question of whether preferred stock counts toward control and whether an individual with a 24.9 percent interest in several banks can then become the majority shareholder in a newly chartered bank.

"The people involved know something."
—James Kemper Jr.

Missouri bankers—in a state where two-thirds of the bank deposits already are controlled by 35 bank holding companies—look at the ferment in Kansas with a tinge of cynicism.

James M. Kemper Jr., chairman of Commerce Bancshares of Kansas City, the third largest bank holding company in Missouri, wonders if the chain formations aren't just a way of jacking up bank stock prices before multi-bank holding companies are allowed.

"The people involved know something," Kemper says. "You hear of these syndicates being formed. Or, you see these guys just driving up and down the highway picking up five to ten banks at a discount from book."

"Pretty soon, an outsider is making the key lending decisions. Insider loans are then used to buy more banks. What they're looking for, eventually, of course, is a tax-free exchange with the multi-bank at a much higher multiple."

"You're going to see," Kemper goes on, "small town banks in Kansas eventually becoming part of larger holding company conglomerates, the

way you've seen individual grain elevators become part of the Cargill's and Continentals. It's a time of competition on a larger scale."

Kemper admits that his powerful banking family already is positioning itself for a new day in Kansas banking. His cousin is R. Crosby Kemper, chairman of United Missouri Bancshares of Kansas City, the state's fourth largest bank holding company. His uncle, William T. Kemper, is president of Kemper Investment Company, that controls many of the Kemper family investments.

William Kemper holds nearly 14 percent of the stock in the holding company for the Fourth National Bank & Trust Company of Wichita, the largest bank in Kansas. He's also on the board of directors.

Crosby Kemper also has an interest in the Overland Park State Bank & Trust Company and an Atchison Bank. And, he recently acquired a large block in Commercial National of Kansas City, Kansas.

The latter investment, Crosby Kemper says, was at the request of Commercial's management after the extremely secretive Kansas City entrepreneur, Frank Morgan, picked up approximately 24 percent of the available common. Most stock in smaller banks is closely controlled by the founding investors and can only be purchased after a death or management falling out.

A Morgan group also moved quickly to take control of the Mission State Bank when it failed two years ago, and banking industry sources say Morgan also has purchased at least 17 percent of Security National in Kansas City, Kansas.

"I buy into Kansas banks because they happen to be good investments."

**— Robert Brozman,
chairman Cencor, Inc.**

Some active Kansas bank investors may live in the state, but their business interests rest primarily in Missouri. The late Joyce C. Hall and son, Donald J. Hall of Hallmark Cards, Inc., who've lived in Leawood, bought, for instance, important positions in Merchants National Bank of Topeka and the First National Bank of Lawrence.

John W. Sutherland of Overland Park, a key partner in the Sutherland Lumber Company chain, has been listed as a large shareholder in the

First National Bank of Louisburg.

"I buy into Kansas banks because they happen to be good investments," says Robert F. Brozman, chairman of Kansas City's Cencor, Inc., who controls at least five Kansas banks including First State and Tower State of Kansas City, Kansas, Lawrence National, and other banks in Topeka and Wichita. Cencor itself already includes an interstate finance company and a child care center chain in its mix.

Even if multi-banking fails in Kansas, it looks as if the door will be opening wider to individual chain banking. Deregulation is giving the bank regulators less control over structure. And, to some, the market itself rules the mix.

"When you see a bank move to acquire across a state line, say from Missouri to Kansas, that's just a convenience factor coming into play," explains Langford of the Comptroller's office.

**"Our fear is that
lending policy is going to
be made elsewhere."**

— C. Wayne Stearns

In sorting out bank monopolies, the Fed now uses recent Justice Department antitrust guidelines. And, these rely on a relatively untried measure called the Herfindahl index, so named in memory of an antitrust economist.

But, until your Herfindahl rises above 1,800, meaning your group has more than 20 percent of the deposits in a typical five-bank market, Justice won't blink twice at an acquisition.

Not all the bankers in Kansas, of course, feel that the inevitable trend to multi-banking by out-of-staters is to the good. Many members of the independent bankers association, that includes approximately 270 banks, believe the trend might even be uneconomic.

"Our fear is that if the multi-banks come in," Stearns says, "that lending policy is then going to be made elsewhere than in your town. In my opinion, both agriculture and small business in Kansas are going to suffer." **KEN**

Mr. CHAIRMAN. MEMBERS OF THE COMMITTEE.

MY NAME IS JAMES D. HERRINGTON. I AM CHAIRMAN OF THE BOARD AND PRESIDENT OF THE COLDWATER NATIONAL BANK IN COLDWATER, KANSAS. IN JANUARY, I BEGAN MY 33RD YEAR WITH THIS BANK. I WOULD LIKE TO THANK THE COMMITTEE FOR HOLDING THESE HEARINGS. THESE HEARINGS MAKE IT POSSIBLE TO PRESENT DIFFERENT OPINIONS SO THAT EVERY OPINION MAY BE FAIRLY PRESENTED AND FAIRLY CONSIDERED.

KANSAS BANK LAWS WERE PUT IN PLACE TO PROTECT THE CONSUMER FROM THE BANKER . . . NOT TO PROTECT THE BANKER FROM THE CONSUMER, NOR TO PROTECT THE BANKER FROM COMPETITION. THE INDEPENDENT UNIT BANK LAWS WE HAVE IN KANSAS SEEM TO DO EXACTLY THAT . . . PROTECT THE CONSUMER FROM THE BANKER AND PROVIDE COMPETITION SO THAT THE CONSUMER WILL GET THE BEST FROM THE BANKING INDUSTRY, BE HE A LENDER OR A BORROWER OF FUNDS.

KANSAS BANKS UNDER THE INDEPENDENT UNIT BANKING SYSTEM FINANCE THOUSANDS OF FARMERS AND RANCHERS, THOUSANDS OF SMALL BUSINESSES, THOUSANDS OF FAMILY HOUSEHOLDS AND WHILE DOING ALL THIS, THEY ALSO FINANCE COMMERCE. CONTRARY TO SOME . . . KANSAS' BUSINESS CLIMATE HAS DONE VERY WELL THIS PAST YEAR. KANSAS BANKS FINANCED A \$6 BILLION DOLLAR AGRICULTURE BUSINESS . . . THE LARGEST SINGLE INDUSTRY IN THE STATE. THIS IS A PRETTY GOOD TRACK RECORD FOR INDEPENDENT UNIT BANKING.

KANSAS LEGISLATORS SHOULD BE COMPLIMENTED FOR THEIR EFFORTS TO KEEP COMMERCE AND BANKING SEPARATE . . . THIS HAS BEEN THE ORDER OF OUR STRUCTURE FOR BUSINESS AND FINANCE, BOTH NATIONALLY AND STATEWIDE FOR MANY YEARS. FORCES ARE AT WORK TO CHANGE ALL THIS. FORCES NOT REPRESENTING THE CONSUMERS BUT FORCES REPRESENTING A VERY SMALL MINORITY OF PEOPLE AND BUSINESSES THAT WILL SACRIFICE THE NEEDS OF MANY FOR THE WANTS OF A FEW. KANSAS LEGISLATORS HAVE STOOD FAST BECAUSE MOST OF THEM REALIZE THAT HUMAN NATURE HAS NOT CHANGED SINCE KANSAS BECAME A STATE 122 YEARS AGO. OUR GADGETS AND TECHNOLOGY HAVE SURELY CHANGED, BUT NOT HUMAN NATURE.

AS A BANKER, I WANT TO BE ONLY A BANKER AND TRY TO BE A GOOD BANKER. THERE IS PLENTY TO DO IF I TAKE CARE OF THE BANKING BUSINESS FOR MY BANK.

I DON'T SELL INSURANCE (EXCEPT MORTGAGE INSURANCE) BECAUSE SEVERAL PEOPLE IN OUR COMMUNITY SELL INSURANCE, AND DO A GOOD JOB OF IT. . . GIVE GOOD SERVICE TO THEIR CUSTOMERS AND THEY MAKE LIVINGS FOR SEVERAL FAMILIES BY SO DOING.

I DO NOT SELL REAL ESTATE BECAUSE WE HAVE REAL ESTATE PEOPLE IN OUR COMMUNITY. THEY KNOW REAL ESTATE AND CAN SERVE THE PEOPLE WELL AND EARN LIVINGS FOR THEIR FAMILIES BY OPERATING THESE REAL ESTATE FIRMS.

I DON'T OPERATE A TRAVEL AGENCY BECAUSE THERE ARE MANY QUALIFIED TRAVEL AGENTS IN OUR AREA . . . THEY DO GOOD WORK AND AT THE SAME TIME SERVE THE COMMUNITY AND EARN A LIVING BY DOING THIS WORK.

I DON'T SELL SECURITIES OR DEAL IN SECURITIES. WE HAVE TWO SECURITIES SALESMEN IN OUR COMMUNITY AND THEY TOO EARN A LIVING DOING THIS WORK.

YOU MAY ASK, WHAT DOES ALL THIS HAVE TO DO WITH MULTIBANK HOLDING COMPANIES? IT HAS EVERYTHING TO DO WITH IT. AS A KANSAN, I WOULD LIKE TO SEE OUR DUAL BANKING SYSTEM KEPT IN PLACE. WE NEED TO KEEP OUR KANSAS BANKING DEPARTMENT IN PLACE TO SERVE THE PEOPLE AND BANKS OF KANSAS. FOR THE CONSUMERS IN STATES THAT HAVE MULTIBANK HOLDING COMPANIES, SOME SURPRISES MAY BE IN STORE FOR THEM.

THERE IS THE PLAN FOR LEGISLATION THIS YEAR ON THE NATIONAL LEVEL TO CHANGE THE BANK HOLDING COMPANY ACT. THE SECRETARY OF THE TREASURY, DONALD REGAN, AND THE ADMINISTRATION FAVORS THIS LEGISLATION AND WILL INTRODUCE IT IN CONGRESS. THIS BILL WILL SPECIFICALLY AUTHORIZE BANK HOLDING COMPANY SUBSIDIARIES TO ENGAGE IN INSURANCE UNDERWRITING AND BROKERAGE, AND REAL ESTATE INVESTMENT, DEVELOPMENT AND BROKERAGE. IN THE SECURITIES FIELD, BANK HOLDING COMPANY SUBSIDIARIES COULD DEAL IN AND UNDERWRITE U.S. AND MOST STATE AND MUNICIPAL SECURITIES, INCLUDING REVENUE BONDS. THEY COULD SPONSOR, CONTROL AND ADVISE AN INVESTMENT COMPANY AND THEY CAN

DEAL IN AND DISTRIBUTE BANK CERTIFICATES OF DEPOSIT AND COMMERCIAL PAPER OF ITS PARENT HOLDING COMPANY OR ANY OF ITS HOLDING COMPANY'S SUBSIDIARIES . . . THIS PROPOSAL NOT ONLY BROADENS THE ACTIVITIES IN WHICH BANK HOLDING COMPANIES MAY ENGAGE, BUT ALSO MAKES ENTRY INTO THESE FIELDS EASIER AND LESS TIME CONSUMING.

