

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCEThe meeting was called to order by Sen. Neil H. Arasmith at
Chairperson9:00 a.m./~~p.m.~~ on February 13, 1985 in room 529-S of the Capitol.

All members were present except:

Committee staff present:

Bill Wolff, Legislative Research
Myrta Anderson, Legislative Research
Bruce Kinzie, Revisor of Statutes

Conferees appearing before the committee:

Craig Stancliff, Securities Commissioner's Office
John Tincher, Kansas Independent Bankers Association
Edie Dahlsten, Kansas Farm Bureau
Howard Tice, Kansas Association of Wheat Growers
Ivan Wyatt, Kansas Farmers Union
Fred Allen, Kansas Association of Counties
Chris Walker, National Farmers Organization

The minutes of February 12 were approved.

The final day for hearings on SB 102 began with the chairman calling attention to written testimony distributed before the meeting began which included some position statements by some who did not wish to testify. (See Attachments I and II.)The chairman called on Craig Stancliff of the Securities Commissioner's office to give impartial testimony on SB 102 regarding a technical change. He said that there is a problem with the exclusion of licensing banks as far as offering securities to customers. In 1957 when the original statute excluding single bank holding companies from licensing with the Securities Commissioner was passed, a holding company was considered synonymous with bank. But the multi-bank holding company changes the situation. The exclusion of multi-bank holding companies would allow them to engage in the broker dealer business without the license that is required of broker dealers. This opens up the possibility of a multi-bank holding company opening up a brokerage business under their bank exception. Mr. Stancliff noted that this is a potential and would not necessarily happen. He said a simple solution to the problem would be to also strike out "bank holding company" on line 43 in Section 1 of the bill.Testimony in opposition to SB 102 began with the testimony of John Tincher of the Kansas Independent Bankers Association. (See Attachment III.) Upon concluding his testimony, Mr. Tincher handed out copies of information regarding a multi-bank holding company in Brookfield, Missouri. (See Attachment IV.)Edie Dahlsten, Kansas Farm Bureau, followed with her testimony in opposition to SB 102. (See Attachment V.)The hearing continued with the testimony of Howard Tice, Kansas Association of Wheat Growers. (See Attachment VI.)Ivan Wyatt of the Kansas Farmers Union followed with his testimony. (See Attachment VII.)Fred Allen, Kansas Association of Counties, appeared in opposition to SB 102 and called the committee's attention to copies of the County Platform which had been previously mailed to them. He asked them to take particular notice of Item 20 of the platform opposing legislation authorizing multi-bank holding companies.

The concluding testimony was given by Chris Walker with the National Farmers Organization. He informed the committee that at a recent convention of farmers he had heard of many instances where farmers are getting poor consideration because of the decision making business being done in the cities which results in farmers with good collateral not being able to get loans. For this reason, Mr. Walker feels that multi-bank holding company legislation would be harmful for farmers.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,
room 529-S, Statehouse, at 9:00 a.m.~~pm~~ on February 13, 1985.

Sen. Werts questioned Mr. Tincher's testimony as to if there are facts to bear out that there is not enough money to serve the community in which a bank is located if owned by a multi-bank holding company. Mr. Tincher replied that there would not be enough money available because the most efficient way of making a profit is by channeling the money out of the community for bigger loans.

Sen. Burke noted that charts from testimony yesterday indicate that other states with multi-bank holding companies are making farm loans and asked Mr. Tincher to explain his statement with factual data that farmers and small businesses would not be able to get loans. Mr. Tincher said that the charts are dealing only with dollars, but Kansas has higher farm loans and covers a higher percentage of agriculture loans than states. Also, he repeated that loans will be made where it is more efficient, and money will gravitate upstream to larger loans which are not in the small cities.

Sen. Warren noted that the committee had heard about states just recently allowing multi-bank holding companies and asked how states which have had them longer have done. Mr. Tincher answered that Missouri has had multi-bank holding companies for twenty years, and now there is no place to expand in Missouri. Therefore, when the law allows, they will expand to other states.

There being no further time, the meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
2-13	Jim May	Topeka	ICBA
2-13	Doug Brehm	Topeka	Intern-Atty General
2-13	Mary Gice	"	A.G.'s office - intern
2-13	JACK A FISHER	"	STATE BANK OF CARBONDALE
2-13	Mark Munsey	"	Lyndon STATE BANK
2-13	MIKE FAHRBACH	HAVEN, Ks	HAVEN STATE BANK
2/17	HAROLD STONE	Topeka	Ks Bankers Assoc
2-13	Veris Lincher	Lyndon	Lyndon St Bank
2-13	Don Raine	Maple Hill	Visitor
2-13	Betty P. Ransel	Maple Hill	Visitor
2-13	J. Sue Anderson	Carbondale	Ks Indep Bankers Assoc
2-13	Ramus Kimmons	Topeka	Highland Park BK
2-13	Alan Fincher	Lyndon	K I B
2-13	Patrick J. Hurley	Topeka	KAE6
2-13	Gerald Kelly	Righton	Ks Ass of Whittman
2-13	CHARLES BELT	WICHITA	WICHITA AREA CHAMBER OF COMMERCE
2-13	John L. Myers	Topeka	Governor's Office
"	Bud GRANT	"	KCU
"	Jacques Dakes	Yates Center	State Exchange Bank
"	M. C. Umholtz	Topeka	KCU
	Fred Allen	Topeka	K.A.P.
	Della Wray Blyden	Manhattan	
	Edie Dahlsten	Lindsborg	Kansas Farm Bureau

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
2-13	John K. Blythe	Manhattan	Ks Farm Bureau
	Ivan W. Wyatt	Wichita	Ks Farmers Union
2-13	Chris Stalker	Mayetta	Ks NFO
	Linda McMill	Topeka	KIBA
	Pete McGill	"	"



January 18, 1984

Kansas Legislative Policy Group
200 Jayhawk Tower, 700 Jackson, Topeka, Kansas 66603, 913-233-2227

WHEREAS: The Kansas Legislature has established policies which govern bank ownership in the State; and

WHEREAS: The unit system of bank ownership has served the needs of Kansas citizens and the general economy to make Kansas a great state in which to live and work.

THEREFORE BE IT RESOLVED: The Kansas Legislative Policy Group, Inc. supports and endorses the existing unit system of bank ownership; and

BE IT FURTHER RESOLVED: The Kansas Legislative Policy Group, Inc. opposes any statutory amendments or federal legislation which would permit multibank holding companies to own banks in the State of Kansas.

KLPG Member Counties

Barber	Lane
Edwards	Meade
Finney	Morton
Ford	Ness
Gove	Rice
Grant	Rush
Gray	Scott
Greeley	Seward
Hamilton	Stanton
Haskell	Stevens
Hodgeman	Trego
Kearny	Wichita
Kiowa	



CITY OF KANSAS CITY, KANSAS

ONE CIVIC CENTER PLAZA
KANSAS CITY, KANSAS 66101
(913) 573-5017

DENNIS M. SHOCKLEY
FEDERAL AND STATE AFFAIRS

February 8, 1985

The Honorable Senator Neil H. Arasmith
Chairman
Senate Committee on Financial Institutions and Insurance
Statehouse
Topeka, KS 66612

Dear Senator Arasmith:

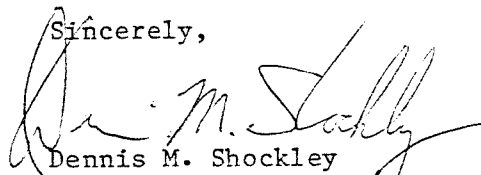
Please accept this letter and attachment as my written testimony on hearings regarding SB 102 scheduled for February 12 and 13, 1985. I am sure you will have a number of conferees, so this approach I feel will save your committee some time.

The City Council of Kansas City, Kansas voted 7-0 on December 20, 1984 to support the concept of multi-bank holding companies. Attached please find the appropriate statement from our official legislative package on this subject.

I would appreciate it very much if you could convey our City's position to the other members of your committee and have this communication become part of the official record.

Thank you.

Sincerely,


Dennis M. Shockley
Federal and State Affairs

DMS/en

Attachment

cc: Senator John Strick

2/13/85
Attachment II

OBJECTIVE #6:

Support legislation allowing multi-bank holding companies.

OVERVIEW:

This would enhance competition in the financial services industry and would permit better service in meeting the banking needs of Kansas consumers, businesses and governments.

Forty-seven states now allow multi-bank holding companies; forty-one states now allow some form of branch banking; forty-nine states allow one or the other or both; only Kansas prohibits both.

Multi-banking should result in providing new services for consumers, additional capital for loans, an increase in the size of individual loans and additional economic development activity due to easier capital formation.

The Kansas Chamber of Commerce and Industry (KCCI) has endorsed the concept as has the Kansas Bankers Association. It is a change that is long overdue.

COMMENTS:

A bill will be introduced; we should urge the Legislature to pass it.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

TESTIMONY ON SB 102

JOHN C. TINCHER

FEBRUARY 13, 1985

2/13/85
Attachment III

MULTIBANKING IN KANSAS - - - THE ISSUE

1. DEREGULATION OF THE BANKING INDUSTRY (STATES RIGHTS)
2. TRADE ASSOCIATION POLICY (KIBA KAEG KBA)
3. ARTIFICIAL BANK GROWTH
4. SAVINGS & LOAN COMPETITION
5. CHAIN BANKING
6. CONCENTRATION
7. SAFETY NET LEGISLATION
8. AGRICULTURE
9. INTERSTATE BANKING

MR. CHAIRMAN --- MEMBERS OF THE COMMITTEE

IN CONSIDERING THE MULTIBANKING ISSUE IN KANSAS YOU ARE CONSIDERING DEREGULATION OF THE BANKING INDUSTRY IN THIS STATE.

