

Approved: March 23, 1993  
Date

## MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Chairperson William Bryant at 3:30 p.m. on March 17, 1993 in Room 527-S of the Capitol.

All members were present except:

Committee staff present: William Wolff, Legislative Research Department  
Bruce Kinzie, Revisor of Statutes  
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Gary Sherrer, Fourth Financial Corporation  
Jim Maag, Kansas Bankers Association  
Rolla Goodyear, Security State Bank, Auburn  
Larry Stutz, Alma  
Daryl Becker, Meriden

Others attending: See attached list

### **Hearing on SB 104: Limitations on bank ownership**

Gary Sherrer, Fourth Financial Corporation, stated that they were the only Kansas corporation restricted in the ability to grow through intra state acquisition by Kansas law (Attachment 1). With the current deposit limitation of 12% they are being forced to take their investment capital out of Kansas to neighboring states. Capital increases were due to the failing of Kansas S&L's and the investment in Bank IV and a shrinking deposit base. There are only 2 states more restrictive in banking laws than Kansas. He reviewed the fallacies of the poll of the Kansas Bankers Association, the unsubstantiated fear of deposits leaving Kansas, and deposit concentration. Large banks from neighboring states are allowed to grow and invest in Kansas, but a Wichita based corporation is being denied this opportunity.

Jim Maag, Kansas Bankers Association, presented testimony and questions in opposition to the proposed bill (Attachment 2). Banks are allowed in Kansas to increase the percentage of the total deposits through deposit growth in their existing facilities rather than through acquisition.

Pete McGill, The Community Bankers association of Kansas, introduced Rolla Goodyear, majority owner and President of Security State Bank of Auburn, Kansas (Attachment 3). His remarks in opposition to the proposed legislation included the theory that if the deposit cap is raised to 18%, Kansas could have only 6 banks in the state. He reviewed Fourth Financial Corporation's history in the fight for interstate banking and now their dissatisfaction with the 12% cap. He stated the opposition was not based on a fear of competition but rather the possibility of Fourth Financial Corporation being purchased by an even larger institution from a neighboring state and concentrating the state's deposits in the hands of a few.

Larry Stutz of Alma responded to questions from the Committee regarding the proposed bill and its impact on small banks in rural communities.

Daryl Becker, President of The State Bank of Meriden, asked that the deposit cap of 12% of total assets be left in place (Attachment 4). The fear of a takeover by out of state or foreign corporations could become a reality if the cap was raised. Mr. Becker reiterated the unfairness of capping deposits on banks as there is no limit for a savings and loan association.

The meeting was adjourned at 5:20 p.m. The next scheduled meeting is March 18, 1993.

# GUEST LIST

COMMITTEE: \_\_\_\_\_

DATE: \_\_\_\_\_

NAME	ADDRESS	COMPANY/ORGANIZATION
GARY SHERER	WICHITA	Fourth Financial Corp.
DARYL BECKER	MERIDEN	St. Bank of Meriden
JEFF BERKLEY	LAURENCE	BANK IV
John Petersen	Topeka	Fourth Financial
Chuck Stokes	"	KBA
Ken Bahr	"	4th Financial Corp.
JEFF SOANNICH	Topeka	HNCSI
Robert Treedie	"	Ks Gov. Consultancy
Harold Stone	Topeka	KBA
Dick Brock	"	Ind. Dept
Kathy Taylor	Topeka	LS Bankers Assn.
Pete McGeel	Topeka	CBA
Marj Fulk	Maple Hill	Stockman State Bank
Simllan	Topeka	KBA
Glen J. Ott	Alma	FNB ALMA K
FRANK D. DUNNICK	Topeka	St Bank Commissioner
Kevin Glendening	"	" " "
Judi Stork	✓	✓
Kathy Howelace	Topeka	CBA
Sue Anderson	Topeka	Community Bankers Assn. of Kansas
Rolla W. Goodyear	Auburn	" "
LINDA MCGILL	TOPEKA	" "

House Financial Institutions & Insurance Committee

Representative Bryant, Chairperson

TESTIMONY on S.B. 104

March 17, 1993

Gary Sherrer, Senior Vice President  
FOURTH FINANCIAL CORPORATION

Mr. Chairman and members of the Committee:

Fourth Financial Corporation is a publicly held corporation owned by nearly 5,000 shareholders, most of whom are Kansas residents. It's primary subsidiaries are BANK IV Kansas and BANK IV Oklahoma. We employ more than 2,600 Kansans with a payroll of \$77.6 million. We serve 31 Kansas communities throughout the state.

BANK IV is deeply involved and committed to the communities we serve and to Kansas. This year our banks through our Charitable Trust will contribute more than \$1,000,000 to their communities. In addition, statewide charitable and cultural activities will receive \$300,000.

The BANK IV Community Development Corporation has been established with a commitment of \$1,000,000 specifically targeted to programs that benefit the low income sectors of our communities and state. Our employees use thousands of hours of work time in support of the civic and charitable activities of their communities. We offer the banking consumer a full range of products and have added services to each and every bank we have acquired. We are investing significant dollars back into the community. In Wichita a major new branch will be part of the rebirth of 21st, a project Senator Gooch championed and we are proud to be a part of. In Goodland a new \$1,000,000 facility is being built to serve the community and in Liberal \$500,000 will be used to enhance our facilities there.

Calling yourself a community bank doesn't make you one. Our people, our services, our contributions, our investments in each of our communities qualifies us to be called a community banking system.