WITH ALL THESE CHANGES COMING OUT OF WASHINGTON FOR BANK HOLDING COMPANIES, KANSAS CAN AVOID THEM BY KEEPING THE PRESENT UNIT BANKING SYSTEM IN PLACE. JUST BECAUSE SOMEONE ELSE DOES SOMETHING DOES NOT MAKE IT CORRECT OR WISE. WE NEED NOT PASS PERMISSIVE LEGISLATION JUST TO LEGALIZE UNLAWFUL ACTIONS TAKEN BY AN INDIVIDUAL OR CORPORATION. THIS PUTS OUR STATE GOVERNMENT INTO A SUBORDINATE POSITION TO A FEW WHO ARE DEMANDING CHANGE FOR THEIR BENEFIT AND PROFIT.

THESE PROPOSED CHANGES COULD LEAD TO ALLOCATION OF CREDIT AND THUS SEVERELY LIMIT THE CONSUMER'S ACCESS TO CREDIT. AT PRESENT, KANSANS DO HAVE VERY EASY ACCESS TO CREDIT. IN COLDWATER, KANSAS THERE ARE TWO BANKS, 2 BRANCHES OF SAVINGS AND LOANS, AND 2 SECURITIES SALESMEN. ALL THIS FOR A TOWN WITH A POPULATION OF APPROXIMATELY 1100. I DON'T OPPOSE MULTIBANK HOLDING COMPANY LEGISLATION IN ORDER TO KEEP OUT COMPETITION . . . WE HAVE COMPETITION AS YOU CAN SEE FROM OUR NUMBER OF FINANCIAL INSTITUTIONS AND THE LOW POPULATION. TO THE CONTRARY, I OPPOSE MULTIBANK HOLDING COMPANIES IN KANSAS BECAUSE THEY WILL EVENTUALLY ELIMINATE

COMPETITION AND PREVENT ENTRY INTO THE MARKET FOR INDIVIDUAL OWNERSHIP OF BANKS, INSURANCE COMPANIES, BROKERAGE FIRMS, REAL ESTATE FIRMS, TRAVEL AGENCIES, ETC. THIS IS JUST A BEGINNING LIST OF ACTIVITIES AND SERVICES MULTI-BANK HOLDING COMPANIES WILL BE INTO ALMOST IMMEDIATELY. WE NEED TO LOOK AT THE NEXT GENERATION AND SEE WHAT OPPORTUNITIES WE ARE LEAVING OPEN TO THEM. . . NOT JUST LOOK AT WHAT WE CAN GET RIGHT NOW FOR OURSELVES. WE MUST LEAVE SOME HOPE AND OPPORTUNITY FOR GENERATIONS TO COME. THAT'S WHEN WE WILL BE STATESMEN AND NOT JUST POLITICIANS.

THE FACT THAT THE INDEPENDENT UNIT BANKING SYSTEM IS WORKING FOR KANSAS LIES IN THE OBSERVING THAT THERE IS NO GREAT PUBLIC OUTCRY FOR A CHANGE OF THE BANKING SYSTEM. I WOULD THINK THAT MOST KANSANS DON'T EVEN KNOW ABOUT THE CHANGE BEING CONSIDERED IN THE BANKING LAWS THAT WILL ADVERSELY EFFECT THEIR LIVES AND OTHER LIVES FOR MANY GENERATIONS TO COME.

I URGE YOU TO KEEP OUR PRESENT INDEPENDENT UNIT BANKING SYSTEM IN PLACE. "IF IT ISN'T BROKEN, DON'T FIX IT."

THANK YOU VERY MUCH.

PRESENTATION BEFORE
THE HOUSE COMMITTEE ON
COMMERCIAL AND FINANCIAL INSTITUTIONS

by

H. Samuel Forrer, President
The Grant County State Bank
Ulysses, Kansas

February 16, 1983

Chairman Dyck and members of the Committee. I am Sam Forrer, President of The Grant County State Bank of Ulysses, Kansas. My appearance today is on behalf of The Kansas Independent Bankers Association in opposition to HB 2001.

It was in December of 1965 when I was first introduced to Branch Banking and Multiple-Bank Holding Company Legislation in Kansas. During the intervening years, the proponents' arguments for these structures have changed very little. We have been told that the adoption of one or the other of these cartel structures was necessary to serve our customers properly; that we must have them to compete; that their adoption in Kansas was inevitable; that we must do this to protect ourselves from the real threat of larger out-of-state institutions. So, here we are once again discussing the question of whether Kansas will remain unique by continuing to embrace the bank structure that best promotes free enterprise in banking, or whether it too will succumb to the pressures of a few by adopting a structure that encourages, and even demands, the concentration of control of our State's deposits into the hands of a very few. In short, the question is, who is going to have the power that is associated with bank deposits? Will it be retained by the depositors, or will that power shift to a few bank managers?

Bank structure alone determines the amount of economic power that is given bankers or is retained by depositors. Kansas law says that no corporation can control directly or indirectly more than one Kansas bank. HB 2001 would change that. It would permit a single corporation, known as a Multiple Bank Holding Company, to own and control any number of banks. The practical result of passing this legislation, as evidenced in every state that permits this type of structure, would be that the policy-making decisions would shift from each community to the Board Room of the parent holding company. There are a few (in Kansas and elsewhere) that feel the passage of this Bill is assured. They have embarked upon ambitious campaigns to acquire control of numerous Kansas banks which upon adoption of HB 2001, would be swallowed up into one corporation. What is it these people seek? Why are these few so militant and tenacious in seeking this goal? Some light can be shed on this by drawing from the experience of others. The passage of this Bill would put Kansas banks (not the bankers) in the same situation you have seen in cartoons where a little fish is about to be devoured by a bigger fish, which is about to be devoured by an even bigger fish, which is about to be devoured by an even bigger fish, and so on, with a whole line of fishes in pursuit of another while swimming feverishly to escape the giant fish wanting to devour them all. Kansas does not have a giant bank (all Kansas deposits in all types of institutions combined are less than is in each of several New York banks). Every Kansas bank is a Country bank. This Bill sets Kansas up for a take-over by the giants. It sets the stage for financing a few large borrowers in the city with local deposits. It would make Kansas banks easy picking when and if Federal legislation abandons the state's rights. To see the evolution of MBHC's and its propensity to concentrate control, we can look to other states with this structure.

Newspaper headlines continually report the evolutionary process in each state. Here is a sampling starting with the newest to adopt MBHC: In Illinois, "New Holding Company Plans to Merge Twenty Illinois Banks"; in New Jersey, "Merger to Form New Jersey's Largest Bank Holding Company"; in Pennsylvania, "Merger to Form Twenty-Seveneth Biggest Bank Holding Company" (in the Country); in Pennsylvania, "Merging Banks to Move Against Hostile Take-Over"; in Texas, "Mercantile, Texas to Purchase Preferred of Oklahoma Bank"; in Florida, "Flagship Pushes Effort to Block Venezuelans". These kinds of headlines are commonplace in the American Banker. They point out the common characteristic of states with Multiple-Bank Holding Companies. That characteristic is the continual merging and take-over of competing institutions by ever larger holding companies. It is illegal to do that in Kansas. This type of legislation could easily be titled "The Bankers' Sell-Out Bill". It provides an easy vehicle for local banks to sell out to regional banks who would then be able to sell out to giant banks. This then makes them targets for hostile, including foreign, take-overs. But in order for this sell-out to occur, these opportunists need this legislation. And, you are all that stands in the way of the sell-out of community banking. Once sold to a MBHC, you never see local ownership again. If you are looking for a way to export local deposits, just put them in the control of an outsider. This Bill does that. The giants are looking with relish to our deposits to replenish their coffers. And, there are some that are willing to sell us out.

Lest you doubt our claim that concentration automatically occurs with MBHC's, let me recite a few statistics. The largest bank in Kansas controls 4.2% of the state's bank deposits. The five largest banks in Kansas control 10.6% of the state's bank deposits. The adoption of this Bill would automatically increase the control of the five largest bank institutions to 13.3% with the

activity for consolidation just beginning. In Colorado, the five largest banking organizations control 59% of the state's bank deposits, while in Missouri the five largest control 42%. That is typical in MBHC states, not exceptional. It clearly points out what proponents seek. They seek to do legislatively what they have been unable to do in a competitive free market; that is to control the banking deposits of Kansas. That translates into a denial of the marketplace for deposits.

There are further implications of this legislation. When a bank gets in trouble in Kansas, it is either closed (as in other businesses) or a new group of buyers, usually local people, obtain a new charter and reopen it under new ownership. Thus, the structure keeps each community independent. Not so in MBHC states. When a bank fails there, a MBHC is waiting in the wings to take it over and the supervisory agencies encourage it. So in addition to consolidating going organizations, the MBHC structure assures a community with a troubled bank that it will lose control to outsiders.

Since this Bill would result in concentrating control of bank deposits, maybe we should look at what is happening in large institutions in other states to determine if we want to copy them. Milton Hayes, a consultant to American National Bank of Chicago, said "There is a great deal of media comment at present about the involvement of U. S. banks in loans to foreign nations. There is no question that these loans are problems and some analysts have stated that the nine largest U. S. banks have lent the equivalent of 40% of their capital and reserves to Mexico alone and this is only one of the troubled foreign nations that have received large credits from U. S. banks." (One of these reasons is that these banks are much under-capitalized in comparison to Kansas banks.) It is public knowledge that one of the large

Multi-Bank Holding Companies in Kansas City, Missouri has such a loan. Would it comfort you to know that your hometown bank might be forced to supply local funds to subsidize a Nation that cannot pay its bills. American banks have made loans of over 37 billion dollars to nations that cannot pay. William Quirk, in The New Republic, claims that "default on this much money would bust the banks, which in turn would bust the Country, which in turn would bust the World". That is one hazard of concentrating the control of resources. One or a few organizations, through the bad decisions of a few, can drag down the entire Country or World. That is why you are reading of the increasing pressure on the U. S. Congress to step up its contribution to the International Monetary Fund. The IMF could then make loans to these defaulting countries so that they can make their payments to the U. S. banks so that they don't go busted. The big banks have our Congress with no options. The tail is wagging the dog. They control so much of the Country's deposits that we've got to dance their tune and therefore reinforce their bad decisions. That's not economic freedom; it's economic blackmail. And, the thing that fosters that circumstance is too much power in the hands of a few. To top it off, the big powerful institutions seem to do the same thing at the same time, right or wrong. In the 1970's their mutual debacle was the high flying real estate investment trusts. HB 2001 is bad law for every Kansas depositor. It should be rejected.