IF YOU HAVE CHANGED PLANES IN DENVER LATELY THEN YOU REALIZE THAT DEREGULATION HAS COME TO US IN SOME INSTANCES WITHOUT CONSIDERING WHY WE WERE REGULATED IN THE FIRST PLACE. IT IS IMPORTANT TO LOOK AT THE REASONING BEHIND THE REGULATION.

IN EVERY INSTANCE BANKING REGULATIONS WERE PUT IN PLACE TO PROTECT BANK DEPOSITORS -- AND THEIR MONEY. WE HEAR SO MUCH TODAY, FROM THOSE WHO WOULD SCRAP TIME TESTED STRUCTURE, THAT THESE REGULATIONS WERE PUT IN PLACE TO PROTECT BANKERS. HISTORY DOES NOT SHOW THIS TO BE TRUE.

IF THIS REASONING HELD TRUE THEN THIS LEGISLATURE WOULD HAVE DISPOSED OF THIS ISSUE LONG AGO. IN FACT THEY WOULD HAVE NEVER PASSED THE RESTRICTION IN THE FIRST PLACE.

WE ARE CASTING HERE FOR THE CONTROL OF MONEY. WITH THE CONTROL OF MONEY COMES POWER. NINETY TWO (92) PERCENT OF THIS MONEY BELONGS TO YOU AND OTHER BANK DEPOSITORS. EIGHT (8) PERCENT OF THIS MONEY BELONGS TO BANKERS AND BANK STOCKHOLDERS.

SO THIS IS A PEOPLE'S ISSUE -- IF THIS WERE NOT SO THEN YOU MIGHT HAVE BEEN THROUGH WITH THIS ISSUE.

THERE ARE STORM CLOUDS FORMING OVER DEREGULATION OF OUR INDUSTRY AT THE FEDERAL LEVEL. WHEN YOU ARE TOLD THAT CERTAIN THINGS ARE INEVITABLE - AND THAT YOU MUST LET KANSAS BANKERS HAVE THE FREEDOM TO COMPETE IN THE FEDERAL ENVIRONMENT AS IT CHANGES - YOU MUST WEIGH THAT FREEDOM AGAINST THE ADDED IMPORTANCE OF STATE PROTECTION OF DEPOSITORS MONEY.

NOTHING BAD IS INEVITABLE - IF YOU RECOGNIZE IT IN TIME.

TRADE ASSOCIATION POLICY

SINCE THERE IS NO DOUBT HERE ON THE STAND TAKEN BY KIBA AND KAEG I MAKE A SHORT REFERENCE TO THE POLICY OF THE KANSAS BANKERS ASSOCIATION.

THIS SUMMER I WILL HAVE BEEN A MEMBER OF KBA FOR 39 YEARS. IT HAS BEEN KNOWN AS THE BEST BANKING TRADE ASSOCIATION IN THIS COUNTRY - BECAUSE IT SERVED EVERY BANK IN KANSAS ON EVERY ISSUE.

GOVERNING COUNCIL MEMBERS PRESENTED REGIONAL SURVEYS TAKEN BY THEMSELVES LAST NOVEMBER. THESE SURVEYS SHOWED THE MEMBERSHIP FAVORING NEUTRALITY ON THE MULTIBANKING ISSUE BY MARGINS OF 2 TO 1 TO MORE THAN 4 TO 1.

A MOTION WAS PUT BEFORE THE COUNCIL TO POLL THE ENTIRE MEMBERSHIP. THAT MOTION FAILED BY A COUNT OF 18 TO 14. THEN A MOTION PASSED THE COUNCIL BY THE 18 TO 14 VOTE TO BE FOR MULTIBANKING. FIND THE NOTES THAT YOU TOOK AT THIS HEARING YESTERDAY AND STRIKE OUT "DEMOCRATIC PROCESS." LEAVE THE STATEMENT ABOUT THE GOVERNING COUNCIL BEING THE "SUPREME VOICE" OF THE ASSOCIATION.

I TELL YOU NOW - WITHOUT RESERVATION - THAT I REPRESENT MORE KANSAS BANKS HERE TODAY THAN ANYONE WHO STOOD BEFORE YOU YESTERDAY.

AND LONG LIVE THE KBA - - BUT ONLY WITH AMENDED BY-LAWS.

WHAT IS ARTIFICIAL IN THE GROWTH OF BANKS & HOLDING COMPANIES??

WHAT IS THE NATURAL WAY FOR BANKS & HOLDING COMPANIES TO GROW??

IN A RECENT NEWSPAPER ARTICLE (KC TIMES-JAN 15) THE PROPONENTS SAID, "WE ARE THE ONLY STATE LEFT IN THE NATION THAT ARTIFICIALLY HOLDS DOWN BANK GROWTH.....FORTY NINE OTHER STATES ALLOW THEIR BANKS TO GROW THROUGH MULTIBANKING OR THROUGH BRANCHING, WHICH ALLOWS A BANK TO SET UP OFFICES IN MANY PLACES."

WHAT IS TO BE DECIDED IS WHETHER IT IS ARTIFICIAL OR NATURAL FOR A WICHITA HOLDING COMPANY TO BUY BANKS IN LEAVENWORTH & EMPORIA SO THEY CAN BE THE BIGGEST HOLDING COMPANY IN WICHITA - OR EVEN THE STATE OF KANSAS.

WE HAVE ALREADY BEEN TOLD THAT THE DECISIONS WILL BE MADE IN WICHITA - NOT LEAVENWORTH OR EMPORIA. OF COURSE SB 102 IS SAFE WITH ITS PROVISION FOR LOCAL BOARD MEMBERS. I UNDERSTAND THAT WAS A CLOSE VOTE ON THE TASK FORCE THAT DRAFTED THE BILL. NOW EVERYONE THAT HAS BEEN IN A BOARD ROOM KNOWS THAT YOU LOOK AT THAT OLD BOY THAT VOTES THE CONTROLLING SHARES IF YOU WANT TO BE LISTED AS A DIRECTOR WHEN THE NEXT STATEMENT IS PUBLISHED. THOSE LOCAL DIRECTORS VOTE RIGHT OR NOT AT ALL.

KANSAS HAS PROSPERED WHEN BANKS GREW WITH THEIR NEIGHBORHOODS AND COMMUNITIES. THE LOCAL BANKER USES THE RESOURCES CREATED RIGHT THERE TO SERVE THE FINANCIAL NEEDS OF THE COMMUNITY.

ALSO FROM THE JAN 15 ARTICLE WE HEAR, "LARGER BANKS MAKE LARGER LOANS. AND LARGER LOANS SATISFY LARGER BUSINESSES. IF A BUSINESS CAN'T GET BIG LOANS NEARBY; IT PROBABLY WON'T LOCATE IN THAT STATE...."

LOAN SIZE IS BASED ON BANK SIZE. LEGAL LOAN LIMIT IS BASED ON THE SIZE OF THE BANK'S CAPITAL ACCOUNTS. ANOTHER REGULATION PUT IN PLACE FOR THE SAFETY OF THE DEPOSITOR'S MONEY.

NOW LET'S SAY THAT 10 KANSAS BANKS EACH HAVE A LOAN LIMIT OF \$100,000. ONE HOLDING COMPANY BUYS ALL 10 BANKS. NOTHING HAS HAPPENED TO THOSE LOAN LIMITS YET. STILL \$100,000 EACH. NOW ONE BANK MAKES A LOAN OF \$1,000,000 AND SELLS THE OTHER 9 A \$100,000 PORTION. THAT CAN'T HAPPEN AS YOU HAVE ALREADY BEEN TOLD IT WILL NOT CAUSE AN UPSTREAM SHIFTING OF FUNDS.

BUT TWENTY BANK COMMISSIONERS SAID MULTIBANKING WOULD RESULT IN ADDITIONAL CAPITAL FOR LOANS - AND TWENTY FIVE COMMISSIONERS SAID IT WOULD RESULT IN AN INCREASE IN THE SIZE OF LOANS TO EVERYBODY.

YOU WERE TOLD YESTERDAY THAT MULTIBANKING WILL NOT SIPHON FUNDS FROM A COMMUNITY. YET IF YOU TIE ALL OF THE PROPONENT ARGUMENTS TOGETHER - MULTIBANKING WILL NOT WORK UNLESS IT DOES SIPHON DEPOSITS FROM A COMMUNITY.

SMALL BANKS SERVE SMALL BUSINESSES AND GENERALLY THAT IS WHAT WE HAVE IN KANSAS. IF LARGE BUSINESSES WON'T LOCATE IN A STATE UNLESS IT HAS LARGE BANKS WHY DID 234 BUSINESSES MOVE FROM JACKSON COUNTY, MO TO KANSAS BETWEEN 1977 & 1982. A POLL INDICATED THAT BANK SIZE HAD NOTHING TO DO WITH THESE MOVES.

KANSAS IS NOT A BACKWARD STATE AS YOU HAVE BEEN TOLD. WE HAVE A LOT TO SELL HERE.