We at BANK IV Kansas find ourselves in a unique situation. We are the only Kansas Corporation restricted in our ability to grow through intra state acquisition by Kansas law. With the current deposit limitation, the

*House File  
Attachment 1  
March 17, 1993*

Kansas Legislature is in effect mandating we take our investment capital out of Kansas to neighboring states. There is some irony in the fact that some in this room who oppose S.B. 104 are those who opposed interstate banking because it might take investment capital out of Kansas. They now will support the status quo which mandates acquisition dollars go to other states.

The law we are dealing with was first drafted in 1983 with the introduction of multi-bank holding company legislation, which was passed in 1985. The amount was changed from 9% to 12% in 1990 with strong voting margins in both houses. We are here to visit the issue again as economics are dynamic and economic forces often demand change in existing law.

There were factors unforeseen when the law was enacted that have impacted the deposit limit numbers. The first element was the collapse of a significant sector of the Kansas Savings and Loan industry. BANK IV acquired more than \$1 billion in deposits of failed S&L's. This dramatically accelerated the BANK IV growth but not in bank acquisitions. It is interesting to note that if the S&L failures had occurred after BANK IV had reached the deposit limitation, we could have added a billion dollars to our deposit base. In other words, the state public policy allows a bank to acquire beyond the deposit cap if it acquires troubled or failed institutions after it reaches the cap, but not before.

A second factor is the "declining denominator." As exhibit "A" indicates, we have a shrinking deposit base. Between 9/91 and 9/92, the base declined more than \$1.2 billion dollars. As a result, Fourth Financial Corporation is nearing the limit and during 1993 it is anticipated we will not be permitted additional Kansas acquisitions.

Thus, we are in a situation in which by law we will not be permitted to invest our acquisition dollars in Kansas and in fact will be required by state law to invest in other states as we grow through acquisition. Exhibit "B" shows the relative size of bank holding companies in the states named in the Kansas Interstate Banking Law.

It is relevant to review how other states deal with the issue of a deposit limitation. Based on information provided by the Conference of State Bank Supervisors, Exhibit "C" indicates that only 15 of the 50 states have enacted a deposit limitation law. Of these 15, Kansas is third from the bottom and there are only 2 states in the nation more restrictive than Kansas. It should be noted that Kansas carries no exemptions whereas other states exempt such items as deposits over \$100,000, failed savings and loan purchases and correspondent bank deposits. Thus Kansas is even

more restrictive than even the %'s would suggest.

If a deposit limitation is essential to control banking growth what has happened in those states that have no such limitation. Exhibit "D" provides a look at large and small states around the nation. It is clear that the free market works well. To not provide relief from the 12% limitation because of fear of the unknown makes no sense in light of the experience of these states.

Why is a restrictive deposit cap not necessary? There are a number of reasons, but the most obvious are the competitive free market with numerous banks and limited investment capital along with regulatory agencies and anti-trust laws. We can endlessly argue economic theory but the economic facts are that states without deposit limitation have diversity of banking, have not suffered economically and serve the banking consumer well.

We are not advocating a cutting edge economic experiment with this legislation, we only ask that of the minority of states that have enacted deposit limitation legislation, Kansas be average.

Why not relax the overly restrictive deposit limitation? Let's turn to the arguments you are going to hear.

A. The Poll of the Kansas Bankers Association.

Response:

1. The Poll was hardly scientific. No information regarding the facts, i.e. other states experience, etc., or pro and con arguments were provided.
2. 57% of the KBA members did not vote, voted for neutrality or voted in favor of raising the deposit cap.
3. A one bank one vote system is used by the KBA. An analysis of the voting shows that when over 100 of the banks voting no have their deposits combined they are still smaller than the BANK IV system.
4. 27 votes of the survey are votes from Missouri Bank holding companies - they now are in the process of owning more than 2 billion in Kansas bank assets and it is clear they want you to take BANK IV out of competition for Kansas bank ownership.

5. Not one Kansas owned bank has stated that this law would lessen their ability to serve their community or impact their bottom line.
6. Finally - this is the same organization that told the House Agriculture Committee this year the KBA State Affairs Committee "viewed the concept of liberalizing the corporate farming laws in Kansas as an issue that could have a positive impact on the economy of Kansas and voted to support the issue and we urge your support of the issue."

That is the same KBA committee that voted to take a neutral stand on the issue we are discussing today, but were overruled by the KBA Governing Council.

B. Deposits will leave Kansas

This argument goes something like this "...BANK IV is okay, but someone out of state might buy them and that someone will take all the deposits out of Kansas."

Response:

1. Same argument was used against Multi Bank Holding Company legislation. BANK IV was going to buy banks in Western Kansas and take all the money to Wichita. It didn't happen! Just an argument based on fear not facts.
2. You cannot take deposits from a Kansas bank and put them in another state. A deposit is a liability, owed to the depositor and can't be moved without their permission.
3. Loan participation between subsidiaries of a holding company are carefully regulated and audited by bank regulations, including Section 23A of the Federal Reserve Act.
4. Not loaning in your community is a violation of Regulation BB, Sections 228.1 - 228. Violations will be enforced by denial of future acquisitions. These federal regulations are taken seriously and regular examinations, particularly of regional banks is on going.

5. What sense would it make to spend millions to enter a community then weaken the community by draining its credit resources?
6. Interstate banking is a reality throughout the United States. Where is the evidence that "deposit draining" is a reality and is impacting the economies of other states.