Independent bankers contend that Kansas has done very well with the independent banking system because it is responsive and accountable to its depositors. Multi-Bank Holding Companies and liberalized branching structures have achieved their prominence during the last twenty years. During this span of time, the proponents in Kansas have been moaning about the "inevitable" demise of the Kansas economy if we didn't embrace the latest structure fad for the reasons I cited earlier. During the early years of these permissive laws in other states,

there was an exodus of Kansans from our state. But as the economic machinery of those cartels settled in, a dramatic reversal has occurred. By 1980 more workers were entering Kansas than were leaving. Could it be that our economic climate is more satisfactory than elsewhere. Our lower unemployment figures would support that. That conclusion is further supported by the fact that between 1977 and 1981 Kansas added 17,000 more net jobs to its economy than did its neighboring states, which incidently includes Colorado and Missouri. In addition, the hourly wage for manufacturing, where most of this expansion occurred, went up for Kansas workers. Twelve years ago, the Kansas hourly manufacturing wage was 10¢ lower than the national average. Today, it is 6¢ higher than the national average. Do these figures point to a dying economy or a faulty bank structure? Of course not! Kansas has a strong economy, even during these difficult times for our agricultural sector. Playing an important part in that viability is the flexibility that each Kansas community has with its independent bank which allows it to adapt to its own economic situation. Each has a hometown decision maker, not one who lives and works elsewhere. The independent banker has nowhere else to turn. He must work for his community only, or die. It is that ingenious relationship in our free enterprise system that has made our Country great. Only the independent unit banking structure brings the competitive free enterprise system to banking. The MBHC structure is a cartel. Few state legislatures have had the foresight to withstand the enormous pressures of the few who seek to control our resources. Kansas has been one of those states. (Incidently, Illinois is the only state that has passed legislation allowing MBHC.) That steadfast wisdom has not failed Kansans. It will continue to serve well. I'd like to close by reading a few remarks offered by Dr. Paul S. Nadler, a well-known lecturer and speaker on the affairs of banking. In the article from which I quote, he is addressing some of the questions independent bankers in other states raise prior to being acquired by a Multi-Bank Holding Company. He says, "What does mahagement and the Board of a bank

considering selling out usually want though? It wants a more relaxed style so that this Board and staff can continue to set policy for its own bank. But, what we have seen in many instances is the bankers equivalent of a 'bait and switch' policy. The acquiring company is benign leaving management alone and doing little to change names, policies, marketing styles, and the like -- just as long as it is acquiring other banks and wants the reputation of being a gentle operator who leaves affiliates alone. Then, once it has obtained a geographical presence in most regions of the state and can do the rest of its growth by de novo branching if it cares to, it changes operating style." He goes on, "One is reminded of the story about the late David Ben-Gurion, Premier of Israel. Ben-Gurion dies, and God ask him: 'Do you want to go to heaven or hell?' Ben-Gurion looks at them both, and in heaven they are drinking tea and reading the Bible, while in hell they are partying, playing golf and tennis and having a fine time. As soon as he decides to take hell, the picture changes and hell becomes a place of heat, fire, and hard work. 'Why was hell so nice before and so terrible now?', Ben-Gurion asks God. 'Ah, then you were a tourist, now you are an immigrant', was the reply. A bank joining a holding company or branch network is an immigrant. There may be a honeymoon period, but those who forget they are in this immigrant status do so at their own peril."

For seventeen years the proponents have been unable to provide any evidence that Multiple-Bank Holding Companies will serve Kansans better than our present system. Their promises, assurances, and rhetoric are not enough. If the system that has a proven record of flexibility, responsiveness, and commitment as does the independent unit banking system is to be abandoned, then its replacement must show irrevocably that it is superior in each of these counts. The MBHC structure fails the test.

This issue does not affect bankers (they do very well in a sell-out). This issue is who will control the banks. Will it be local depositors with independent choices as it now is, or will it be transferred to a few bank managers? Until it can be shown that our communities are better served by transferring the control to a few distant managers, then I urge you to opt for the economic independence for each of us as citizens. Therefore, I urge you to oppose HB 2001.

Thank you.

Mr. Chairman and Members of the Committee:

We are opposed to multibank holding companies because ultimately they are neither more efficient nor more competitive.

When the number of competing banks in a state is reduced by 200, as they were in Missouri, there are not more competitors, there are fewer competitors. This is especially true if you understand that major multibank holding companies look alike, sound alike and act alike.

Individual state and national statistics clearly show that multibank holding companies are less profitable because of high overheads and have considerably lower capital ratios than independent banks. The same comparisons also reveal this has been a deteriorating trend over the past 5 to 7 years. If this is true, which it is, how can they:

1. Be more competitive?
2. Provide better service?
3. Lower product prices?

Especially, if they are paying premiums to acquire banks.

We have all heard, and probably quoted, the saying - "There is no such thing as a free lunch."

The saying is certainly applicable to the absorption of an independent bank by a multibank holding company.

The bank that sells out to a holding company usually does so for a premium price - often one that is not completely justified by current earnings.

In return for this premium there is a price to be paid. The price may be extracted in a matter of a few months or it may take as long as a couple of years - but, it will be paid.

Only by making the acquired bank more efficient and more profitable can the holding company earn back the premium paid and have the new affiliate contribute positively to earnings per share. How this is done is not necessarily in the best interest of the community.

Through a combination of cost reduction, people reduction, loan control, price increases, risk reduction and management fees, profit is upstreamed to the holding company (not back into individual communities) for its decision as to how to best achieve profit optimization. These actions are primarily accomplished to support stock price rather than benefit the consumer. There are those that would argue that this is akin to "cutting off the hand that feeds." Over the long-run, however, the reduction in the number and kind of competitors leaves the consumer with few other choices and the multibank holding company with a license to steal.

During the Interium Committee hearings it was suggested by a couple of non-bankers that if Kansas is to prosper and if Kansas is to attract large corporations to the state, then Kansas needs larger banks and that multibank holding companies provide the vehicle to achieve this end.

Multibank holding companies are a way to create larger banks, but, in our opinion, neither the natural way nor the best way.

Economically, banks grow larger because of increased population, increased business activity and the increased deposits resultant therefrom.

Missouri has larger banks because Missouri's population is $2 \frac{1}{3}$ times larger than ours. Missouri also has large banks because 6 major multibank holding companies control 60% of the states banking resources.

If you create size by legislating multibank holding companies, the result is really a vehicle by which assets are redistributed. Multibank holding companies do not create capital, they combine capital. Multibank holding companies do not have larger loan limits, they have combined loan limits. No affiliate bank can make a loan larger than its individual loan limit without participating, this includes the Flagship parent. This is a very important consideration because Flagship policy determines the direction of participation. If the goal of the Flagship is to make larger loans, then it will be at the expense of the communities in which the affiliates are located.

The assumption that large corporations will not move into a state without large banks is fallacious. The decision of a large corporation to move into a particular state is based on:

1. Size and location of markets
2. Supply and training of work force
3. Natural resources
4. Access to materials
5. Transportation facilities
6. Local tax rates
7. Tax incentives
8. Cultural and social environment

Deficiencies with these considerations are far more critical than considerations to bank size or structure.

Furthermore, it has been my experience as a national accounts calling officer, that major corporations arrange needed financing with their own lead bank far in advance of any major move. The established relationship with the lead bank is more important than a possible relationship elsewhere located. If area banks in the recipient state are aggressive, they may be able to participate with the lead bank in any financing requirements, but this is the exception rather than the rule.

Interestingly, within our own state we have the capability to provide financing for most any corporation that might desire same.

And, it does not require structure change, it just requires organization. I am surprised that the Kansas Department of Economic Development, Kansas Development Credit Corporation, Kansas Venture Capital Corporation, major Kansas banks and one or two bond underwriters have not organized to be prepared to provide almost any type or amount of financing to qualified applicants. May I suggest that they participate together toward this end. Missouri banks certainly do this and it has nothing to do with structure, just good business. In fact, it's not much more difficult than getting a major upstream participation approved.

In reviewing the stock prices of the six major Missouri multi-bank holding companies, I found that all are selling in the open market at between 50% and 75% of net book value. Why so cheap? Because all the major acquisitions have been made and the growth to sustain a higher stock price no longer exists. In an interstate banking environment, Kansas represents a real opportunity for Missouri multibank holding companies. Missouri already owns 14% of the state's largest bank and 14% represents control by a wide margin.

What does this mean? Well it means that after the largest bank is absorbed by Missouri multibank holding companies, then a larger portion of Kansas banking assets will be controlled by Missouri banks. How much greater the plum if the acquired Kansas bank, or banks, own 20 or 30 banks throughout Kansas. Certainly multibank holding companies have not helped keep Missouri bank stock prices up. I am sure any one of us in this room would like to buy a bank at 50% or 60% of book value. You or I, however, don't have the resources to pick-up a \$3 Billion or \$5 Billion or \$7 Billion dollar holding company, but Citicorp does, and so does Chase Manhattan and Bank of America and any number of major money center banks - out of petty cash. When state bankers talk about wanting multibank holding companies to grow larger and thereby avoid acquisition, they are kidding themselves.

They cannot grow large enough by acquisition to protect themselves. Perhaps instead of considering structure changes we should be considering how we can best exercise "states rights" to protect our banking assets from external invasion.

In closing, it is argued by the proponents that they are not asking that you legislate away independent banking, but rather that you allow both independent banking and multibank holding companies to co-exist, i.e. to provide a structure choice. The rhetoric is good, but the logic is far too simplistic.

It is our opinion that you, the legislature, must decide which system best serves the consumers of Kansas. Our state banks are not large because our population is not large. But, per capita statistics show conclusively that Kansas banks do a better job serving consumers than states operating with multibank holding companies.

The problem with multibank holding companies is that they tend to dominate - 40% to 70% of a state's bank resources - and they are, once established, irreversible. If proven inefficient, multibank holding companies are not split up and sold off, but rather they are simply merged with larger, less responsive multibank holding company systems. On the other hand, independent structure can always be changed if there is a demonstrable need for change. To date, the proponents have offered no tangible demonstrable proof that change is needed. They have simply expressed the wants of a few to play with our state banking assets at the expense of the consumer.