AND IF BANK STRUCTURE DETERMINES BUSINESS CLIMATE WHY DID UNIVERSITY SURVEYS REPORT TO THE GOVERNOR'S TASK FORCE ON HIGH TECH INDUSTRY THAT KANSAS RATES FIFTH IN THE NATION IN BUSINESS CLIMATE? HIGHER THAN NEIGHBORING STATES THAT HAVE HAD MULTIBANKING FOR YEARS.

YOU HAVE ALSO HEARD IN A RECENT STATEMENT FROM KAEG,....."OTHER FINANCIAL INSTITUTIONS HAVE AN ADVANTAGE OVER BANKS IN KANSAS. SAVINGS & LOANS, FOR EXAMPLE, MAY OPEN BRANCHES ACROSS KANSAS --- SOMETHING BANKS CANNOT DO. AS A RESULT, THE LARGEST FINANCIAL INSTITUTION IN THE STATE IS A SAVINGS INSTITUTION."

THERE, SENATORS, LIES THE CRUX OF THE ARGUMENT FROM THOSE WHO WOULD EXPAND THEIR TERRITORY. THERE ARE THOSE IN THIS COUNTRY WHO BREATHE FROM MINUTE TO MINUTE TO BECOME THE LARGEST SOMETHING.

BUT LET US TAKE A FIRST HAND LOOK AT HOW YOU BECOME LARGE. IN MY TOWN OF 1,000 KANSANS OUR BANK IS NOT THE ONLY FINANCIAL INSTITUTION IN TOWN. THERE ACROSS THE STREET IS A BRANCH OF ONE OF THOSE SAVINGS INSTITUTIONS. LAST JUNE 30 THE ASSETS OF THAT SAVINGS INSTITUTION TOTALED \$1,139,436,000. IT HAS GROWN BY LEAPS AND BOUNDS IN THE PAST THREE YEARS. WHAT HAS IT DONE TO ADD JOBS AND INDUSTRY TO THE KANSAS ECONOMY??? NOW HEAR THIS!! ON JUNE 30 IT HAD \$1,050,523,000 IN MORTGAGE-BACKED PASS-THROUGH SECURITIES INCLUDED IN IT'S ASSETS. WHAT DOES THIS MEAN?? AT THE VERY OUTSIDE --- NO MORE THAN 8% OF ITS DEPOSITS ARE BEING LOANED BACK INTO THE COMMUNITIES WHERE KANSAS PEOPLE DEPOSIT THEM.

SHOULD KANSAS COMPOUND THIS DRAIN ON OUR RESOURCES JUST SO WE CAN SAY THAT THE LARGEST FINANCIAL INSTITUTION IN THIS STATE IS A BANK??

CHAIN BANKING IN KANSAS vs CORPORATE OWNERSHIP

WE ARE HEARING SO MUCH TODAY ABOUT THE UNFAIRNESS OF CHAIN BANKING IN KANSAS - DOWNTRODDEN CORPORATIONS DO NOT HAVE THE SAME OPPORTUNITY AS AN INDIVIDUAL. UNDER MULTIBANKING THE CORPORATION HAS AN IREVERSIBLE ADVANTAGE OVER THE INDIVIDUAL THAT IS A DANGER TO ALL OF THE PEOPLE OF KANSAS.

LAST YEAR THIS COMMITTEE HEARD FROM A MAN THAT SAID HE OWNED THE CONTROLLING INTEREST IN THREE BANKS IN KANSAS. HE PLEADED WITH YOU FOR MULTIBANKING LEGISLATION WITH THE REMARK, "I CAN'T BUY ANYMORE BANKS WITHOUT MONEY."

ALL OVER THIS STATE WE HAVE INDIVIDUALS WHO HAVE PURCHASED BANKS DURING YOUR LIFETIME AND MINE. MOST OF THESE INDIVIDUALS FINANCED THEIR PURCHASE THROUGH CORRESPONDENT BANKS. THIS SOURCE HAS DRIED UP AS THOSE BANKS LOOK TO MULTIBANKING TO BUY THE BANKS AND DEPRIVE THE INDIVIDUAL OF AN EQUAL CHANCE. THE KANSAS LEGISLATURE RECOGNIZED THE ADVANTAGES A CORPORATION WOULD HAVE OVER AN INDIVIDUAL BY THEIR VERY STRUCTURE AND THEY PASSED A LAW TO PROHIBIT MULTIBANKING IN KANSAS. WE HEAR THAT KANSAS IS BACKWARD WITH OUR RESTRICTION ON MULTIBANKING BUT VERY FEW STATES EVER PASSED A LAW TO MAKE MULTIBANKING ILEGAL. THEY WERE NOT FARSIGHTED ENOUGH TO RESTRICT THEM IN THE FIRST PLACE.

UNDER THE PRESENT SYSTEM IN KANSAS YOUR SON OR DAUGHTER - YOUR NIECE OR NEPHEW - HAS THE OPPORTUNITY TO OWN A BANK AND LIVE IN THAT COMMUNITY AND SERVE ITS FINANCIAL NEEDS. UNDER MULTIBANKING YOU TRIGGER THE CORPORATE ADVANTAGE AND THE RIGHTS OF THE INDIVIDUAL ARE GONE.

WHY HAS NO STATE REVERSED THE SYSTEM OF MULTIBANKING??? BECAUSE THE CORPORATIONS HAVE BECOME SO LARGE THAT NO INDIVIDUAL COULD HANDLE THE PURCHASE. SPLITTING AT&T DID NOT COME EASY.

CHAIN BANKING IS UNIT BANKING - THEN CAME THE CORPORATION

ALL THROUGH YESTERDAYS TESTIMONY - AND IN HANDOUTS FROM KAEG TO THE LEGISLATURE WE HEAR THE WORD VOLUNTARY. IT SAYS NO KANSAS BANK WOULD BE REQUIRED TO FORM - JOIN - OR SELL TO A MBHC.

PEOPLE IN MARYVILLE, MO. MIGHT ARGUE WITH THAT STATEMENT. FOR 20 MONTHS NOW THERE HAS BEEN A BATTLE IN THAT TOWN OVER THE OWNERSHIP OF A BANK. IT SEEMS THAT A KANSAS CITY HOLDING COMPANY DECIDED THEY WANTED TO CONTROL THE BANK. THEY PURCHASED SOME STOCK AND WENT AFTER ENOUGH TO CONTROL. LOCAL OWNERSHIP TOOK LEGAL STEPS TO BLOCK THE PURCHASE AND WON IN THE COURTS. IN JANUARY THE KC HOLDING COMPANY FILED AN AMENDED LAWSUIT AND OPENED THE FIGHT ALL OVER AGAIN.

ALMOST EVERY WEEK IN BANK NEWS THERE IS A LIST OF MERGERS, SELL OUTS AND ACQUISITIONS. BANK NEWS COVERS KANSAS AND SURROUNDING STATES BUT YOU SEE VERY LITTLE ACTIVITY IN KANSAS.

IF ALL IS SO VOLUNTARY IN THIS SYSTEM WHY ARE BANK TRADE ASSOCIATIONS HOLDING SEMINARS ON "HOW TO AVOID UNFRIENDLY TAKEOVERS"?

YOU HAVE HEARD OF THE LACK OF ACTIVITY BY MBHCs SINCE THE LAW PASSED IN NEBRASKA AND OKLAHOMA. THAT WAS EXPLAINED HERE YESTERDAY WHEN IT WAS SAID, "WE WILL BE BACK IN THE MARKET FOR MORE BANKS" ... WHEN THE AGRICULTURAL ECONOMY IMPROVES.

SELLING A SHARE OF BANK STOCK IN A FARM STATE NOW IS ALMOST LIKE GETTING A DECENT PRICE FOR A BUSHEL OF WHEAT. ALREADY THEY ARE PUTTING THE SPOKES TOGETHER THAT WILL FIT IN THE CITICORP WHEEL WHEN THINGS PICK UP.

CONCENTRATION OF THE CONTROL OF THE PEOPLE'S RESOURCES (BANK DEPOSITS)

I WOULD LIKE TO QUOTE FROM TESTIMONY BEFORE THE U. S. HOUSE BANKING COMMITTEE BY ARTHUR BURCK IN MAY, 1984. "WHEN THE HISTORY OF OUR TIMES IS WRITTEN, THE UNRESTRAINED MERGERS OF RECENT DECADES MAY WELL REPLACE THE DEBACLE OF THE STOCK MARKET OF THE 1920s AS THE CATAclySM MOST DESTRUCTIVE TO THE NATIONS FINANCIAL AND ECONOMIC FOUNDATIONS."

MR. BURCK WAS SPEAKING OF THE CONCENTRATION OF THE CONTROL OF THE PEOPLE'S RESOURCES INTO THE HANDS OF A FEW PEOPLE.

AN ARTICLE (DATELINE WASHINGTON) THE THE JANUARY 13 TOPEKA CAPITAL-JOURNAL QUOTES THE CABINET COUNCIL ON ECONOMIC AFFAIRS AS SAYING, "THE STUDY GROUP FOUND THAT THE TOP 10 BANKS NOW CONTROL 25% OF TOTAL BANKING ASSETS, COMPARED TO 20% IN 1959...." TEN OUT OF 15,000 BANKS IN THIS NATION CONTROL ONE FOURTH OF THE ASSETS.