C. Deposit Concentration

1. You still will have limitations in place, and the regulators will not allow harmful deposit concentration.
2. Where is the economic harm in the other states? Don't talk philosophy, talk facts.
3. Mr. Young of the bank in Hugoton testified against this bill in the Senate. Mr. Young quoted an old Federal Reserve Study (we heard it during the Interstate debate) that he claims shows large banks aren't as efficient as it was thought they would be. Nowhere does that study say deposit concentration has harmed the economy or the consumer.

It is interesting to note that Mr. Young argues strongly against deposit concentration and yet according to the Sheshunoff report his bank, Citizens State Bank of Hugoton has 100% of the \$53,000,000 deposits of that city and county as they are the only bank in the county.

D. BANK IV does not make agriculture loans.

Response:

Absolutely not true. BANK IV is the 15th largest agriculture bank in the United States. Examples would be:

Emporia	48.52% of commercial loans are agriculture
Great Bend	50% of commercial loans are agriculture
Liberal	40% of total loans are agriculture
Garden City	61% of commercial loans are agriculture

Colby                      55% of commercial loans are agriculture

Goodland                68% of commercial loans are agriculture

As you deliberate, please consider these questions.

- How is the Kansas economy served by this law?
- How is the Kansas consumer benefitted by allowing large Missouri banks to acquire Kansas banks but not a Kansas corporation that has demonstrated its Kansas commitment?
- How is Kansas banking strengthened by allowing competing states to enhance and strengthen their banking systems beyond what is allowed in Kansas??
- How is it consistent to want BANK IV to remain independent and then maintain a law to make it weaker than its competitors?
- How fair is it to restrict banks but not savings and loans in their future growth opportunities?
- Why should we accept the theory that big is inherently bad?
- Where is the empirical evidence that raising the deposit limitation to the average of the other 14 states brings economic danger?

During opposition testimony, I hope you will carefully listen and see what is opinion and what is fact. Interstate banking is a nationwide reality. A number of states have banks with deposit share greater than 18%. Where is the evidence, where is the research to support the opposition views. You will hear today from people who opposed convenient branches for consumers, multi-banking, loan availability in detached facilities and on and on. Fear of what might happen was their argument then--its their argument now. We don't fear the future, we just want the right to compete in it.

We believe the issue before you is straight forward. Should the public policy of this state restrict a Kansas Corporation from investment in Kansas? 48 states would provide BANK IV that opportunity in their states. Is there compelling factual evidence that demands we continue the 12% limitation? We don't believe such evidence exists, and we respectfully ask the legislature that imposed this limitation to provide Fourth Financial Corporation relief from it.



**DEPOSIT CAP TREND – 12%**  
(in millions)

	<u>9/90</u>	<u>12/90</u>	<u>3/91</u>	<u>6/91</u>	<u>9/91</u>	<u>12/91</u>	<u>3/92</u>	<u>6/92</u>	<u>9/92</u>	<u>12/92</u>
DEPOSITS OF KANSAS BASED S&Ls	\$11,062	\$10,257	\$10,164	\$10,102	\$9,650	\$9,481	\$9,315	\$8,900	\$8,406	
DEPOSITS OF KANSAS BANKS	<u>25,121</u>	<u>26,311</u>	<u>25,718</u>	<u>25,537</u>	<u>25,469</u>	<u>25,904</u>	<u>25,826</u>	<u>25,496</u>	<u>25,367</u>	
KANSAS INSTITUTIONS	36,183	36,568	35,882	35,639	35,119	35,385	35,141	34,396	33,773	
KANSAS DEPOSITS OF FOREIGN S&Ls	<u>777</u>	<u>988</u>	<u>988</u>	<u>988</u>	<u>1,108</u>	<u>1,215</u>	<u>1,215</u>	<u>1,215</u>	<u>1,215</u>	
TOTAL DEPOSITS	<u>\$36,960</u>	<u>\$37,556</u>	<u>\$36,870</u>	<u>\$36,627</u>	<u>\$36,227</u>	<u>\$36,600</u>	<u>\$36,356</u>	<u>\$35,611</u>	<u>\$34,988</u>	
12% DEPOSIT CAP	<u>\$4,435</u>	<u>\$4,507</u>	<u>\$4,424</u>	<u>\$4,395</u>	<u>\$4,347</u>	<u>\$4,392</u>	<u>\$4,363</u>	<u>\$4,273</u>	<u>4,199</u>	
BANK IV KANSAS DEPOSITS	<u>\$3,479</u>	<u>\$3,671</u>	<u>\$3,740</u>	<u>\$3,686</u>	<u>\$3,593</u>	<u>\$3,605</u>	<u>\$3,531</u>	<u>\$3,418</u>	<u>\$3,516</u>	<u>\$3,795</u>
ACQUISITION ACTIVITY (KANSAS DEALS ONLY):										
SOUTHGATE BANK – PRAIRIE VILLAGE										62
F&M DERBY										57
FFC CONSOLIDATED DEPOSITS ADJUSTED FOR ACQUISITION ACTIVITY										<u>\$3,914</u>
DEPOSIT CAP GAP										<u>\$285</u>

1/24

## Four Largest Bank Holding Companies (By Deposits) 9/92

Arkansas

Worthen Banking Corporation	\$2,389,420
First Commercial Corporation	2,313,626
Arvest Bank Group, Inc.	943,273
Tcbankshares, Inc.	938,355

Colorado

Colorado National Bankshares	2,718,853
Affiliated Bankshares of CO	2,415,363
Central Bancorporation, Inc.	2,145,636
Firstbank Holding Company	1,320,102

Iowa

Hawkeye Bancorporation	1,243,122
Brenton Banks Inc.	1,137,302
Iowa National Bankshares	773,113
Ruan Financial Corporation	458,342