STATEMENT
OF
IVAN W. WYATT, PRESIDENT
KANSAS FARMERS UNION
ON
HB 2001
(MULTI BANK HOLDING Cos.)
BEFORE
THE HOUSE COMMITTEE
ON
COMMERCIAL AND FINANCIAL INSTITUTIONS

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

I AM IVAN WYATT, PRESIDENT OF THE KANSAS FARMERS UNION.

AS WE DEBATE THE ISSUE BEFORE US, WE HAVE TO CONSIDER WHAT IS IN THE BEST INTEREST OF THE MAJORITY OF THE CITIZENS OF THE STATE OF KANSAS, AND NOT JUST THOSE FEW WHO MAY BENEFIT FINANCIALLY BY A MAJOR CHANGE IN OUR BANKING SYSTEM FROM THAT SYSTEM OF INDEPENDENT SERVICE ORIENTED UNIT BANKING, TO A SYSTEM OF BRANCH BANKING AND MULTI BANK HOLDING COMPANIES, MOTIVATED BY THE SHORT TERM PROFIT, RATHER THAN LONG TERM SERVICE AND COMMUNITY DEVELOPMENT.

BEFORE WE MAKE THIS MAJOR CHANGE IN THE STRUCTURE OF THE KANSAS BANKING INSTITUTIONS WE NEED TO REALIZE THAT HB 2001 IS A STEP BACKWARDS NOT FORWARD.

THE BOTTOM LINE OF THIS ISSUE IS DEREGULATION.

AN OLD TIMER ONCE TOLD ME, "NEVER TEAR DOWN A FENCE UNTIL YOU FIND OUT WHY IT WAS BUILT." THAT IS THE CASE HERE. WHY WERE THESE RESTRICTIONS PUT IN PLACE IN THE FIRST PLACE?

MANY OF TODAY'S REGULATIONS CAME ABOUT BECAUSE OF ABUSES THAT CRIPPLED THE U.S. FINANCIALLY DURING, AND PRECEDING THE DEPRESSION OF THE 30's.

THE EFFECTS, AND ATTITUDES, OF "CARTEL BANKING" AND THE CONFLICTS OF INTEREST WITHIN THE FINANCIAL WORLD ARE BECOMING MORE EVIDENT WITH EACH PASSING DAY. RECENTLY THE STOCK MARKET PLUMMETED BECAUSE OF THE FEARED EFFECT DECLINING INTERNATIONAL OIL PRICES WOULD HAVE ON THIS COUNTRY'S "CARTEL BANKS", RATHER THAN THE POSITIVE EFFECT OF LOWER ENERGY COSTS ON THE REST OF THIS COUNTRY'S ECONOMY.

IF KANSAS OPENS ITS DOORS TO THE UNLIMITED BRANCH BANKING AND MULTI BANK HOLDING COMPANIES, THE EFFECT MIGHT NOT BE NOTICED FOR A FEW YEARS, BUT IN THE NEAR FUTURE, THE KANSAS FARMER, LOCAL BUSINESSMAN, AND THE AVERAGE WORKING CITIZEN COULD FIND THEMSELVES DEALING WITH A MAMMOTH BANK SUCH AS ONE WHOSE AD I RECENTLY READ CLAIMING THEY HAVE 900 OFFICES LOCATED IN 11 WESTERN STATES; THAT'S EVERY STATE WEST OF KANSAS.

KANSAS PEOPLE COULD THEN FIND THEMSELVES BEING FORCED TO DEAL WITH A BANK THAT IS MORE CONCERNED ABOUT THE PRICE OF OIL IN SAUDI ARABIA, THAN THE PRICE OF WHEAT IN KANSAS CITY, OR THE RATE OF UNEMPLOYMENT IN WICHITA OR TOPEKA.

IF YOU PASS THIS LEGISLATION, IT WILL BE A GIGANTIC STEP, NOT FOR MANKIND, BUT FOR MULTI INTERSTATE BRANCH BANKING.

I TOTALLY DISAGREE WITH THOSE WHO SAY IF WE PASS THIS LEGISLATION IT WILL PREVENT OUT-OF-STATE TAKE-OVER OF KANSAS BANKS.

NO INTERSTATE BANK WILL COME INTO KANSAS AND BUY UP A BANK HERE OR THERE; HOWEVER, THERE COULD BE A TERRIFIC PROFIT MADE BY A HOLDING COMPANY PUTTING TOGETHER A PACKAGE OF MANY RURAL BANKS, THEN MARKETING THE PACKAGE TO AN INTERSTATE BANK HEADQUARTERED ANYWHERE-- CALIFORNIA, NEW YORK, DELEWARE.

I DON'T MENTION DELEWARE BY ACCIDENT. THE STATE OF DELEWARE IS BECOMING KNOWN AS THE LUXENBURG OF THE UNITED STATES, BECAUSE OF ITS MOST FAVORITE TREATMENT TO OUT-OF-STATE BANK HOLDING COMPANIES, ELIMINATING ALL CONSUMER LOAN RATES AND FEE CEILINGS, AND BY DRAS- TICALLY CUTTING THE TAX RATE ON BANK EARNINGS, ESPECIALLY OF THOSE HAVING EARNINGS OVER \$30 MILLION ANNUALLY.

BECAUSE OF THE LACK OF RESPONSE OF THE FEDERAL GOVERNMENT, OF THE MOVEMENT TOWARDS NATIONAL CARTEL BANKING, THE STATE OF DELEWARE IS REPORTED TO BE USING SO CALLED DEREGULATION AS A WEAPON IN THE ECONOMIC WAR AMONG STATES. DEREGULATION HAS BEEN CALLED A GUN HELD TO THE HEAD OF STATE LEGISLATURES BY BIG BANKS AND FINANCIAL INSTITUTIONS.

THE KANSAS LEGISLATURE HAS ALREADY FELT THAT COLD TOUCH OF PERSUASION WHEN PRESSURE WAS PUT ON TO ELIMINATE USURY RATE LIMITS. EVEN THOUGH PRESENT LIMITS ARE NOT A HINDERANCE NOW, THE ARGUMENT IS THAT THEY MIGHT BE IN THE FUTURE, CLAIMING THE MOST EQUITABLE THING TO DO IS TO DEREGULATE, ADMITTING, IF THERE IS NO USURY LIMIT SOME CONSUMERS WILL GET BURNED. BUT, "IT IS STILL THE EQUITABLE THING TO DO."

HOWEVER, FROM THE PRACTICAL POINT OF VIEW OF THE SUPPORTERS OF BRANCH BANKING AND MULTI BANK HOLDING COMPANIES IN KANSAS, IF YOU'RE GOING TO LIFT USURY LIMITS AND FEE CEILINGS, YOU'D BETTER GET IT DONE BEFORE THE CHANGE IS MADE.

THE KANSAS FARMERS UNION HAS FOR YEARS OPPOSED BRANCH BANKING AND MULTI BANK HOLDING COMPANIES, AND SUPPORTED THE UNIT BANK SYSTEM, AND THE FLEXIBILITY AND SERVICE THAT CAN BE PROVIDED ONLY BY LOCAL CONTROL AND MANAGEMENT, AS OPPOSED TO HAVING THE STATES BANKING SYSTEM RESTING IN THE HANDS OF A FEW DECISION MAKERS FAR REMOVED FROM THE NEEDS OF THE PEOPLE THEY SERVE.

IN CLOSING, LET ME GIVE YOU AN EXAMPLE: I RECENTLY RECEIVED A LETTER CONCERNING THE SERVICE AN ELDERLY GENTLEMAN RECEIVED AT A BRANCH IN HIS COMMUNITY.

HE WALKED INTO THAT BRANCH BANK FACILITY TO CASH HIS PAYROLL CHECK OF \$62.51 DRAFTED ON A NATIONALLY FUNDED SENIOR CITIZEN EMPLOYMENT PROJECT.

BECAUSE HE DIDN'T HAVE A CHECKING ACCOUNT WITH ANY OF THEIR BRANCHES, HE WAS TOLD HE WOULD HAVE TO PAY A \$10.00 CHARGE TO GET HIS \$62.51 PAYROLL CHECK CASHED.

THIS ELDERLY KANSAS CITIZEN WAS CHARGED AN EXORBITANT AMOUNT TO CASH HIS CHECK BECUASE HE WAS ELDERLY AND HIS EARNINGS WERE SMALL, SO SMALL THAT HE COULDN'T AFFORD TO HAVE A CHECKING ACCOUNT.

SO, AS I SAID EARLIER, WE HAVE TO WEIGH THE INTERESTS OF THE CITIZENS OF THE STATE, THE FARMER, THE LOCAL BUSINESSMAN, THE WORKING PEOPLE OF THE STATE, AND YES, THE INTEREST OF THE ELDERLY AND LOW INCOME, VERSES THE INTEREST OF THE FEW WHO WOULD EVENTUALLY CONTROLL THIS STATE'S FINANCIAL INSTITUTIONS; BEFORE WE MAKE A MAJOR DECISION THAT WOULD PLACE THE FUTURE, FINANCIAL WELL BEING OF MANY, INTO THE HANDS OF A FEW.

#

Gentlemen:

My name is C. N. Hoffman, Jr. I am President and Chairman of the Board of The National Bank of America at Salina. I am speaking in favor of retaining the basic banking structure now existing in this State and in opposition to H.B. 2001. I firmly believe that the unit banking system as it currently exists in Kansas has been very successful and that it should be retained.

The only valid reason for changing the banking structure in Kansas would be to give better service to the customers of Kansas banks. I understand that the proponents of this bill have advanced many arguments in favor of this bill but that one of their principal arguments is that a multi-banking holding company structure would bring greater credit availability to the citizens of Kansas. I would like to speak to this point.

Frequently customers of small banks -- particularly in rural areas -- have legitimate needs for loans which are larger than their local banks can legally make. The current system handles this need by the local bank selling that part of the loan in excess of what it can legally make to a larger correspondent bank. Proponents of change represent that this system is not working satisfactorily.

I strongly disagree with this representation. The correspondent bank business in Kansas is very competitive, blankets the state very completely, and operates very efficiently. I am confident that there have been few, if any, sound loan requests from individuals or businesses in Kansas in recent years which have not been taken care of, regardless of the size, through the correspondent banking system. I can certainly say that, in the 20 years in which my bank has been actively in the correspondent bank business, we have never turned down a sound excess loan application which a customer bank has sent us. I think this is true of most

of the banks in the correspondent bank business in Kansas. Even more importantly, any independent bank in Kansas today has several options of which bank to take the excess loans of his customers to. He is not married to and at the caprice of one officer at headquarters, as he would be as a member of a multi-bank holding company. This, gentlemen, is the free enterprise system at work, and it operates for the benefit of the consumer and the citizens of this state.