ALREADY (THROUGH A LOOPHOLE IN OUR KANSAS LAW) FOURTH FINANCIAL OF WICHITA MAKES REPORTS TO THE FED ON THEIR SUBSIDIARY BANKS IN NEWTON, COFFEYVILLE, PITTSBURG, OLATHE AND SALINA. WHO KNOWS --- AFTER THESE HEARINGS-RUN OUT AND BUY A PAPER AS THEY MAY ANNOUNCE THEIR LATEST ACQUISITION RIGHT HERE IN TOPEKA --- OR EMPORIA OR LEAVENWORTH. DO WE BELIEVE FOR ONE MINUTE THAT THE INTEREST OF THE ACQUIRED BANKS WILL BE AS FRIENDLY TO CREDIT FOR LOCAL DEVELOPMENT AS LOCAL OWNERSHIP WOULD BE. WE ALL KNOW BETTER THAN THAT.

JACK ANDERSON, IN HIS OCTOBER 1, 1984 COLUMN REPORTED THAT CONFIDENTIAL FEDERAL RESERVE BOARD SOURCES WARN THAT FAILED AND MERGED BANKS COULD CAUSE,...."AN UNHEALTHY CONCENTRATION OF THE BANKING INDUSTRY, WITH A HANDFUL OF CONGLOMERATES CONTROLLING THE NATION'S CREDIT..' .."THE WORRY IS THAT YOU COULD HAVE 10 CITICORPS CONTROLLING MOST OF THE NATION'S CREDIT,....THESE FINANCIAL FRANKENSTEINS MONSTERS WOULD WIELD TREMENDOUS ECONOMIC AND POLITICAL POWER;"

(MORE)

WHAT DOES THIS MEAN TO THE PEOPLE OF KANSAS??? WE CONTINUE WITH JACK ANDERSON.

FED STUDIES SHOW THAT THE CONCENTRATION WILL LEAD TO HIGHER INTEREST RATES. SMALL BUSINESSES, WHICH GET ROUGHLY 70% OF THEIR CREDIT FROM COMMERCIAL BANKS, WILL HAVE TO PAY TWO OR THREE PERCENTAGE POINTS ABOVE THE PRIME RATE. THE SMALL FIRMS AND INDIVIDUAL BORROWERS WILL BE HURT WHEN THE BIG BOYS SWALLOW UP THE COMMUNITY BANKS, WHICH HAVE ALWAYS BEEN MORE SENSITIVE TO LOCAL NEEDS.

ABSENTEE DECISION MAKERS WILL HAVE LESS KNOWLEDGE OF -- AND THEREFORE LESS SYMPATHY FOR -- THE REQUIREMENTS OF LOCAL BORROWERS. FEES FOR VARIOUS BANKING SERVICES WOULD ALSO COST BANK CUSTOMERS MORE. UNQUOTE. ✓

MICHAEL KNAPP, ECONOMICS PROFESSOR AT USC, WROTE AN ARTICLE FOR THE LOS ANGELES TIMES REPRINTED IN THE TOPEKA CAPITAL-JOURNAL LAST FALL. HIS ARTICLE WAS ENTITLED, "HOW THE BANKERS LOST PUBLIC CONFIDENCE". HE TOO, SPOKE OF CONCENTRATION OF THE CONTROL OF RESOURCES. HE MENTIONED "HIGH FLIERS" AND "GO-GO BANKING". THAT IS WHAT CAUSED AT LEAST FIVE OF THE SEVEN BANK FAILURES IN KANSAS LAST YEAR. ISN'T IT TERRIBLE FOR FARMERS TO BE BLAMED FOR THOSE FAILURES BECAUSE WE ARE AN AGRICULTURAL STATE. EVERYONE WOULD USE THE STOCKMAN STRATEGY AND BLAME THE FARMERS FOR EVERYTHING.

PROFESSOR KNAPP, IN HIS ARTICLE ON CONCENTRATION, WONDERED IF CONGRESS HAS FORGOTTEN THE OLD SAW THAT THOSE WHO IGNORE HISTORY ARE CONDEMNED TO REPEAT IT. HE FINISHED WITH THESE WORDS, "THE FUNDAMENTAL QUESTION THAT THE BANKING CRISIS POSES IS WHETHER OPEN, NO-HOLDS-BARRED COMPETITION IN BANKING IS A PHILOSOPHICAL LUXURY THAT OUR ECONOMIC SYSTEM CAN AFFORD. BANKING IS THE ONE INDUSTRY WHOSE FAILURE WOULD UNDERMINE OUR ENTIRE DEMOCRATIC SYSTEM. APPARENTLY THE BLEAK DAYS OF THE DEPRESSION HAVE SLIPPED FROM THE CONSCIOUSNESS OF THE AMERICAN PUBLIC. THE ONLY WAY TO PREVENT THEIR RETURN IS TO RESTORE THE FIRM AND CAUTIOUS RESTRAINTS THAT GAVE US 50 YEARS OF UNEXCITING, UNADVENTUROUS BANKING.

(MORE)

WE ARE HEARING FROM MORE AND MORE CONCERNED PEOPLE ABOUT THE CONCENTRATION OF THE CONTROL OF OUR RESOURCES.

SO THE SMOKE SCREEN IN KANSAS IS TO HAVE A LAW THAT LIMITS ONE HOLDING COMPANY TO CONTROL OF NO MORE THAN 9% OF THE STATES BANK AND S&L DEPOSITS. THAT IS A SMOKE SCREEN TO COVER THE DANGER OF CONCENTRATION. NOW THAT IT HAS BEEN DETERMINED WHERE THE DECISIONS WILL COME FROM YOU MUST UNDERSTAND THAT THIS COULD REDUCE THE DECISION MAKING FROM 628 BOARD ROOMS DOWN TO 7.

THEY OFFER THESE GENEROUS COMPROMISES AND SAY, "LET US PUT THIS ISSUE BEHIND US ONCE AND FOR ALL." THEY TOLD THE NEBRASKA UNICAMERAL THAT TWO YEARS AGO AND YOU HEARD YESTERDAY THEY ARE ALREADY ASKING FOR 11%. THAT WAS A COMPROMISE AS THE JANUARY 23 BANK NEWS REPORTED THAT THEY HAD ASKED FOR 20%.

SO IT IS A LACK OF MBHC ACTIVITY WHEN TWO HOLDING COMPANIES ARE PUSHING THE LIMIT IN THE SECOND YEAR OF THE LAW IN NEBRASKA.

MONTANA HAS HAD MULTIBANKING FOR SOME YEARS AND 50 % OF THE DEPOSITS IN THAT STATE ARE HELD BY FIRST INTERSTATE OF CALIFORNIA AND NORWEST OF MINNEAPOLIS THAT YOU HAVE HEARD ABOUT IN NEBRASKA.

LET ME GIVE YOU ONE MORE THING TO WORRY ABOUT AS YOU WORK ON THE 1985 TAX BILL. OUR SENATOR ROBERT DOLE SAID AWHILE BACK THAT THE BIG BANKS IN OUR COUNTRY ARE ENJOYING A TAX RATE OF FROM 1% TO 2%. REDUCE THE NUMBER OF BANKS IN KANSAS FROM 628 TO 7 AND IT CREATES MORE PROBLEMS.

SAFETY NET LEGISLATION

WE SHOULD EXAMINE THE QUESTION HERE OF ALLOWING MULTIBANKING IN KANSAS TO BETTER FIND BUYERS FOR FAILED BANKS.

AT HIS CONFIRMATION HEARING ON JANUARY 28 COMMISSIONER EUGENE BARRETT STRESSED THE FACT THAT THE NUMBER OF BANK FAILURES REPRESENTED ONLY 1% OF THE TOTAL NUMBER OF KANSAS BANKS AND THAT WHILE THE AGRICULTURAL ECONOMY OF THE STATE IS NOT GOOD AND THAT AGRICULTURAL BANKS WILL CONTINUE TO EXPERIENCE PROBLEMS THROUGHOUT 1985, THE BANKING SYSTEM AS A WHOLE IS VERY SOUND.

WE HAVE ALREADY POINTED OUT THAT MOST OF THE FAILURES IN KANSAS HAD NOTHING TO DO WITH THE LOCAL ECONOMY. THE FACT IS THAT 79 BANKS FAILED IN THE NATION LAST YEAR. THE FDIC WAS UNABLE TO FIND BUYERS AND PAID DEPOSITORS IN ONLY FOUR OF THOSE BANKS. 2 IN CALIFORNIA --- 1 IN OREGON --- 1 IN COLORADO. THREE STATES WITH MULTIBANKING OR BRANCHING OR BOTH. AND YOU ARE ASKED TO MAKE A DRASTIC CHANGE IN BANK STRUCTURE IN KANSAS TO CORRECT THE PROBLEM WHEN BUYERS WERE FOUND IN ALL 7 INSTANCES IN KANSAS.

WOULD IT NOT BE BETTER - IN CASE OF A FAILURE - WHERE CAPABLE PEOPLE IN A COMMUNITY ARE NOT ABLE TO RAISE CAPITAL - TO TRANSFER THE DEPOSITS TO THE NEAREST WELL CAPITALIZED BANK??? LATER ON THE LOCAL PEOPLE - AFTER THEY SEE THE DRAWBACKS IN NOT HAVING A LOCALLY OWNED BANK - WOULD RAISE CAPITAL AND APPLY FOR A NEW CHARTER. THE PLAN UNDER MULTIBANKING WOULD ALLOW A FARAWAY CORPORATION TO ASSUME THE DEPOSITS WITHOUT ADDITIONAL CAPITAL - AND TELL THE BORROWERS TO GO TO HELL.