Missouri

Boatmen's Bancshares, Inc.	15,241,955
Mercantile Bancorp., Inc.	7,358,817
Commerce Bancshares, Inc.	6,099,374
Ameribanc, Inc.	4,238,105

Nebraska

First National Nebraska	2,608,581
Firstier Financial, Inc.	2,326,443
First commerce Bancshares	1,138,102
American National Corp.	322,366

Oklahoma

Liberty Bancorp, Inc.	1,824,517
BOK Financial Corporation	1,668,504
Bancfirst Corporation	631,966
F&M Bancorporation	492,964

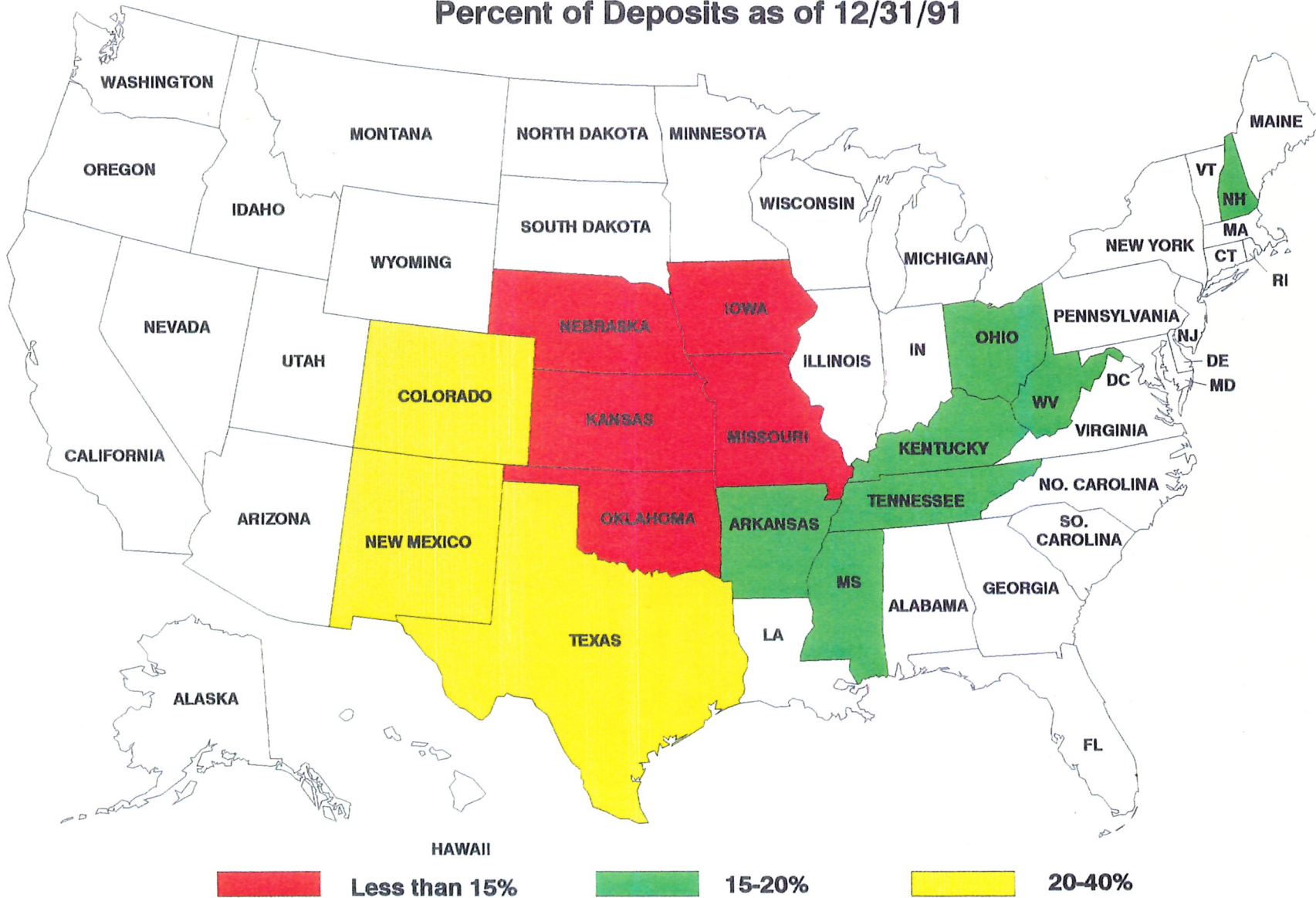
## States with Restrictions on Acquisitions

December 31, 1991

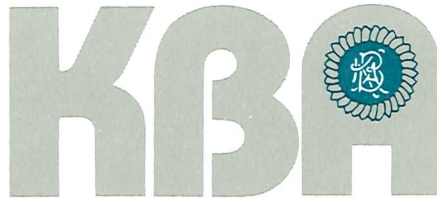
<u>State</u>	<u>% of Deposits</u>
New Mexico	40%
Colorado	25% (out of state holding co.)
Texas	25%
New Hampshire	20%
Ohio	20%
West Virginia	20%
Mississippi	19%
Tennessee	16.5%
Arkansas	15%
Kentucky	15%
Nebraska	14%
Missouri	13%
Kansas	12%
Oklahoma	11%
Iowa	10%

# States with Restrictions on Acquisitions

## Percent of Deposits as of 12/31/91



12001



The KANSAS BANKERS ASSOCIATION  
A Full Service Banking Association

March 17, 1993

TO: House Committee on Financial Institutions and Insurance  
RE: **SB 104** - Deposit Limits for Bank Holding Companies

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to appear on **SB 104** which would increase the deposit limitation for bank holding companies from 12% to 18%. In January, following discussion of this issue with representatives of Fourth Financial Corporation at a meeting of our KBA State Affairs Committee, the KBA Governing Council voted to poll all Kansas banks on the deposit cap issue - a procedure we have followed in past years relating to bank structure issues. A copy of this latest poll is attached.