There are many other banking services which the proponents of changes claim would be made more available to the citizens of the State. Availability of all these services would be more likely to decrease than increase with multi-bank holding companies because multi-bank holding companies would tend to centralize these services in their lead banks and terminate them at their small country or suburban affiliates.

The most important thing I have to say for maintaining the unit banking structure is a very intangible argument and therefore very difficult to expound adequately. This is the value of the locally owned and managed bank to the community and to the social and economic structure of the entire state. The unit banking structure tends to keep ownership of banks in small and medium sized communities and, because of that ownership, tends to keep high caliber individuals in those communities. I think most of you know that bankers are, almost without exception, a major part of the community leadership in small and medium sized communities. Multi-bank holding companies tend to drain the more capable individuals out of the smaller communities rapidly. The more competent individuals move rapidly on up in the organization, and the duds are left behind in the smaller communities -- or the suburban affiliates. It is, of course, true that frequently the competent men do work in the community while they are there, but their hearts are not in the job like those who own some of the community, and their short tenure considerably lowers the value of their contribution.

There are basically two groups who are seeking changes in the Kansas banking structure. The first is those large banks who have large capital or access to substantial additional funds -- in some cases out of state -- that would like to expand their empires. At the other extreme is the other group -- the owners of small banks -- who would like to sell their banks and believe that with multi-bank holding companies they could get a much better price for their bank than under the present situation.

I am not criticizing the motives of either group, but I think this committee should recognize what the motivation is behind this bill. This is a bill to benefit several groups of bankers. It is not a bill to benefit the citizens of Kansas.

I am well aware that the current trend in the United States is away from unit banking structure, but I do not know why we need to be panicked by mob action. Kansas is, in many ways, a very unique state. I think all of us feel it has been a very successful state. We have stood out against the crowd many times, and most times we have been glad of it. I am sure all of you gentlemen are proud of our traditions of independentness and of our success.

The legislature should take into consideration the desires of bankers who solicit changes in the banking structure, just as it should the desires of any group of citizens; but it should primarily evaluate any action it might take in terms of what that action will do for the majority of the citizens of the State. I am confident that this philosophy is the cornerstone on which all of you serve. A change from the unit banking structure to a multi-bank holding company would be for the advantage of the few and the detriment of the majority of the citizens of the State. I urge this committee to report H.B. 2001 adversely.

Memo

Kansas Association of Wheat Growers

317 West 2nd
P. O. Box 2349

Ph: 316-662-2367

Hutchinson, Kansas 67501

TESTIMONY OF

HOWARD WARD

PRESIDENT OF THE

KANSAS ASSOCIATION OF WHEAT GROWERS

HOUSE COMMERCIAL AND FINANCIAL INSTITUTIONS

February 16, 1983

Mr. Chairman and members of the committee.

Thank you for the privilege of letting me appear here today. My name is Howard Ward. I operate a wheat and cattle farm just north of St. John, Kansas. I am President of the Kansas Association of Wheat Growers. I am appearing here today on their behalf to register our strong opposition to House Bill 2001.

We have an organization of 7000 members who are vitally concerned about the concentration of the financial resources of the state in the hands of a few individuals or corporations that could result if you were to approve this bill.

Let me read to you the resolution of our Taxes and State Affairs Committee adopted at our State Convention on November 17, 1982:

"The Kansas Association of Wheat Growers opposes multibank holding companies and branch banking. The small town bank is the backbone of farm credit. They are best suited to serve the needs of the average farmer. Branch banking and multibank holding companies poses a threat to all small town banks and the farmers they serve."

We listened to testimony this summer and here yesterday.
We haven't seen any consumers here asking for this legislation.
We know there are some banks that want to get bigger and
some banks that believe they can sell out at a huge profit.
We think it is time someone started thinking about the consumer.
The people we represent do not want this type of legislation.

Mr. Chairman, the Kansas Association of Wheat Growers urgently
request that you report House Bill 2001 adversely.

STATEMENT TO THE
HOUSE COMMERCIAL AND FINANCIAL INSTITUTIONS COMMITTEE

RE: HB 2001 - Multi-Bank Holding Companies
February 16, 1983
Topeka, Kansas

by
Joan Lieber
Second District Resolutions Committee Member
Kansas Farm Bureau

Mr. Chairman and members of the Committee:

My name is Joan Lieber. I am a farm wife from Osage County, and I serve on the Kansas Farm Bureau Resolutions Committee, representing 10 counties in that capacity.

In Kansas Farm Bureau, our policy begins at the grassroot level with suggestions for resolutions coming from the members. These suggestions are researched and discussed in study and research papers which are sent to the county Farm Bureaus. The county members read the material, discuss it and answer an attached questionnaire. The results of the questionnaire are reviewed at the KFB Resolutions Committee meeting which proposes resolutions for KFB policy.

These proposed resolutions are brought before the Annual KFB Convention where the delegates from across the state discuss, amend, and vote on them, and those passed become part of KFB policy. This is no rubberstamp meeting, it is really democracy in action.

Last year, Kansas Farm Bureau sent to the counties a study paper entitled "Controversies in Banking." It was an unbiased, comprehensive paper helping to bring the members up-to-date on past and present banking laws, explaining various systems of bank ownership and gave the arguments for and against multi-bank holding companies.

The last sheet of the paper was a questionnaire. The first question asked "Should KFB have a resolution on this issue?" (In this case, multi-bank holding companies). In other words, should F.B. get involved with this?

The results were overwhelming. Out of 61 counties replying, only five felt we should not have a resolution. The vast majority felt we should have a KFB policy concerning multi-bank holding companies.

On the question, "Should a KFB resolution endorse or oppose multi-bank holding companies?" The results were even more one sided. The members of 51 counties opposed allowing multi-bank holding companies in Kansas and only two endorsed them. This is an unusually large proportion of uniform opinion for a research paper. You probably know how hard it is for farmers to completely agree on anything. We're pretty independent!

The question on expansion of services and numbers of detached facilities and interstate banking, were both given a majority negative answer.

At the Annual Meeting of KFB in Topeka in December, the delegates adopted a resolution that reads as follows:

Banking Facilities and Services

We believe there should be no further development of detached facilities or services by banks or other financial institutions. We are opposed to branch banking and to the acquisition of banks or other financial institutions by multi-bank holding companies.

As a farm wife near a small town, I'm thankful for the choice and competition offered by the present situation. There are six banks in Osage County, and while they do cooperate, the competition is still there. In fact, we don't bank at our closest town, but go to a town seven miles away to do our banking.

We used to do our major banking at a large bank in Kansas City, MO, but when it became part of a multi-bank holding company system, we noticed a change in attitude and policy. Every time we went up there, someone else was in charge of agricultural loans, and there was no continuity of personnel

or policy. The person in charge often didn't understand or care about the cattle business. Soon, we moved our accounts out of Missouri . . . which allows multi-bank holding companies . . . to Kansas, and the continuity and understanding of an independent bank.

Missouri is a handy example to show the effects of a multi-bank holding company system. Since the multi-bank holding company came into being, the bank ownership has shifted until now five corporations control 75 percent of the state's deposits. While in Kansas, the five largest banks have only 17 percent of the total. The situation is even more monopolistic in California and Arizona where branch banking and multi-bank holding companies have been allowed for a longer time. There, the five largest banks control over 90 percent of the deposits.

Saturday, I talked with Frank Wiles of the Pleasant Hope Bank of Pleasant Hope, Missouri; a small community 14 miles north of Springfield. It is surrounded by multi-bank holding company institutions, and of the six banks in Springfield, five are controlled by multi-bank holding companies. The sixth has only been open for a month, and is expected to be taken over into the multi-bank holding company system.

Of the multi-bank holding company banks in Springfield, only one would even consider agricultural loans; the rest refused to even discuss them.

Mr. Wiles said he was sure that agriculture has been hurt in Missouri by the multi-bank holding company system.

When a multi-bank holding company establishes a bank in a small community, it is not locally controlled. All basic decisions are made at the metropolitan area. "Big dollars speak loud," and commercial loans are given priority.

Mr. Wiles said that the 300 independent banks are carrying the largest loans, and it is a very heavy burden.

In Missouri, more farmers go to government agencies for money (PCA, FmHA, etc.), because multi-bank holding company institutions have cut back or even eliminated agricultural loans - they are not really interested in serving local communities when the control and management decisions are made elsewhere.

In Kansas, the farm loan per capita rate in 1980 was \$830 while in Missouri, it is only \$263 - quite a difference. Comparative figures all down the line from population growth to employment and housing units, all favor Kansas over Missouri.

The logical path for multi-bank holding companies to follow is to grow and take over independent banks. This eliminates competition and concentrates financial power.

Soon after a bank becomes a part of a multi-bank holding company, farm loans tend to decrease. Excess funds from the smaller affiliate banks in a holding company go to the larger, dominant bank in the system. That bank and the holding company personnel determine which loans are filled, and farm lending does not have high priority.

Independent banks are locally controlled and directed. Local people are much more aware of local situations and make decisions for the good of the people and the community their independent banks serve.

The KFB research paper is included in the copy of my remarks.

Thank you for your time here today.

Kansas Farm Bureau Research Paper Summary -- 82-3

CONTROVERSIES IN BANKING

- I. Banking definitions provided Page 1
- II. Deregulation is occurring within the financial world . . . Page 2
- III. Kansas banking history briefly sketched Page 3
- IV. Legislation to change the Kansas banking structure was
introduced Page 4
- V. The controversy surrounding branch banking is discussed . Page 5
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compared Page 7
- VII. Interstate banking explored Page 8
- VIII. Neighboring states' banking practices examined Page 8

April 23, 1982

Prepared by Becky Crenshaw-Ohlsen
Public Affairs Division
KANSAS FARM BUREAU

Attachment 11 *h*

Hse C&FI Committee

2/16/83



FARM BUREAU

POLICY DEVELOPMENT

Research Paper

KANSAS FARM BUREAU

Public Affairs

— 2321 Anderson Avenue, Manhattan, Kansas —

Study Subject. No. 3 -- Commercial and Financial
Institutions

April 23, 1982

- TO: County Policy Chairman
Vice-chairman for National Affairs
Vice-chairman for State Affairs
1. Please ask county Farm Bureau Secretary to distribute copies of this material IMMEDIATELY to committee members so that they may become familiar with the issue.
 2. Call a meeting to discuss the issue and to offer recommendations and conclusions.
 3. Use the attached green sheet to send a report by 1 June 1982 to: Public Affairs Division, Kansas Farm Bureau, 2321 Anderson Avenue, Manhattan, Kansas 66502.