AGRICULTURE

WE'VE HAD A WHOLE MESS OF FIGURES PASSED OUT AROUND HERE THAT INDICATE THAT KANSAS BANKS ARE AWAY DOWN ON THE LIST WHEN IT COMES TO SERVING AGRICULTURE. IT SAYS THESE STATISTICS WERE COMPILED BY KBA. WELL I'M A MEMBER OF KBA AND THE WORKSHEET DIDN'T READ SO BAD TO ME SO IT IS INCLUDED WITH MY HANDOUT.

THOSE NUMBERS SHOW THAT KANSAS IS THE NUMBER ONE STATE IN THE PERCENTAGE OF FARM LOANS HELD BY BANKS. THE KAEG RECOMPILED THE PERCENTAGES INTO DOLLARS AND COMPARED KANSAS TO CALIFORNIA. TALK ABOUT CAPITAL INTENSIVE. DID YOU EVER FIGURE THE REAL COSTS IN A LARGE VEG TABLE GARDEN. KANSAS HAS ONLY HALF AS MUCH FARM DEBT AS CALIFORNIA. BUT KANSAS BANKS CARRY 4% MORE OF THE TOTAL THAN CALIFORNIA BANKS CARRY IN THEIR STATE.

BUT THE FACT REMAINS THAT KAEG SAYS MULTIBANKING WILL BE GOOD FOR AGRICULTURE. LET'S TALK TO GOVERNOR ROBERT KERRY OF NEBRASKA. ON DECEMBER 5 IN BANK NEWS MIDWEEK IT REPORTED THAT THE GOVERNOR HAD COMPLAINED TO PRESIDENT RONALD REAGAN AND CHAIRMAN WILLIAM ISAAC OF THE FDIC THAT ABSENTEE PURCHASERS OF FOUR FAILED BANKS IN NORTH CENTRAL NEBRASKA WERE REFUSING TO KEEP ANY AGRICULTURAL LOANS. HE REPORTED THAT THE "MOST CREDITWORTHY" FARMERS WERE BEING FORCED TO PAY UP. THE GOVERNOR SAID IN HIS LETTERS, "WITHOUT EMERGENCY ACTION THESE AMERICAN COMMUNITIES WILL DISAPPEAR." YET ONLY TWO SHORT YEARS AGO GOV. KERRY THOUGHT MULTIBANKING WOULD BE GREAT FOR HIS STATE. AND BY HIS SUCCESS HE GRANTED LICENSE FOR THE INDUSTRY TO OPERATE IN THAT MANNER.

IT WILL ACTUALLY TAKE ALL THE HELP WE CAN GET FROM YOU AND THE FEDERAL GOVERNMENT TO SAVE OUR FARMERS NOW. BUT THE MOST CRUCIAL INGREDIENT OF A SOLUTION LIES IN COOPERATION BETWEEN THE FARMER AND HIS BANK. THE WORST THING THAT COULD HAPPEN RIGHT NOW WOULD BE TO FURTHER DRAIN AWAY THE FINANCIAL RESOURCES THAT ARE SO BADLY NEEDED IN THE COMMUNITIES AND NEIGHBORHOODS WHERE THEY WERE CREATED.

INTERSTATE BANKING

THE KANSAS SENATE HAS ALREADY SHOWN THEIR CONCERN FOR INTERSTATE BANKING BY THEIR PASSAGE OF SB 42 TO PROHIBIT NON BANKS IN KANSAS.

KIBA AND KBA SUPPORTED THAT BILL. AS FAR AS I COULD TELL KAEG WAS SILENT. BUT KCCI OPPOSED IT. FINE MESS.

LEGISLATORS IN NEBRASKA, OKLAHOMA AND MISSOURI ARE WORKING WITH INTERSTATE BANKING BILLS RIGHT NOW. WOULD KAEG BE ANTICIPATING AN INTERSTATE BILL NEXT YEAR IF MULTIBANKING PASSES THIS YEAR IN KANSAS??

LET US ASK WHY 27 NON BANK APPROVALS CAME THROUGH IN TEXAS WHEN THERE ARE ONLY TWO APPLICATIONS PENDING IN KANSAS. WITHOUT A CONCENTRATION OF DEPOSITS IT IS NOT FEASIBLE FOR BANKS FROM NEW YORK, PITTSBURG AND HONG KONG TO MOVE IN.

THEY REPORTED HERE YESTERDAY THAT ABA HAS NOW ENDORSED INTERSTATE BANKING. IN FACT MONDAYS AMERICAN BANKER SAID, "DROPPING NEARLY 30 YEARS OF SUPPORT OF THE 1956 DOUGLAS AMENDMENT TO BANK HOLDING COMPANY LAW PROHIBITING BANKS FROM STARTING OR BUYING BANKS ACROSS STATE LINES.""WITH QUESTIONS RAISED ABOUT FEDERAL PREEMPTION OF STATE LAWS, AND SMALL BANKING INTERESTS CITING BETRAYAL."... "LARGE INSTITUTIONS HAILED THE TRADE GROUPS DECISION AS A MILESTONE IN BANKING HISTORY."

THE QUOTES GET BETTER, "...ABA WILL SUPPORT LEGISLATION WHICH WOULD LEGITIMIZE REGIONAL BANKING PACTS WITH A TRIGGER WHICH WOULD PERMIT FULL INTERSTATE BANKING FIVE YEARS AFTER ENACTMENT, BUT ONLY FOR THOSE STATES ENACTING REGIONAL INTERSTATE LEGISLATION." "THE ONLY WAY FOR A STATE TO KEEP SOME CONTROL OF BANKING IN ITS OWN BORDERS, BASED ON THIS FIVE YEAR TRIGGER TO EFFECTIVE NATIONWIDE BANKING, IS TO STAY OUT OF REGIONAL COMPACTS ALTOGETHER." UNQUOTE.

THE ONLY WAY TO STAY AWAY FROM THE INTERSTATE FIGHT IN KANSAS NEXT YEAR IS TO DEFEAT SB 102 IN 1985.

SENATORS, THOSE WHO ARE READY TO GIVE UP ON THE FARMER ARE ON A DIFFERENT WAVE LENGTH THAN I AM. WE SHOULD POINT OUR EFFORTS TO SAVING AGRICULTURE AND NOT POINT NOW TO A WHOLE NEW WAY OF LIFE FOR MOST OF THE PEOPLE IN THIS STATE. LYNDON IS NO DIFFERENT THAN BELOIT OR MCPHERSON CONSIDERING THE PROBLEMS IN OUR BANK. OUR FARMERS ARE UNDERSTANDING THE PROBLEM FROM A BANKING STANDPOINT AND WE ARE DOING EVERYTHING WE CAN TO KEEP THEM ON THE FARM. NOW IS CERTAINLY NOT THE TIME TO REDIRECT OUR FINANCIAL RESOURCES.

I FINISH WITH A QUOTE OF "CANDIDATE" RONALD REAGAN - CHICAGO - 1975

"I AM CALLING ALSO FOR AN END TO GIANTISM, FOR A RETURN TO THE HUMAN SCALE - THE SCALE THAT HUMAN BEINGS CAN UNDERSTAND AND COPE WITH.... IT IS THE LOCALLY OWNED FACTORY, THE SMALL BUSINESSMAN WHO PERSONALLY DEALS WITH HIS CUSTOMERS AND STANDS BEHIND HIS PRODUCT, THE FARM COOPERATIVE, THE TOWN OR NEIGHBORHOOD BANK THAT INVESTS IN THE COMMUNITY..... IT IS THIS ACTIVITY ON A SMALL HUMAN SCALE THAT CREATES THE FABRIC OF COMMUNITY, A FRAMEWORK FOR THE CREATION OF ABUNDANCE AND LIBERTY. THE HUMAN SCALE NURTURES STANDARDS OF RIGHT BEHAVIOR, A PREVAILING ETHIC OF WHAT IS RIGHT AND WRONG, ACCEPTABLE AND UNACCEPTABLE."

AGRICULTURAL LOAN TOTALS

January 1, 1984

<u>State</u>	<u>Non-Real Estate Loans Held by Banks</u> (Millions)	<u>Real estate Loans Held by Banks</u> (Millions)	<u>Total Farm Loans Held by Banks</u> (Millions)	<u>State Total***</u> (Millions)	<u>Bank %</u>
Kansas	\$2,408 (60%)*	\$246 (6%)**	\$2,654	\$7,826	34%
Nebraska	3,065 (56%)	178 (4%)	3,243	9,723	33%
Missouri	1,501 (58%)	616 (16%)	2,117	6,528	32%
Oklahoma	1,368 (50%)	277 (10%)	1,645	5,548	30%
California	4,136 (60%)	632 (7%)	4,768	15,980	30%
Illinois	2,586 (65%)	588 (9%)	3,174	10,387	31%
Kentucky	651 (45%)	434 (19%)	1,085	3,771	29%
Texas	2,810 (48%)	708 (11%)	3,518	12,126	29%
South Dakota	1,366 (60%)	59 (3%)	1,425	4,390	32%
Iowa	3,842 (58%)	410 (5%)	4,252	15,519	27%
Minnesota	2,356 (46%)	328 (6%)	2,684	10,899	25%
Wisconsin	1,148 (39%)	519 (13%)	1,667	6,859	24%
Indiana	1,065 (48%)	544 (12%)	1,609	6,913	23%
North Dakota	970 (31%)	98 (4%)	1,068	5,478	19%

* % of all agricultural non-real estate loans held by banks

** % of all agricultural real estate loans held by banks

*** Total of all agricultural loans by all lenders

Kansas ranks number one (#1) in the nation in % of total farm loans held in banks among states with over \$1 Billion in farm loans. (National average = 28%. Kansas = 34%)