As committee members can see, 57% of the KBA's member banks responded and 73% of those responding recommended that KBA oppose this legislation while only 16% recommended support. Due to this strong majority, the KBA Governing Council subsequently voted to place the KBA officially in opposition to **SB 104**.

Kansas bankers with whom we have talked about this legislation have given a number of reasons for their opposition. They believe the Legislature needs to focus on some very key policy issues such as: Why is it necessary to raise the limit by 50% when it was raised only 3 years ago? Has the holding company seeking this change actually used all of its capacity under the present law? Is it in the best interests of the state's economic development to have control of a high percentage of deposits in the hands of one institution? Do Kansans want a situation where only 5 holding companies could control nearly all of the state's deposits? Would such concentration result in greater borrowing opportunities for agriculture and small business? What will be the impact if a Kansas holding company controlling up to 18% of the deposits is sold to an out-of-state holding company? If such a scenario developed what assurances are there that Kansas would not become a deposit-gathering base for new owners rather than a place for capital investment? These are the types of concerns bankers have expressed about this legislation.

Some bankers question why it is necessary to increase the limitation by 100% in less than 10 years. The 1985 multi-bank holding company law set the limitation at 9%. In 1990, at the request of Fourth Financial Corporation, the limit was raised to 12% and now this same banking organization is requesting that it be raised to 18%. Increases in some of our neighboring states have not been as rapid. For instance, Iowa enacted an 8% limit in 1972 and during the 1980s expanded it to 10%. That state's Legislature is just now looking at a proposal to raise or eliminate the limit. Both the Iowa Bankers Association and the Iowa Independent Bankers Association are opposed to that legislation.

*House File  
Attachment 2*

*March 17, 1993*

Office of Executive Vice President • 1500 Merchants National Building  
Eighth and Jackson • Topeka, Kansas 66612 • (913) 232-3444  
FAX (913) 232-3484





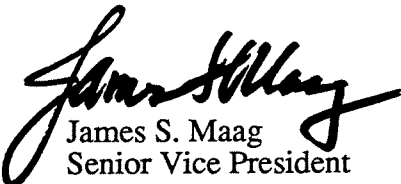
Other bankers point out that the lack of deposit caps or high percentage deposit caps in other states has little to do with the Kansas situation. Kansas has always been a state with a large number of community bank charters serving an agriculture-oriented economy in a large geographical area. Our entire state economy has developed around this community banking structure whereas in many other states there has never been a large number of bank charters and the geographic and economic environment is quite different from that of Kansas. If there is any state to which Kansas can be compared as a "sister" state it would be Iowa which has very nearly the same number of bank charters, population base, and also has an economy based on agriculture. As noted above, that state has an even more restrictive limitation than Kansas (8% vs. 12%) and has kept it at that level since the early 1970s.

Bankers have also emphasized that there is no restriction on any holding company or other financial institution increasing its percentage of the total deposits "the old-fashioned way" - through deposit growth in their existing facilities. The current law only prohibits a bank holding company from controlling more than 12% of the state's total bank/S&L deposits by acquisition. One S&L in Kansas, for instance, controls more than 10% of the state's deposits, but that has occurred as a result of growth rather than acquisition.

Many bankers stressed that they consider Fourth Financial to be a good corporate citizen of Kansas and they have enjoyed a strong working relationship with the Fourth, but they are very concerned as to what would happen if that institution were to be acquired by an out-of-state holding company. As one banker said, "The problem I see with distant managers making loan policy and personnel decisions affecting Kansas borrowers and employees is the ease of making detrimental decisions. . . . Imagine how easy it will be for a guy in Los Angeles to back off ag loans when we go through another prolonged crop price decline like we did in the mid to late 1980s."

These concerns of looming out-of-state control are heightened by the changing political climate in Washington. Most banking industry experts believe some type of nationwide interstate banking and interstate branching legislation will be high on the Congressional agenda in the next two or three years. Senators Dodd, Kerry, and D'Amato have already introduced legislation which would allow both of these changes (S 371).

**SB 104** is really about how much concentration of the state's financial resources the Kansas Legislature is willing to allow. As the KBA poll shows, there are many bankers from all parts of the state who believe it is not in the best economic interests of Kansas to allow one holding company to control a larger percentage of the state's deposits. Again, we appreciate the opportunity to discuss this issue with the committee and we respectfully request that the committee report **SB 104** adversely.

  
James S. Maag  
Senior Vice President

*Your immediate  
response is  
needed !!*



The KANSAS BANKERS ASSOCIATION  
A Full Service Banking Association

January 28, 1993

TO: CEO, ALL KANSAS BANKS

FROM: HAROLD STONES

Enclosed with this letter is a survey form to ascertain what our Member Banks believe should be the KBA's position with the Kansas Legislature over the issue of raising the present deposit cap or ceiling. Because the session is in full swing, we urge you to FAX your response (913-232-3484) to us or mail it as soon as possible.

The KBA Governing Council met by Conference Call at 10:30 a.m. on Thursday, January 28, and voted unanimously for KBA to survey our members on the issue.