CONTROVERSIES IN BANKING

Banking, "any associated form of general dealing in money or credit," is as old as man. "Time was when there were no banks, but time never was when there was no banking." Trade, barter and exchange were banking practices however simplistic. Banking functions have been and are fundamental and indispensable and belong to all stages and stratas of human society. If not originated, they will in the very nature and necessity of things automatically originate themselves. The banking business is a continually changing entity, which becomes more complex as each year passes.

Definitions Given

The following definitions for unit banking, branch banking, multi-bank holding companies (mbhc), and chain banking are background to help understand the surface processes of banking.

Unit banking -- exists when banking services are offered by a single-bank corporation operating from a single place of business.

Membership Participation - Our Solid Foundation

The corporation has its own board of directors and stockholders and is not controlled by any other bank, corporation or individual that controls another bank and the bank itself does not control any other bank. (Under more common usage, states which permit limited-service, detached facilities or ownership of two or more banks by a single individual are considered to have a unit banking structure. Kansas allows one-bank holding companies. The holding company may own one bank and no more than 25% of the voting shares of another bank.)

Branch banking -- a single banking business conducts banking operations at two or more places. The branches are controlled from one location and by the same stockholders. Bank policies are formulated by a single management team at the head office.

Multi-bank holding companies -- own a substantial portion of the stock of two or more banks. Each bank in the group has its own board of directors and management. The actual loan limit of each subsidiary is constrained by the capital of that subsidiary. Through loan participation, however, the subsidiary has a potential loan limit equal to that of the organization. Receiving capital on loan from others within the organization (loan participation) is contingent on the holding company's management approval. The management of each holding company maintains overall control of the member banks and determines the total investment, loan and operating policies of each bank to a great extent. A multi-bank holding company may also own non-banking interests. These interests, however, must be closely related to banking and not contrary to the public interest.

Chain banking -- ownership or control of two or more banks by one individual or group of individuals. The difference between this and holding company banking is that in chain banking ownership may not be by a corporation. There is little state law throughout the U.S. regarding chain banking and no restrictions or prohibitions of it exist in Kansas.

"Deregulation" Discussed

The primary aim of deregulation in any industry is to establish a "level playing field" for all competitors. Deregulation is occurring for depository institutions with the phasing out of restrictions through the Depository Institutions Deregulations and Monetary Control Act of 1980. Following are certain provisions of this Act:

1. *The phase-out of interest rate ceilings on deposits over a six-year period.*
2. *The authorization to offer NOW (negotiable order of withdrawal) accounts (fundamentally, interest-earning checking accounts) at all federally insured depository institutions beginning December 31, 1980 to individuals and non-profit organizations.*
3. *The authorization of share drafts at federally insured credit unions (effective March 31, 1980)*
4. *The authorization for mutual savings banks to offer demand deposits to business customers*
5. *Increased investment options for thrift institutions*

For federal-chartered savings and loans:

- a. *consumer lending, commercial paper, and debt security investment of up to 20 percent of assets*
- b. *issuance of credit cards*
- c. *trust-fiduciary powers*

For federally insured credit unions:

- a. *real estate loans*

For federal mutual savings banks:

- a. *commercial, corporate and business loans, (up to 5 percent of assets)*

Federal savings and loans can branch statewide even in states that limit banks to a single office or limited facilities. Those nondepository institutions not regulated as to geographic expansion are finance companies, money market mutual funds and brokerage firms.

Kansas Situation Explored

The Banking Act of 1891 was the first legislation concerning banking enacted in Kansas. Before this legislation was passed, Kansas had over 400 state institutions operating in an unrestrained manner. From the early 1850's to 1891, three types of banking flourished: (1) the independent individual who mixed banking with the principal business in which he was engaged, (2) private banks, a partnership form of banking, (3) incorporated banks. Kansas state banks are now private corporations which, while governed in their operations by the Kansas Banking Law, receive their corporate status by virtue of the general corporation law of the state (K.S.A. 17-202 and 17-214). The existence of a Kansas bank begins on the day the charter is

filed in the office of the Secretary of State and continues for a period of 50 years.

Kansas' unit banking system has 619 banks, of which 469 are state chartered. One-bank holding companies have 233 of the 469 state chartered banks. Of the remaining 236 state chartered banks, 121 are owned by 47 individuals or families.

With 619 banks, Kansas maintains about 4½% of the country's banks with 1% of the country's population. (The U.S. has around 14,000 banks, more than the total number of banks in the rest of the world.) This situation exists, in part, because Kansas is one of only three states which allow neither multi-bank holding companies nor branch banking.

Kansas Legislation Expanded Service

From 1891 to 1929, the laws of Kansas were silent as to the subject of branch banking and, because of the silence, branch banking was held to be prohibited.

In 1929, written into the Kansas banking laws was a positive negative -- if such exists -- prohibiting Kansas state banks from establishing branches. The Kansas Legislature has enacted legislation in the last 20 years causing a weakening of this prohibition.

In 1957, legislation was enacted to allow banks to have one detached facility to cash checks and receive deposits. The facility had to be within a half mile of the main bank. In 1973, banks were permitted two more facilities within the city limits to handle checking accounts. These facilities are not allowed to make loans.

Whatever extent state banks are permitted by state law to establish branches, to that same extent national banks are permitted by federal law to exercise the same functions. The McFadden Act of 1927 preserves the right of states to determine their own banking structure. National banks are regulated by the same regulations as state banks for structural purposes.

Banking Legislation Introduced

Legislation to reduce banking constraints failed in both the 1979 and 1980 Legislative Sessions.

Two House bills, HB 2408 and HB 2409, were carried over from the 1981 session. These bills were referred to the Committee on Commercial and Financial Institutions. Neither bill received hearings in 1981 nor 1982 and, consequently, died in committee.

HB 2408 would have allowed full service branch banking. Banks would not be limited in the number of branch banks established.

HB 2409 would have repealed K.S.A. 9505 and 9505a. This is the Kansas law prohibiting bank holding companies except previously established bank holding companies. (Kansas statute defines multi-bank holding companies as corporations owning one bank and more than 25% of the shares of a second bank.)

Existing bank holding companies can not:

- a. Acquire control of more than 25% of the voting shares of two or more banks.
- b. Merge with any other bank holding company.

This legislation, HB 2409, would allow multi-bank holding companies.

Legislation introduced during 1982, HB 3123, allowed any existing detached facility to make consumer loans not exceeding \$100,000. This measure also did not meet the deadline for consideration of bills in committee, and died.

Controversy Surrounding Banking Structure

Statewide branch banking is allowed in 22 states. The unit banking structure is used in 11 states (including Kansas) and the remaining states allow some form of limited branching.

Legislation, as stated above, has been considered to allow branch banking in Kansas. This has created a great deal of controversy. The issue of allowing branch banking has three main areas:

- a. Retain existing territory regulations (pg. 4) but allow these banks to issue consumer loans.
- b. Allow banks to establish full service branches throughout the state.
- c. Retain status quo.

There are few proponents of statewide branch banking. However, there are many who advocate full service for those detached facilities presently allowed arguing that requiring a consumer to drive downtown to the main bank is "not providing full and convenient service to customers. The ability to make loans at branch facilities is just another constraint on bank growth and service to the consumer, business and agriculture."

Those who oppose any expansion of detached facility regulations fear that additional expansion will lead to statewide branch banking (parent banks establishing branches outside their city limits). Statewide branching, it is feared, will eliminate the small town independent banks. The problem is where to draw the line. Sam Forrer, Sr. V-Pres., Grant County State

Bank, claims "allowing them to make loans in their detached facilities probably is not significant in itself. But the idea it conveys that branch banking is all right is what we object to." The argument that non-bank institutions are threatening Kansas banks is rejected by Forrer saying they should meet the competition head on with competitive interest rates.

Those who want expansion of banking services claim they can not meet competition head on because of the diversification of non-bank institutions and the different regulations governing them.

"For the first time in recent history, community bankers are now experiencing severe competition--not from the banks across the street or in a neighboring Kansas town, but from the host of financial intermediaries operating nationwide without controls and regulations."

"Consider for a moment that Bank of America in California, the nation's largest bank owns Finance America and they have 382 offices in 38 states. Citibank, the second largest, owns Nationwide Financial Services with 184 offices in 27 states. Security Pacific, a large Los Angeles based bank owns Security Pacific Finance which has four offices in Wichita. Continental Bank in Chicago just purchased (1980) the \$121 million Foothill Group with finance offices in California, Texas and Colorado."

"Credit unions are offering share draft accounts and are now in the banking business. Merrill Lynch took the lead in offering Money Market funds which allow individuals to make deposits and withdrawals through their margin accounts." In January of 1980, "these broker funds (held) more than \$40 billion, which was about 5% of the entire U.S. money supply. Sears is selling small denomination notes directly to the public. Thirty years ago commercial banks held nearly 60% of the financial assets in this country, (in 1980) that total was 40%." (Quote--Robert Asmann, Exec. V-Pres., 4th Nat'l Bank, Wichita) (Addenda A)

The argument continues that in order for banks to remain active in the financial world, banks must be allowed more freedom from regulations in order to compete (i.e. increased branch banking and/or multi-bank holding companies).

Controversy Over Multi-Bank Holding Companies

A multi-bank holding company is a corporate entity organized primarily to acquire controlling interest in more than one bank. This compares to a branch banking organization in which one bank is permitted to establish full service offices throughout a geographic territory, normally confined to county or state lines. Multi-bank holding companies are prohibited in 10 states.

Small bankers who look favorably upon multi-bank holding companies see it "as a positive concept designed as a marketplace for their stock and an opportunity to align themselves with a large institution possessing expertise (and assets) not always available to each individual bank." (In 1976, 50% of Kansas banks had less than \$6 million in resources. The average loan limit of those banks to an individual borrower, at that time, was less than \$50,000.)

Bankers who look unfavorably upon multi-bank holding companies see them as an entity interested only in the wholesale takeover of individual banks leading to the demise of the independent, small town bank.

Interstate Banking Fear Used

Both those who advocate multi-bank holding companies and those who oppose multi-bank holding companies see interstate banking as a phenomenon occurring in the near future. Both also use the fear of interstate banking to support their argument for or against multi-bank holding companies.

Those opposed to multi-bank holding companies maintain that a move to allow acquisitions of banks across state lines would make any Kansas multi-bank holding company "a plum for some giant in another state to purchase." Any concentration of Kansas banking resources, the argument goes, would make takeover and control of resources by an out of state entity that much faster and easier.