Kansas ranks #4 in the nation in the % of non-real estate farm loans held by banks. (National average = 52%. Kansas = 60%)

Top 25 Thrifts in Mortgage-Backed Pass-Through Securities

As of June 30, 1984
(Dollar Amounts in Thousands)

Rank	Name of Thrift	Total Assets	Mortgage Pools Insured by U.S. Gov't Agencies	Other Mortgage Pools (a)	Total Holdings of Pools of Mgt.-Backed Securities
1	American Savings & Loan Assn., Stockton, Calif.	31,299,138	6,976,273	95,856	7,072,129
2	First Federal of Michigan, Detroit	8,939,462	2,936,202	250,028	3,186,230
3	World Savings, FS&LA, Oakland, Calif.	8,744,317	2,369,433	36,152	2,405,585
4	Home Savings of America, FA, Los Angeles	22,234,822	2,088,603	32,587	2,121,190
5	California Federal Savings & Loan Assn., Los Angeles	15,975,343	1,894,555	73,527	1,968,082
6	Benjamin Franklin Federal S & L Assn., Portland, Ore.	3,679,726	319,287	1,365,490	1,684,777
7	Columbia Savings & Loan Assn., Beverly Hills	4,368,317	1,332,771	0	1,332,771
8	Talman Home Federal Savings & Loan Assn., Chicago	6,486,246	1,223,616	93,671	1,317,287
9	Twin City Federal Savings & Loan Assn., Minneapolis	4,481,289	1,100,739	192,381	1,301,120
10	Carteret Savings & Loan Assn., FA, Newark, N.J.	4,857,273	1,287,134	1,100	1,288,284
11	First Federal Savings & Loan Assn., Rochester, N.Y.	4,284,033	1,269,743	181	1,269,924
12	Great Western Savings, FS&LA, Beverly Hills	18,897,453	1,234,018	0	1,234,018
13	Glendale Federal Savings & Loan Assn., Calif.	10,351,652	1,226,446	0	1,226,446
14	Guardian Savings & Loan Assn., Dallas	1,519,728	1,119,319	0	1,119,319
15	Franklin Savings Assn., Ottawa, Kan.	1,139,436	1,050,523	0	1,050,523
16	Long Island Savings Bank of Centereach FSB, N.Y. (b).....	2,703,515	1,037,053	2,076	1,039,134
17	Dade Savings & Loan Assn., Miami.....	2,946,630	1,007,315	10,824	1,018,139
18	American Savings & Loan Assn. of Florida, Miami	4,185,363	962,465	24,032	986,497
19	First Federal Savings & Loan Assn., Phoenix, Ariz.	3,462,534	892,537	85,579	978,116
20	First Nationwide Savings, FS&LA, San Francisco	8,988,420	952,049	0	952,049
21	Anchor Savings Bank FSB, Wayne, N.J. (c).....	2,465,968	818,334	0	818,334
22	Gibraltar Savings, Beverly Hills.....	7,728,259	794,236	0	794,236
23	Homestead Savings, FS&LA, San Francisco	2,573,993	717,639	0	717,639
24	Anchor Savings Bank FSB, Northport, N.Y. (d).....	3,925,489	700,366	0	700,366
25	Florida Federal Savings & Loan Assn., St. Petersburg.....	4,636,947	697,544	0	697,544

The listing consists of savings institutions — state and federally-chartered savings and loans and federally-chartered savings banks — insured by the Federal Savings & Loan Insurance Corporation (FSLIC). Mortgage-backed pass-through securities include both interest and principle. Data provided by Data Resources Inc., Lexington, Mass., from their data base of FSLIC-insured institutions.

(a) — Other pools include pools of conventional mortgages and privately-insured mortgage-backed securities.

(b) — Formerly known as Suffolk County Federal Savings and Loan Association. It changed its name when it was acquired by Long Island Savings Bank FSB, Syosset, N.Y., and it is now a division of that bank. Data shown here are not consolidated, but are for the Centereach division only.

(c) — Formerly known as Suburban Federal Savings & Loan Association, Wayne, N.J. It was acquired by Anchor Savings Bank FSB, Northport, N.Y., in August 1983, and it is now a division of that bank. Data shown here are not consolidated but are for the Wayne division only.

(d) — These data are for the Northport division only. If the Wayne, N.J. and Northport, N.Y. divisions were combined, Anchor Savings Bank would rank seventh in this listing with \$1.519 billion in mortgage-backed pass-through securities.

Loans bought in the market. Not made in the community where they take deposits.

92%

DNB

Daily News-Bulletin

THE BROOKFIELD PUBLISHING COMPANY
GEORGE P. WILLIAMS, PUBLISHER

PHONE: (816) 258-7237

107-109 North Main St.
BROOKFIELD, MISSOURI 64628
February 11, 1985

Kansas Independent Bankers Association
Topeka, Kansas

To Whom It May Concern:

I would like to assure the committee that everything contained in the newspaper stories regarding United Missouri's attitude toward industrial bonds in Brookfield, Missouri, are 100 percent accurate, despite disavowal by both R. Crosby Kemper, and the others.

It is a fact that United Missouri Bank chose not to participate in the industrial financing needed here. The reason actually given to the IDA was that United Missouri was not given the right to be the trust institution for these industrial revenue bonds.

The fact is that it was done by Citizens Bank and Trust, Chillicothe, Mo., for about one-third the cost proposed by United Missouri, and that saving of about \$10,000 was important to the new industry.

It also is a fact that as of the last bank statement published, the local United Missouri Bank has loans of only 20 percent of its deposits. But even at that, United Missouri here is up a long way from their low, which was 16 percent of deposits a few years back -- and I cannot give you an accurate date without lengthy research.

The other two banks located in Brookfield are at 40 percent and 48 percent loans of deposits according to their last statements. These are First Security Bank and Bank of Brookfield - Purdin NA. Both participated in the industrial development industrial loan, as did Brookfield Federal Savings and Loans.

I personally wrote both stories, as well as the three editorial columns which should be represented at these hearings. I am a member of the Brookfield Industrial Development Authority, and at present am secretary-treasurer of that group. My research on the United Missouri episode included my own participation in the Authority, plus consultations with the city attorney, the leaders of all three other financial institutions, plus the city manager.

2/13/85

Attachment IV

D
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B

Daily News-Bulletin

THE BROOKFIELD PUBLISHING COMPANY
GEORGE P. WILLIAMS, PUBLISHER

PHONE: (816) 258-7237


107 - 109 North Main St.
BROOKFIELD, MISSOURI 64628

- 2 -

It is interesting to note that the replies by United Missouri Bancshares and by R. Crosby Kemper came almost a month after they were offered the right to make a statement in the original news story regarding their refusal to participate.

It is my personal opinion, shared by many who live in Brookfield, that this city would most probably be much better off were United Missouri Bank home owned.

Very truly yours,


George Williams
Publisher

THE DAILY NEWS-BULLETIN

and The Marceline News

BROOKFIELD PUBLISHING COMPANY.
GEORGE WILLIAMS, PUBLISHER
BROOKFIELD, MISSOURI 64628

—MEMBER OF THE ASSOCIATED PRESS—

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IF YOUR PAPER IS MISSED BY PERSONAL CARRIER: In Brookfield call 258-7237 between 7 and 7:30 p.m. ONLY. Your paper will be delivered as soon after 7:30 as possible the same night. In other cities: call your individual carrier. Your paper will be delivered the same night.

The Twenty-Third Hour

Upset, to Say the Least

The news was almost incredulous: United Missouri Bank of Brookfield had decided not to participate in the financing offered an industry which would provide this area with 50-55 jobs.

Here was something which would give back at least a portion of the employment so desperately needed by Brookfield and the area around it.

Yet United Missouri had elected to refuse help to the community which has provided that bank with enough capital to make it the largest bank in the county.

Because of its size, United Missouri would probably receive more additional deposits than any other in the county, as the result of the additional employment.

It's rather unbelievable the powers that be with United Missouri would snub the city this bank serves. That should show folks how little the United Missouri organization cares about Brookfield.

And it's interesting that in addition to First Security, Bank of Brookfield-Purdin and Brookfield Federal Savings and Loan, that three banks outside Brookfield — Linn County State Bank, Regional Bank and the Bank of Rothville, all indicated their willingness to participate in the funding.

This isn't the first time United Missouri has backed out of a financing arrangement which could have helped Brookfield. About two years ago it reneged when the city was seeking to get Best Manufacturing, a Kansas City firm, to locate in this city.

At the time negotiations were going on with Best, all financial institutions in the city had agreed to help fund the move.

This included United Missouri — until the last minute. The bank then pulled out before the final presentation to Best was made.

In the end it was not as bad as it might have been, for Best opted to go to Colorado instead of Brookfield. Nonetheless, that set a precedent for United's action this time.

United Missouri's lack of concern for Brookfield has shown itself in yet another way.

If you looked at the United Missouri Bank of Brookfield statement when it was last published, you found that only 20 percent of the funds deposited in that institution were used for loans.

The other two banks were much higher in the ratio of loans to deposits. Bank of Brookfield-Purdin stood at 48 percent; First Security Bank at 40.5 percent in their last statements.

This indicates United Missouri is much more interested in turning its assets to other places and other investments rather than turning them toward Brookfield and area businesses, individuals and farmers.