The present statute (K.S.A. 9-520) now prohibits any bank holding company, or its subsidiary from acquiring more than 12% of the combined deposits of Kansas banks and savings and loan associations. Senate Bill 104 has been introduced which raises that limitation to 18%. There may be other bills or amendments raising it to other levels or in other ways.

According to KBA's database of June 30, 1992, the combined deposits of Kansas banks and savings and loan associations are some \$34.6 billion. Twelve percent would be \$4.15 billion. That would be the Kansas deposit limitation on any bank holding company or its subsidiary at the present time.

Please call us if you have any further questions, and we look forward to getting all our member banks' ballots back as soon as possible.

Thank you again for your time and consideration, and let us know anytime we may be of service.

Kansas Bankers Association  
February 3, 1993

Please FAX to 913-232-3484 or mail to 800 S.W. Jackson, Suite 1500; Topeka, KS 66612

### ALL-BANK SURVEY ON DEPOSIT LIMITATIONS

\_\_\_\_\_ I vote for the KBA TO SUPPORT legislation which would increase the present 12% deposit cap on any bank holding company in Kansas.

\_\_\_\_\_ I vote for the KBA TO OPPOSE legislation which would increase the present 12% deposit cap on any bank holding company in Kansas.

\_\_\_\_\_ I vote for the KBA to TAKE NO POSITION on the issue of deposit caps.

\_\_\_\_\_ Name of Banker

\_\_\_\_\_ Name of Bank

\_\_\_\_\_ City

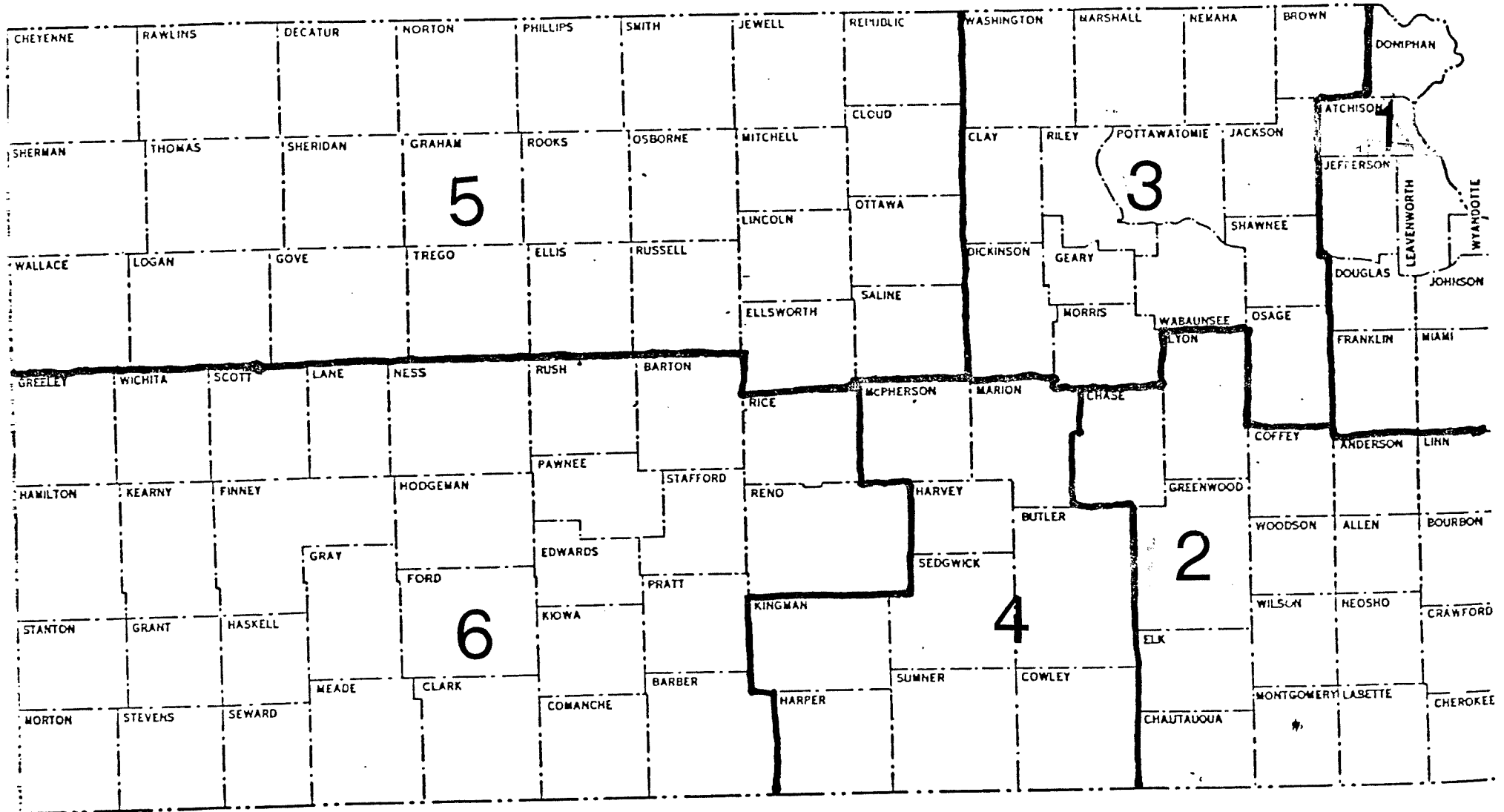
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## KBA Poll