Those who advocate multi-bank holding companies use the "ominous cloud of interstate banking" theory in a different manner. This argument claims that multi-bank holding companies are necessary to balance the competition generated by multi-bank holding companies from other states. The assertion is that without Kansas multi-bank holding companies, no bank in Kansas will be large enough to fend off the threat from other states. This argument makes the assumption that it is better for large Kansas multi-bank holding companies to own previous Kansas independent banks than multi-bank holding companies from other states.

These advocates also use the theory that interstate banking has already occurred throughout the financial world with the exception of the commercial bank. The allegation is that competition has greatly increased not from other banks but from other financial intermediaries as discussed earlier. They are brokerage houses, thrift institutions, finance companies, retailers and insurance companies (see pg 6). The argument maintains that these institutions are conducting to some degree some facet of the banking business without the same regulations. In order for banks to compete with these institutions, the argument goes, multi-bank holding companies are necessary.

Interstate Banking Practices Growing

Interstate banking was curtailed in 1956 by the Douglas Amendment to the Bank Holding Company Act. This prohibits the acquisition of a bank in any but a bank holding company's home state unless expressly authorized by state law. Under the Act, twelve interstate banking operations were "grandfathered." Several, like California based Western Bancorporation, with 22 banks in 11 western states and over \$21 billion in deposits have significant interstate operations. Currently, Iowa allows new acquisitions by one out of state bank holding company. Maine allows bank holding company acquisitions from states that allow acquisitions by Maine bank holding companies.

Despite the aforementioned restrictions, the banking industry has managed to expand toward nationwide proportions. This expansion has been mainly in the form of lending.

Banks have established loan production offices to serve their corporate loan customers. The International Banking Act of 1978 expanded the banks' ability to establish branches of Edge Act corporations through which they can serve the international credit and deposit needs of domestic and foreign customers at many U.S. locations.

Two major bank holding companies have extensive national coverage. Each has about 400 offices located in about 40 states.

Other States Reviewed

Missouri -- A statutory prohibition against branch banking. A branch banking proposal was voted down by the Missouri voters in 1959. In 1965, the Missouri Legislature passed a law allowing multi-bank holding companies. Currently about 20 large multi-bank holding companies control about 2/3 of the total banking assets and 1/3 of the banks. The trend seems to be

toward continued purchase of independent banks by multi-bank holding companies.

Nebraska -- Basically the same banking system as Kansas. Allows four detached facilities rather than three. Also, does not allow loans to be issued from the detached facilities. Prohibits multi-bank holding companies.

Nebraska has legislation introduced this session similar to Kansas' proposed legislation. The proposals include:

- a. Allowing multi-bank holding companies.
- b. Statewide branch banking.
- c. Increased service at present detached facilities.

Last December, the Nebraska Farm Bureau took a position, for the first time, opposing legislation allowing multi-bank holding companies.

Colorado -- The Colorado Legislature defeated legislation to allow statewide branch banking during the 1981 session. Colorado banks are allowed limited, detached facilities within 1000 feet of the main bank.

Colorado does allow multi-bank holding companies. The Colorado holding company can acquire, subject to approval, ownership of other banks in the state without limitation to a concentration of banking assets. The acquired banks continue to operate under their own corporate entity with their own board of directors. The parent company as owner provides basic management policies.

ADDENDUM A

| | End of Period | | | | | Annual Growth Rates | | | |
|--|---------------|---------|---------|---------|----------|---------------------|-----------|-----------|-----------|
| | 1960 | 1965 | 1970 | 1975 | 1979 | 1960-1965 | 1965-1970 | 1970-1975 | 1975-1979 |
| COMMERCIAL BANKS (insured only) | | | | | | | | | |
| Business loans | \$ 43.1 | \$ 71.2 | \$112.2 | \$174.3 | \$256.0 | 10.6% | 9.5% | 9.2% | 10.1% |
| Mortgages | 28.7 | 49.4 | 73.1 | 134.6 | 243.2 | 11.5 | 8.1 | 13.0 | 15.9 |
| Consumer loans | 26.4 | 45.5 | 66.0 | 106.0 | 186.4 | 11.6 | 7.7 | 9.9 | 15.1 |
| U.S. Treasury and agency securities | 60.4 | 59.2 | 61.6 | 117.6 | 136.8 | -0.4 | 0.8 | 13.8 | 3.9 |
| State and local securities | 17.3 | 38.5 | 69.4 | 101.8 | 131.9 | 17.3 | 12.5 | 8.0 | 6.7 |
| Other assets | 80.4 | 111.6 | 194.1 | 310.4 | 441.2 | 6.8 | 11.7 | 9.8 | 9.2 |
| TOTAL | 256.3 | 375.4 | 576.4 | 944.7 | 1,395.4 | 7.9 | 9.0 | 10.4 | 10.2 |
| SAVINGS & LOAN ASSOCIATIONS | | | | | | | | | |
| Mortgages | \$ 60.1 | \$110.3 | \$150.3 | \$278.6 | \$ 475.8 | 12.9% | 6.4% | 13.1% | 14.3% |
| Investment securities | 4.6 | 7.4 | 13.0 | 30.9 | 46.5 | 10.0 | 11.9 | 18.8 | 10.8 |
| Other assets | 6.8 | 11.9 | 12.8 | 28.8 | 57.0 | 11.7 | 1.6 | 17.5 | 18.6 |
| TOTAL | 71.5 | 129.6 | 176.2 | 338.3 | 579.3 | 12.6 | 6.3 | 13.9 | 14.4 |
| MUTUAL SAVINGS BANKS | | | | | | | | | |
| Mortgages | \$ 26.7 | \$ 44.4 | \$ 57.8 | \$ 77.2 | \$ 98.9 | 10.7% | 5.4% | 6.0% | 6.4% |
| U.S. government securities | 6.2 | 5.5 | 3.2 | 4.7 | 7.6 | -2.6 | -10.5 | 8.5 | 12.6 |
| State and local securities | .7 | .3 | .2 | 1.5 | 2.9 | -13.8 | -9.2 | 51.0 | 17.3 |
| Corporate and other securities | 5.1 | 5.2 | 12.9 | 28.0 | 37.1 | 0.4 | 20.0 | 16.8 | 7.3 |
| Other assets | 1.9 | 2.8 | 5.0 | 9.6 | 16.8 | 8.5 | 12.1 | 13.9 | 15.1 |
| TOTAL | 40.6 | 58.2 | 79.0 | 121.1 | 163.4 | 7.5 | 6.3 | 8.9 | 7.8 |
| CREDIT UNIONS | | | | | | | | | |
| Loans outstanding | \$ 4.4 | \$ 8.1 | \$ 14.1 | \$ 28.2 | \$ 53.1 | 13.0% | 11.7% | 14.8% | 17.2% |
| Other assets | 1.3 | 2.5 | 3.8 | 9.9 | 12.7 | 14.3 | 9.4 | 20.8 | 6.6 |
| TOTAL | 5.7 | 10.6 | 18.0 | 38.0 | 65.9 | 13.3 | 11.2 | 16.2 | 14.7 |

SOURCES: *Banking and Monetary Statistics*, 1941-1970; *Annual Statistical Digests*, 1971-1975 and 1974-1978; *Federal Reserve Bulletin*, March 1980 and October 1980.

Branch bank dispute flares anew in state

EDITOR'S NOTE: For three decades, a battle has raged in Kansas over branch banking. The issue has heated up anew, because of the threat the state's larger banks say is posed by giant national financial institutions coming in and taking capital and loan business away from them. The issue is explored in a three-part series starting today.

By LEW FERGUSON
Associated Press writer

Across the street from Merchants National Bank in downtown Topeka sits a Finance America Corp. loan office.

A few blocks away, officials of First National Bank of Topeka can look out the window and see a loan office of Security Pacific Finance Corp.

At the White Lakes Shopping Center in southern Topeka, Sears Roebuck and Co. is making loans at its big department store.

Similar situations exist in Wichita, Kansas City, Kan., Salina and some other Kansas cities.

In Johnson County, branches of United Missouri Bank, which can make loans, blanket State Line, which divides Kansas and Missouri.

These burgeoning branch investment and loan-making facilities are a sign of the times in the financial world.

They frequently advertise they will pay higher interest on your savings, and will offer you lower interest rates on loans than banks and savings and loans do.

To some Kansas bankers, whose basic livelihood depends on their ability to

make loans, they are viewed as an insidious threat to their well-being, if not to their very existence.

These bankers, who also have seen fast-growing money market mutual funds siphon off millions of investment dollars, fear they face an ever-shrinking loan market unless they are allowed to expand and flex greater capitalistic muscle.

The source of their fear is not complicated, but the answer to what can — or should — be done to help them is highly complex, and controversial.

The metropolitan bankers say they want to be allowed to expand and grow so they can meet the mushrooming competition from the giant national holding companies, such as Security Pacific, Manufacturers Hanover, Citicorp, BankAmerica and others.

They presently are stifled by what they consider constrictive Kansas laws that prohibit full-blown branch banking and multi-bank holding companies.

Unless they are permitted to make loans in their branch facilities, or unless the law is changed to permit them to form multi-bank holding companies and buy out smaller banks, they say they may not be able to remain strong enough to meet the competitive challenge of the massive financial corporations spreading their tentacles into Kansas.

They contend the intramural squabbling among state bankers over branch banking saps the effort to meet the real threat facing all Kansas banks, namely federal legislation that would permit interstate ownership of banks.

They say they could be swallowed up by the financial giants along with the little banks if that happens.

Their arguments are disputed and their cause staunchly opposed by the state's so-called independent bankers, who generally include the smaller, more rural banks but range in size up to medium-sized banks in metropolitan areas.

At stake, say the independent bankers, is control of their communities' financial resources.

If multi-bank holding companies, or unlimited branch banking, is allowed, then control of all banking in Kansas ultimately will be vested in a half-dozen or so big banks in Wichita and Topeka, they argue.

They also say decisions on making loans in rural Kansas will be dictated by policies established by the big banks and no longer will a hometown banker

decide whether Farmer Jones is a good risk to have his loan granted, or extended.

Advocates of multi-bank holding companies contend the threat is coming from outside Kansas, and state bankers must join forces to meet it. Otherwise, they say, all may be lost if no Kansas banks are large enough to fend off takeovers by the financial giants if interstate banking is permitted by Congress.

Caught in the middle, and forced to retreat to a neutral position, is the Kansas Bankers Association, which numbers virtually all of the state's 620 banks among its members.

"It is an honest-to-God issue where fair minds can honestly differ," said Harold Stones, KBA executive vice president, who believes the issue ultimately will be decided by Congress and not the Kansas Legislature.