This is not the first time that fact has been mentioned in the Twenty-Third Hour. A couple of years ago it was a subject in this column. At that time I believe the ratio was 17 percent loans in relation to deposits.

The combination of these two facts would most certainly indicate that the only thing United Missouri is interested in is itself. It seems to care nothing about the city and the area it supposedly serves.

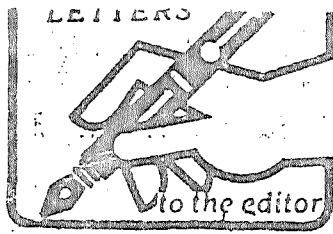
A community cannot live and grow without a bank's support. And by support I mean financial support more than just contributing to fund drives and belonging to civic organizations. Fortunately, others are available.

Surely a bank would want to put money back into its own community. This is certainly not being done by United Missouri.

★ For only one-fifth of its deposits are going out as loans. And there is absolutely no assurance that these loans are to area people, businesses or farmers.

They might be to Kansas City projects, to anywhere or anyone else, for that matter.

-- Think about it.



United Missouri
Bancshares, Inc.

December 28, 1984

Mr. George Williams,
Publisher
The Brookfield Daily News-
Bulletin,
107-109 North Main
Brookfield, Missouri, 64628

Dear George:

I was astonished at the article you wrote maliciously attacking our bank concerning just about everything. We have been a great citizen and patron of the city of Brookfield over the years, and I am largely responsible for bringing such businesses as L.T. York and Whitaker Cable to Brookfield. I have done all I could to help the city and I think you will remember when I bought Brownlee Moore Bank it only had \$200,000 in loans in the bank. We built a beautiful new building and the loans have grown from \$200,000 in the years since I bought the bank to over \$9 million. I think, in anybody's book, that would be a pretty hearty increase.

Our deposits swelled abnormally several years ago when \$10 to \$12 million came over to our bank one weekend from the Security Bank due to the lack of confidence in the former management. Also, we recently took over the deposits of the Bucklin State Bank, in order to continue providing banking service in the town of Bucklin. This also abnormally swelled our deposits.

We run a good bank, George, and we were very willing to participate in the IRB on the right basis. United Missouri is not mossback, as you suggest, or we wouldn't have grown from a \$400,000 institution to the largest and most profitable bank in Kansas City and one of the largest and certainly most successful banking companies in the state of Missouri.

Your anger toward us is misplaced and you do the town of Brookfield, United Missouri Bank, and your newspaper no service when you spread untruths and misinformation. Get a little better control of

yourself, George. Know the facts before you speak out, so that you will not shame yourself and further embarrass Brookfield, Missouri.

Yours very sincerely
/s/ R. Crosby Kemper

P.S. George, I must insist you publish both the letter from Mick Aslin and Barbara Smith, and this letter from me as our response to your malicious attack.

The Twenty-Third Hour

An Answer

Usually I do not answer letters to the editor. However, I feel compelled to today answer R. Crosby Kemper's letter to this newspaper, and later in the week to answer the letter from two other United Missouri Bank officials.

First I would like to answer the postscript in Mr. Kemper's letter:

No one orders this newspaper to do anything, Mr. Kemper. We published your letter because it is our policy to print every letter bearing a writer's signature. We do this because we care about the wishes and opinions of the residents of this area.

Sometimes our contributors include a courteous request that the letter be published, but even that is not necessary. The only exception would be when the letter's content may be cause for libel.

You would do yourself more service by simply submitting what you have to say. I do not react well to "orders." How would your bank react if I came in and demanded a loan?

Now, lets take your letter — paragraph by paragraph.

For starters, you state "we (the bank) have been a great citizen" of Brookfield. I wouldn't argue that point. However, I would be reluctant to say my newspaper has been a "great citizen." That is a judgment and opinion to be formed by the people we serve; not by me.

As for you being largely responsible for bringing L.T. York and Whitaker Cable to Brookfield — well, I've always believed that it takes a great deal of effort from many people to bring an industry into an area. And, somehow I seem to recall Father Fred Barnett being quite instrumental in bringing Whitaker to our city.

Yes, we are aware United Missouri has a "beautiful new building". We recall the problems you mention years ago about Security State Bank. We know your deposits probably "swelled abnormally" when you took over Bucklin State Bank. Our readers also know, because we've carried news stories, the public meeting about your takeover of Bucklin State, and letters to the editor regarding that issue.

Yes, we understand you are "the largest and most profitable bank in Kansas City"...and "one of the most successful banking companies in the state of Missouri."

But, Mr. Kemper, this newspaper and its stories and its editorials are vitally interested in Brookfield and surrounding area. We can't rejoice about how large your bank is today. We fight a sagging economy due to our factories closing. We are struggling to attract even the smallest of industries. Unfortunately, Brookfield is NOT growing as your bank has grown!

The stories we published were hardly attacks. They were statements of fact. They were not my statements nor my information. I know little about banking.

Instead they were statements made by a local person involved in the local financial/banking scene.

Regarding United Missouri of Brookfield's loans, it is still indefensible, in my opinion, that any bank will have only 20 percent of its deposits on loan in a community.

As I pointed out, at that same point in time, First Security Bank had 40 percent on loan; Bank of Brookfield-Purdin was at 48 percent; United Missouri of Brookfield was 20 percent.

As for your comment about "untruths and misinformation", let me make it very clear, Mr. Kemper, I was, and still am, a member of the Brookfield Industrial Development Authority. Anything you can point as being erroneous should be specifically stated.

Your local people were offered an opportunity to make their own comment in the published stories before they were printed. Barbara Smith was told what would be in the article, but decided not to respond.

I was present also at the meeting when there was a conflict between what the new industry wanted and what you were willing to give.

And here we agree. United Missouri wanted their Kansas City trust officer to handle the industrial bonds for an estimated \$15,000. Citizens Bank and Trust of Chillicothe offered the same service for \$5,000.

This saving was important to the new industry.

Before our stories on the new industry were published, Mr. Kemper, I spent most of four days contacting the heads of our local financial institutions, the City Manager, the City Attorney and the Chamber of Commerce president. Each read the stories.

Each was asked to make additions or deletions, and to correct anything that might be erroneous.

Surely all those listed above should not be so "shamed" and "embarrassed" as the last paragraph of your letter indicates.

United Missouri
Bancshares, Inc.
December 28, 1984

Mr. George Williams
Publisher
Brookfield Daily News
Bulletin
107-109 North Main
Brookfield, Missouri 64628

Dear Mr. Williams:

We at United Missouri Bank of Brookfield and United Missouri Bancshares, Inc. are as happy as anyone in Brookfield that a new industry will be coming to town. We have, after all, a vested interest in the economic health of Brookfield and all of Linn County; we have a substantial investment in Brookfield; we and our employees pay taxes; support the schools and churches; participate in the service and civic organizations; we employ several of the citizens, and protect the hard-earned savings of many other citizens. United Missouri is anxious to assist with furthering the economic health of the area! The one thing we are not willing to do in the name of economic development is to compromise our standards for thoroughness and professionalism — since that is key to the safekeeping of the deposits entrusted to us.

In your column, "The Twenty-Third Hour," and in articles preceding that column relating to the financing necessary to bring the new industry to Brookfield, you repeatedly quoted an unnamed Brookfield Industrial Development Authority (BIDA) official as saying United Missouri Bank of Brookfield refused to participate in the financing. That is absolutely untrue! We did, in fact, write several commitment letters. Each letter was specifically written to meet the needs of the company moving to town. Apparently neither BIDA nor the other banks who were in the lead on this matter knew of or understood the company's needs in the beginning. The only "string" that was attached by UMB was that a fully qualified trustee be retained to handle this matter over the projected 20-year life of bonds. The United Missouri

system handles many industrial revenue bond issues, many of which are in out-state Missouri. We understand the complexities and feel strongly that a trustee with experience and a depth of expertise should handle the bond issue. In addition, we cannot understand placing any part of an issue that requires certain concessions on the part of the purchasers of the bonds with an institution that does not support Brookfield in any way. When a highly-qualified company such as ours that supports the city could be retained, why go to Chillicothe?

We, like you Mr. Williams, are not satisfied with how this matter was handled. We are not now asking, nor have we ever asked, for any special consideration on this matter — only that everyone operate in a spirit of cooperation. We did not, nor will we ever, "snub" the city that we serve. We agree with you that a community cannot live and grow without a bank's support; and we realize, probably better than you, the responsibilities we have in order to maintain a sound institution. We have seen what happens where banks did not pay attention to every detail of doing business and relied solely on someone else getting the job done. Isn't that exactly what we saw in the problems at Continental Illinois, to name one well-known company?

You made reference to another situation in which the BIDA spokesman indicated we had refused to assist. Our files and recollections, however, indicate only that we participated through a contact with the company to attempt to persuade them to move to Brookfield. We do not recall, nor do our files indicate, there was ever any formal discussion of a possible loan package. Most recently, Mr. Williams, we again spent much time and energy in assisting the City Manager in putting together a presentation to be used to attract a manufacturing concern to Brookfield, as well as made several personal contacts with the company in an effort to sell the city.

In closing, we want to again express our extreme disappointment over the manner in which this issue was handled. However, we will not let these actions stand in the way of our future assistance in the development of the town. We can only hope you and whoever the unnamed BIDA spokesman was, will be willing to act in the same way.