REGION1:	SUPPORT	OPPOSE	NO-POSITION	TOTAL
0-25	1	8	1	10
25-100	4	19	2	25
100- +	3	5	0	8
<b>TOTAL</b>	<b>8</b>	<b>32</b>	<b>3</b>	<b>43</b>
REGION 2:	SUPPORT	OPPOSE	NO-POSITION	TOTAL
0-25	1	0	3	4
25-100	8	22	4	34
100- +	0	1	0	1
<b>TOTAL</b>	<b>9</b>	<b>23</b>	<b>7</b>	<b>39</b>
REGION 3:	SUPPORT	OPPOSE	NO-POSITION	TOTAL
0-25	3	15	4	22
25-100	0	18	3	21
100- +	0	3	1	4
<b>TOTAL</b>	<b>3</b>	<b>36</b>	<b>8</b>	<b>47</b>
REGION 4:	SUPPORT	OPPOSE	NO-POSITION	TOTAL
0-25	8	20	1	29
25-100	0	16	0	16
100- +	0	3	0	3
<b>TOTAL</b>	<b>8</b>	<b>39</b>	<b>1</b>	<b>48</b>
REGION 5:	SUPPORT	OPPOSE	NO-POSITION	TOTAL
0-25	8	21	1	30
25-100	0	15	6	21
100- +	0	3	0	3
<b>TOTAL</b>	<b>8</b>	<b>39</b>	<b>7</b>	<b>54</b>
REGION 6:	SUPPORT	OPPOSE	NO-POSITION	TOTAL
0-25	10	15	1	26
25-100	0	22	4	26
100- +	0	2	1	3
<b>TOTAL</b>	<b>10</b>	<b>39</b>	<b>6</b>	<b>55</b>
<b>GRAND TOTAL</b>	<b>46</b>	<b>208</b>	<b>32</b>	<b>286</b>

# KANSAS



629



**Community Bankers Association** *of Kansas*

Suite 100, 5605 S.W. Barrington Court, Topeka, Kansas 66614, Phone (913) 271-1404

Testimony before the House Committee on

Financial Institutions and Insurance

regarding Senate Bill 104

Presented: March 18, 1993

By: Rolla W. Goodyear

On behalf of: The Community Bankers Association *of Kansas*

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to appear before you. My name is Rolla Goodyear. I am majority owner and President of the Security State Bank of Auburn, Kansas located just 12 miles southwest of Topeka. I am here today on behalf of myself, the Community Bankers Association of Kansas, and the people of Kansas. I am here opposing SB 104.

I have not come today to inundate you with statistics and debate. I have come to appeal to your common sense.

The question on the table is whether to allow the deposits of this great state to be controlled by fewer people, and whether or not that is good for the

*House FDs D*  
*Attachment 3*

Directed by the members we serve

*March 17, 1993*

House FI&I  
SB 104  
3/17/93

Kansas economy. Bottom line, is bigger better?

It has been suggested by Senator Alicia Salisbury (who represents my district) and the lobbyists from Fourth Financial Corporation, that community banks are opposed to an increase deposit cap because we are afraid of competition. That is absolute bunk.

My bank is located just 12 miles southwest of Topeka. A majority of the residents of Auburn work, shop, and entertain in Topeka. There are no less than 11 banks, 3 savings and loans, and numerous credit unions in Topeka, all having several branch locations throughout the city. Bank IV - the Kansas subsidiary of Fourth Financial Corporation and Capitol Federal Savings and Loan Association are the two largest financial institutions in Kansas, and both have numerous locations in Topeka. I would say that I currently face competition, of which I am NOT afraid. On the contrary, it keeps me competitive and on my toes.

Let me ask you, is there more competition with 500 plus, Kansas owned, autonomous banks competing for Kansas deposits or is there more competition with only six banks, which may or may not be owned by Kansans, competing for Kansas deposits. You see, each bank acquisition that is made, each bank that is turned into a branch, decreases the financial choices available to the public. A regional network of banks operates under one

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set of policies for all. There are fewer banking choices for bank customers. Theoretically, if the deposit cap is raised to 18%, Kansas could have only 6 banks in the state.

It has been argued by Fourth Financial Corporation that all of this interstate competition necessitates the need to raise the deposit cap. Let me remind you it was Fourth Financial Corporation that led the fight for interstate banking, now they are crying about it. Yet, out-of-state holding companies wishing to buy Kansas banks must adhere to the same deposit cap limit, so there is no competitive disparity.

Fourth Financial Corporation has argued that they want to keep their capital in Kansas and not have to buy out of state. What capital are they keeping here? If the bank that they purchase is locally owned or controlled, the capital is already here. Let's not forget that a majority of Fourth Financial Corporations growth has been from acquisitions of other financial institutions. Some of those were failed institutions, but most of them are not. We will not be losing capital out of the state if the deposit cap is not raised. As a matter of fact, is Fourth Financial Corporation willing to guarantee that 1, 2, or 3 years down the road that they won't sell out to an even larger institution in a neighboring state? I don't think you will get that guarantee. History proves that the majority stockholders of Fourth Financial Corporation will change their minds and their strategy in the future.

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Prior to passage of the multi-bank holding company bill, they said they would leave institutions that they acquired locally ran, autonomous facilities. Once the bill was passed, they changed their minds. Now there is only one bank and all the rest are just branches. In that process of consolidation, Bank IV cut 250 jobs state wide, according to an August 3, 1991 article in the Topeka Capital - Journal. According to the article, that was over 10% of their work force. As legislators are you willing to accept a 10% unemployment rate in the state. As Bank IV increases in size, how many more jobs will be lost.