"If national banks are allowed to branch out across Kansas, then I think the Legislature is likely to let state banks do it, too," he said.

KBA members have been split for years over branch banking.

When the automobile drive-in craze hit in the early 1950s, banks started installing drive-through windows. Those banks located in the middle of city blocks needed outlet facilities, detached from their main banks.

That prompted the Legislature in 1957 to permit banks to have one detached drive-in facility to cash checks and receive deposits, as long as it was within a half mile, or 2,600 feet, of the main bank.

With the rise of shopping centers in the 1960s came a push for more detached facilities. So, in the 1973 session the Legislature allowed banks to put in two more facilities anywhere within their city limits — but only to handle checking accounts and not to make loans.

Bills which would allow banks to make consumer loans in their detached facilities failed in the 1979 and 1980 sessions, but two bills introduced last session remain alive in the House Commercial and Financial Institutions Committee.

Those two, both submitted by Rep. James Holderman, D-Wichita, would permit unlimited branch banking in Kansas and would legalize multi-bank holding companies.

It is those two bills that make advocates of "independent" banking see red.

Next: The case for the big banks.

Bankers say Kansas banks bound by 'archaic' laws

December 3, 1981

By LEW FERGUSON
Associated Press writer

Jordan Haines is president of Fourth Financial Corp., a one-bank holding company which owns Fourth National Bank and United Financial Corp. of Wichita.

Fourth National Bank is Kansas' largest bank, by a wide margin. Its assets of \$930 million make it nearly twice as big as First National Bank of Wichita, the second largest with \$500 million.

Oliver Hughes is president of Merchants National Bank of Topeka, one of the capital city's two largest banks.

Haines and Hughes share a strong conviction that unless the shackles placed on Kansas banks by what they view as archaic state laws are removed by the Legislature, both their banks could wind up small potatoes, if Congress deregulates the industry.

Fourth National Bank ranks 221st in size among the nation's banks. That means there are a lot of bigger ones around who might absorb a bank the size of Fourth National if Congress approves interstate banking.

In the fiscal year which ended last June 30, the 10 biggest banks in Kansas saw their assets rise less than .1 of 1 percent, or \$7.7 million — despite the fact the economy continued in a period of double digit inflation.

If Kansas' largest banks can't hold their own, there must be a reason.

Banking leaders such as Haines and Hughes say that reason is a financial revolution which has spawned a proliferation of loan offices placed in Kansas by large national companies, the drain of millions of investment dollars to money market mutual funds and the banks having to fight their competition with one hand tied behind their backs.

Unless Kansas banks — all of them and not just the big ones — are allowed to compete on equal footing with other types of lending and savings institutions, they believe they may become easy prey for takeovers from the outside.

Haines said he does not advocate statewide branch banking in Kansas, but does support letting banks' detached facilities make consumer loans and strongly endorses legalization of multi-bank holding companies.

However, he said the larger banks have not yet decided whether to lobby in the 1982 session for legislation to allow multi-bank holding companies.

Fourth Financial Corp. took the first step this fall toward becoming a multi-bank holding company, if it ever becomes legal. It purchased 24.99 percent interest in the Kansas State Bank of Newton. State and federal laws limit bank holding companies' investments in banks to less than 25 percent. The purchase awaits Federal Reserve Board approval.

"Very simply put, we have a philosophy which we believe is shared by well over 200 of the 620 banks in Kansas, and that philosophy is that open competition best serves us and the people of this state," said Haines.

"It is truly not a 'big bank versus little bank' issue. I can name dozens of independent, smalltown banks who have realized their market is being invaded. They realize their world is changing."

Haines said Fourth National decided four years ago that "we could no longer continue as an island." So it launched an information campaign to get other banks to join in a drive to change the state law prohibiting multi-bank holding companies.

Allowing them would mean any bank would be free to offer to buy other banks and operate them under one corporate structure. Banks could not be compelled to sell.

"It would mean competition, and the competitive situation would benefit the consumer," Haines said.

Kansas is one of just three states that do not permit branch banking or multi-bank holding companies in one form or another.

To illustrate the competitive disadvantage he believes Kansas banks are under, Haines cited his own bank's situation.

"In Wichita, we have more than 150 offices of finance companies, investment banking firms, credit unions, savings and loans and commercial banks," he said.

"Only one of those five types of institutions is without the freedom to compete in the market place, and that is the commercial bank. All the rest can compete, statewide and without re-

straints.

"The result is the egg basket is getting smaller and more people are trying to get the eggs. If we can compete only at the corner of Douglas and Broadway (in Wichita), then we're not serving our stockholders or our customers very well.

"We are functioning in a very antiquated system, and I don't know who possibly is being well served by it."

Haines said the Reagan administration is dedicated to deregulating the banking industry and it would be far better for the Legislature to write this state's laws to regulate it.

Hughes, who plans to retire next spring, said too many Kansas bankers miss the point that change is coming whether they like it or not.

"We need to address the problems of structure in Kansas banking calmly and decide what's best for our banks and our customers, or there is going to be a drastic change in the whole structure before we know it.

"The threat is coming from outside Kansas and some are failing to recognize it. The federal government is on the verge of making it easier to have interstate banking."

"It may be the 'big' banks of Kansas are going to be swallowed up along with the 'little' Kansas banks."

Hughes disputed the contention that allowing multi-bank holding companies in Kansas would destroy local control over community banks.

He said holding companies invariably have a local board to help set policy and "common sense dictates that the holding companies will follow the advice of the local board."

"I think the multi-bank holding companies are the real answer, perhaps with citywide (branch) banking," Hughes said.

"In the absence of something like this, there are going to be an awful lot of small banks fall by the wayside, and we're actually going to have less banking in these small communities."

Loss of local bank control feared

December 4, 1981

By LEW FERGUSON
Associated Press writer

Sam H. Forrer is senior vice president of the Grant County State Bank in Ulysses. His nearest competitor bank is more than 20 miles away.

Now, then, can Sam Forrer get so worked up that he launches into a 45-minute dissertation on the wisdom of preserving Kansas' independent banking system and the evils he sees in branch banking and multi-bank holding companies?

Unless the bank's owner, Floyd Pinnick, decided to sell, odds are overwhelming that no other bank would move into Ulysses.

But Sam Forrer will tell you of his conviction that Kansas, and the two other states that have blocked the concentration of banking control, are serving their people the best.

"Local control is what this fight is all about," he said. "The thing that is at stake here is the preservation of the independent banking system."

"It's not because we're afraid we're going to get run out of the state. The thing we are most adamant about is the community bank is the one that is going to serve its community best."

"We have a lot of bankers scrambling around making charges, but the ones who are really going to be affected are the people. If they bought me out, I'd do very well. But it's the people I'd be selling down the drain, and they've put their trust in me."

Forrer is far from alone in his fight to save the banks of Kansas from what he says would be the concentration of banking power in a half-dozen big banks if multi-bank companies were allowed.

The Kansas Independent Bankers Association has a membership of 275 banks, or about 45 percent of all the banks in the state.

Among its members are three banks in Topeka, Fairlawn State, Kaw Valley State and First State Bank; two in

Wichita, Southwest National and Bank of Mid-America; and one in Kansas City, Turner State.

Also listed as members of the independent bankers group are banks in Abilene, Arkansas City, Augusta, Coffeyville, Fort Scott, Goodland, Junction City, Leavenworth, Parsons, Russell, Wellington and Winfield.

Generally the force that brought them together was the threat they per-

Last of a series

ceive from unlimited branch banking and multi-bank holding companies. Generally they have assets below \$100 million, many less than \$50 million.

"They are divided only by philosophy; there is no other dividing line," said Pete McGill, the former House speaker who now counts the independent bankers association among the clients served by his Topeka lobbying firm.

McGill recalls the battles of the early 1970s to get the Legislature to approve more detached facilities for the city banks. He and Forrer say that the big banks will never rest until they get wide open branch banking. They are girding for another fight in the 1982 legislative session.

"It was obvious they didn't need those fancy detached facilities for cashing checks," McGill said. "Obviously they built them with full-blown branch banking in mind."

"We have definite indication consideration is being given to pushing for multi-bank holding companies."

Forrer says the basic issue is where to draw the line in allowing banks to expand. He contends that letting city banks have three detached facilities for handling checking accounts — as they now have — is going far enough.

"Allowing them to make loans in their detached facilities probably is not

significant in itself," he said. "But the idea it conveys that branch banking is all right is what we object to. It paves the way for them to go to the Legislature and say, 'Let us have citywide branch banking,' and once they get that they'll ask for statewide branch banking. It just opens it up."

Forrer said the crux of the issue was who should control local financial resources. In his view the choice is whether it is better to vest it in a hometown banker with concern for his community and its future, or a banking executive in Wichita or Topeka who will set general policies for many local banks, without any special regard for individual towns and their unique problems.

"In a multi-bank holding company situation, the decisions eventually are made by those who run the holding companies in other cities, not by the people who are residents of the town," he said.

"The question is where are the financial resources of the community going to be used, and who is going to make the decisions on where they are used. The whole thrust of the issue is who controls the resources."

"That is what is so often lost in this debate. The people who have the most at stake in this are the depositors, and nobody is asking them what they think."

He rejects the argument that the metropolitan banks of Kansas are threatened by the influx of loan companies into the state, most of them subsidiaries of giant national financial institutions. He says they should meet the competition head-on, with competitive interest rates on loans and savings accounts.

"Are we banks in Kansas going to say we want to run the finance companies out of business in this state?" he asked. "I don't think so."

CONTROVERSIES IN BANKING

DISCUSSION QUESTIONS

COUNTY _____

DISTRICT _____

DATE OF MEETING _____

NUMBER IN ATTENDANCE _____

1. Does your county membership think Kansas Farm Bureau should have a resolution addressing banking practices in Kansas?

YES _____ NO _____

COMMENTS _____

(If yes, answer the following questions:)

2. Should a KFB resolution oppose any expansion of detached facility services or regulations?

YES _____ NO _____

a. If yes, why? _____

b. If no, should:

The number of detached facilities presently allowed remain constant,
but be allowed to issue consumer loans?

YES _____ NO _____

Statewide branch banking be allowed?

YES _____ NO _____

Study Subject No. 3 -- Commercial and Financial Institutions

3. Should a KFB resolution endorse or oppose multi-bank holding companies?

ENDORSE _____ OPPOSE _____

a. If endorse, why? _____

b. If oppose, why? _____

4. Should KFB support an AFBF resolution addressing interstate banking?

YES _____ NO _____

If yes, OPPOSE _____ or SUPPORT _____

What should the resolution include? _____

5. GENERAL COMMENTS: _____