It is argued that most other states have higher or no deposit limit caps. The lemming is a short-tailed furry footed rodent that is notable for its recurrent mass migrations, which often continue into the sea where vast numbers drown. When one lemming runs off into the ocean and drowns, all the rest follow. Should Kansas be a lemming? Arizona is a good example of how interstate banking plus no deposit cap has left their state with its 5 largest institutions owned by out-of-state interest. Colorado has 60% of its banking assets owned by out-of-state holding companies. Again, will Fourth Financial Corporation GUARANTEE that they will not sell to an out-of-state company in the future?

Last summer I did a statistical review of my bank's loan portfolio. Of the 12 million dollars worth of loans I had on the books (about 600 in number), all but six were made

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within a 25 mile radius of Auburn. All but one were made to Kansas residents, and the one out-of-state loan I had was to an individual who used to live in Auburn. Can Bank IV and its many branches boast of that kind of local investment? Is 99% of their loans within Kansas boundaries?

Lest my testimony gets too long, I believe you understand what I am trying to say. I and my fellow community bankers are NOT afraid of competition. We are concerned, however, about concentrating the states deposits into the hands of a few. Remember Charles Keating and Lincoln Savings and Loan. Taxpayers and the sound financial institutions in this country will be paying for that fiasco for years to come. Bigger is not always better. If a financial institution, like Bank IV, does fail or sells to an out-of-state corporation, that will have a negative impact on the Kansas economy, which will impact Kansas Community Banks. That is why we oppose SB 104 or ANY increase to the deposit cap proposed as a compromise. We have been told before SB 104 was introduced, that Fourth Financial Corporation would be willing to settle for raising the deposit cap to 15%....why then did they request raising the cap to 18%? Perhaps, in hopes, that it would seem like a benevolent compromise on their part. Twelve percent of deposits is enough for any one bank holding company to control - be it an in-state institution or out-of-state

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institution owner. A deposit cap increase of any kind is unacceptable and not in the best interest of Kansans.

Let me close by quoting a verse of scripture from the Holy Bible that we all should ponder. It is a verse that is often misquoted. It is 1 Timothy 6:10

*"For the love of money is the root of all evils; it is through this craving that some have wandered away from the faith and pierced their hearts with many pangs."*

It is the love of money, not money itself. Let's not pierce the heart of Kansas with many pangs. I urge you to vote against SB 104.

Thank You.

(s\RGsb104t.est)



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TESTIMONY  
TO HOUSE FINANCIAL INSTITUTIONS AND INSURANCE  
COMMITTEE

BY  
DARYL BECKER, PRESIDENT  
THE STATE BANK OF MERIDEN

May I introduce myself, I am Daryl Becker, President of The State Bank of Meriden, Meriden, Kansas. Meriden is a small community twelve miles Northeast of Topeka on the West side of Lake Perry.

I have been with our bank since 1959 and President since 1966. As you well know, there have been tremendous changes in our industry during this period.

I am here to ask you to leave the deposit cap at 12% of the total assets as it now stands. As a member of the KBA Governing Council, we honored the wishes of our membership taken in a state wide poll, which indicated the banks of Kansas did not want the cap increased.

Bank IV is a well managed, well capitalized, well respected member of KBA and a friend of all in the industry. They were our principal correspondent for 33 years, so you know our opinion of them was high. I feel the concern of many of the bankers, as well as myself is what will happen if Bank IV sells. It is one thing for them to expand from their present 12%, but what if the owner was an out of state bank. Would we want CitiCorp owning 18% of the assets in our state? Or what about a foreign owner?

This is an issue that is very much on my mind as I have been a stockholder in 1st Interstate of Iowa for some time. I have followed their bank and Iowa's agricultural economy for some time. I now own stock in Boatman's bank of St. Louis, Missouri, which will be sold shortly. My worry is we create a situation like Arizona's, where the 5 largest banks are all owned out of state. Since I am speaking of Iowa, I just read in the Bank News that the State of Iowa is considering during this session of their legislature, increasing their limit from 10% to 12%.

*House FPD*

*Attachment 4*

*March 17, 1993*

Personally, I have a problem with any cap on bank assets. We have two institutions in our state with nearly equal total assets. Bank IV and Capitol Federal Savings and Loan Assn. Our law limits a bank holding company to 12% of the total assets in the state, but makes absolutely no limit for a Savings and Loan Assn. I think it is extremely unfair if the limit on banks is left at 12% and a Savings and Loan can grow unrestricted. If the limit is increased to 18% or any other figure, I feel all institutions should be under the same restrictions. The only correction needed is the change of the word bank in the law, to financial institution.

During the early '80's, I followed Gary Sherrer of Bank IV around part of the speaking circuit, debating multi-bank holding companies. This was a formidable task for a small town banker who didn't major in debate in college. I guess I was lucky it was not Harold Stones. One of Gary's main points was that if multi-bank holding companies were approved, it would make a market for small town banks and increase the lending services and limits in that community. Remember, this was during the agricultural crisis. Bank IV has not been a buyer of small town banks, though. At least what I call small towns. I tried to counter this point at the time, by saying this would not happen, and today it hasn't. The acquired banks have been highly rated, well managed, well capitalized, locally owned banks from our medium sized towns. The question is, do we want to loose more of these to a multi-bank holding company in the future.

I would like to leave you with a point to ponder. Do you realize how few banks are left in our state, now, that are locally owned and managed, with no one bank holding company structure. The number is scary.

Thank you very much for your consideration of my thoughts on this issue.

DARYL BECKER, PRESIDENT  
THE STATE BANK OF MERIDEN  
MERIDEN, KANSAS

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