Sincerely yours,
/s/ Malcolm M. Aslin
/s/ Barbara A. Smith
Executive Vice President
United Missouri Bank
of Brookfield

The Twenty-Third Hour

Answer No. 2

This is the answer to the letter-to-the-editor which appeared in Friday's News-Bulletin. It was sent under the signatures of Malcolm Aslin and Barbara Smith. Mrs. Smith is the executive vice-president of United Missouri Bank of Brookfield.

Aslin, who I do not know, is, according to his stationery, president of United Missouri Bankshares, Inc., the holding company which owns United Missouri Bank of Brookfield. That was omitted in his letter to the editor.

It is interesting that their letter starts its first paragraph about United Missouri paying taxes, supporting schools, belonging to civic clubs and so on.

This is, of course, what every businessman and professional person in this area does. We all — or nearly all — are interested in the community, for it provides us and our associates with the wages, and hopefully, the profits which we need.

Continuing with my answers to you: your commitment letters all contained clauses which said a "fully qualified trustee" must be employed.

But when it really got down to the nitty gritty, your representative at those meetings finally admitted the "only qualified trustee," acceptable to United Missouri would be United Missouri. This is part of the minutes of one BIDA (Brookfield Industrial Development Authority) meeting. In other words, if BIDA didn't do it your way, you would not participate.

And the fact that you handle "many industrial revenue bond issues" doesn't make you any more qualified than would be Chillicothe Bank and Trust or for that matter, any other bank having a trust department.

I really don't understand your statement that "Apparently neither BIDA nor the other banks who were in the lead on this matter knew of or understood the company's needs in the beginning."

Apparently they did know. The company is coming to town despite your refusal to participate in the financing package.

The statement "In addition, we cannot understand placing any part of an issue that requires certain concessions on the part of the purchasers of the bonds with an institution that does not support Brookfield in any way," is a bit erroneous in itself.

For actually, the money wouldn't be going to Brookfield if we took the United Missouri offer. All of it would be handled in Kansas City. In addition, by going to Chillicothe Bank and Trust which I'm sure is well qualified, we saved the industry several thousand dollars.

Then in the next long paragraph you say, "We have seen what happens where banks did not pay attention to every detail of doing business and relied solely on someone else getting the job done."

I was under the impression that a bank can do it both ways — provide local help for its area and still keep a profitable bank in operation.

Certainly if the other banks in this area followed your loan policy, the city and the area could be in trouble. Your loan ratio is 20 percent to deposits, up from a low of 16 percent. First Security's was at 40 percent for the same period that you were 20; Bank of Brookfield-Purdin was at 48 percent.

As to your statement, "We do not recall, nor do our files indicate, there was ever any formal discussion of a possible loan package," the fact is that you were apprised of the need for a loan to help Best Signs. Whether action was taken to refuse here or in Kansas City, the matter was turned down by United Missouri. I have that on authority of three of the participants who were directly involved in the drive to get the industry.

I also am aware of your participation in the attempt to get Wolverine Shoes to locate here, the matter you refer to in one paragraph, and we do appreciate it. Unfortunately for Brookfield, that was not successful.

Certainly we, too, hope United Missouri will change its mind and assist without reservations should another opportunity arise to bring an industry to Brookfield.

I might also add that the industrial procurement department of United could give some needed help in our drive to replace the now 300 jobs we've lost and still need because Brown Shoe Company and Whitaker Cable left us.

We have a fine building — the old Brown Shoe plant — available now, and this would and should be a "plus" for many industries.

NEWS - BULLETIN

BIDA Reveals Financial Problems

in Obtaining New Factory

Some lengthy financial negotiations preceded today's announcement of a new industry for Brookfield, Missouri. More details were revealed today by officials of the Brookfield Industrial Development Authority.

BIDA, the group responsible for putting together the package of bonds which will fund the new industry here, called the role of United Missouri Bank of Brookfield in the program, and that bank's decision not to participate.

A BIDA spokesman revealed that United Missouri at first indicated willingness to help in the project, but later withdrew when the other financial institutions decided to choose another bank as trustee for project funds.

The three institutions which are participating are The Bank of Brookfield-Purdin, Brookfield Federal Savings and Loan Association and First Security Bank.

Brookfield United Missouri

Bank had originally proposed that Kansas City United Missouri be selected as fiscal agent for the bonds.

A spokesman for United Missouri Bank noted that the group of financial institutions, in a second meeting held to consider local loans for the industry, had voted to allow the United Missouri affiliate in Kansas City to act as trustee. However, in a subsequent meeting the vote was reversed by the other three institutions.

The spokesman for the BIDA said, however, that the cost from United Missouri to the industry would have been about \$15,000 as compared to the \$5,000 fee agreed to by Citizens Bank and Trust Company of Chillicothe which was selected to serve as trustee.

United Missouri contended its fee would have been about \$12,000. It was also noted by United Missouri that legal fees for those who represent United Missouri would have probably been less than those

to be charged by Polsinelli, White and Vardeman, the Kansas City firm named to serve as counsel for the bonds.

The BIDA spokesman said also that even after the Chillicothe bank had been suggested as fiscal agent, United Missouri had said it would participate, but failed to provide the necessary letter needed to reassure the industrial project of funding from local sources.

It was also noted that the local United Missouri Bank

had, during each meeting, agreed to share the total funding with the other three, but had in each case not sent the necessary letter to the city for inclusion with the other information required by the industry's principals.

"This caused a two- to three-month delay in getting the project underway," the spokesman said, "and it delayed the start of construction by probably six months or more. Had United Missouri provided a letter of

commitment, as did the other three, it's possible the project could have been underway by now, and the actual start for manufacturing moved ahead by the same time span.

"This is not the first time this has happened with United Missouri," the Brookfield industry spokesman continued, "When we were negotiating with Best Manufacturing in Kansas City, United Missouri originally agreed to participate in a financing

package, then pulled out before the final decision. Best was reached."

In that case, it was noted made no difference while Brookfield was at the top as far as selection concerned, the firm actually decided on Colorado.

United Missouri was contacted by The Daily Bulletin to provide its statement of reasons it did not participate, declined at

BULLETIN

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Brookfield, Missouri

12/4/54

NUMBER 159

Metal Fabricator Will Build New Plant Here

Brookfield will become the location for a new industry eventually employing more than 50, it was announced jointly by the Brookfield Industrial Development Authority and the new industry, named Brookfield Fabricating Corporation.

The announcement is the result of several months' work and negotiation between the group which will be directing the industry and the BIDA.

A new building will be constructed on a plot at the southeast end of the Brookfield Industrial Park located at the west edge of Brookfield. It will be located directly across the street from Stanbury Uniforms. Brookfield Fabricating will use about 6.9 acres of the site for its building, parking and for possible future expansion.

The move will be funded by a \$700,000 bond issue provided through the Industrial Development Authority and the City of Brookfield. These will be used to construct and equip a metal building approximately 100-by-150 feet with another 36-by-70 foot building attached to the central structure. It is to be constructed by Rhodes Construction Company, Brookfield.

Financing is provided by the company itself and by three local financial institutions, First Security Bank, Bank of Brookfield-Purdin and Brookfield Federal Savings and Loan Association. United Missouri Bank of Brookfield chose not to participate.

In addition, three other area banks, the Bank of Rothville, Regional Missouri Bank at Marceline and Bynumville and Linn County State Bank of

Linneus and Laclede, have tentatively agreed to take a portion of the bonds, which will be at the rate of nine percent per year over a 15-year period. The banks agreed to provide the low interest rate to help get the industry to locate in Brookfield.

The city has made arrangements to transfer the real estate to the project owners.

The bonds will be issued through the Industrial Development Authority to provide non-taxable interest to the institutions. These industrial revenue bonds will be payable from revenue and will be secured by the assets of the Brookfield corporation.

In addition, the company will have capital provided by its owners and stockholders.

The industry came as the result of a personal contact to BIDA member Barbara Moore. She in turn contacted City Manager Nancy Olinger, and the group, consisting of Olinger, BIDA member Gerry

Elson and the Rev. Kenneth Kelley of the Chamber of Commerce, met July 5 with Hank Price, Ft. Worth, Tex., and a group of his associates.

A meeting of Brookfield financial institutions was held July 27 to see if they were interested in buying the \$400,000 in bonds which was required.

That amount has since been raised to \$500,000.

Initially all four Brookfield financial institutions agreed to finance the bonds.

The financing and other details were finalized at an Oct. 10 meeting, and all documents were received by BIDA attorney Jeff Elson last

week.

According to a spokesman for Brookfield Fabricating, work on the building will start as soon as possible in the spring, hopefully in early March. With favorable weather it is hoped completion will be made within 90 days.

The firm will start with 10 to 15 people. The spokesman said most will be men, as there will be heavy work. Eventually the total number of employees should rise to about 55, he said. The firm will buy raw steel and aluminum products and turn them into saleable products, it was noted. He said he expected to be supplying

(Continued on Page 9)

New Industry

(Continued From Page 1) customers in more than half of the nation's states, mostly in the midwest and the south. Eventually the firm will own and operate a fleet of trucks to deliver the products they manufacture, he said.

After the bonds are sold, the funds are to be placed in Citizens' Bank and Trust Co., Chillicothe, acting as trustees. Construction monies from the bonds will be disbursed by Citizens Bank, as will payments to bond holders.

Polsinelli, White and Vardeman, Kansas City, were selected as bond counsel.

Statement To:
SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

RE: S.B. 102 - Providing for Multi-Bank Holding Companies
February 13, 1985
Topeka, Kansas

Presented By:
Edie Dahlsten, RR 2, Lindsborg, Kansas
For and On Behalf Of Kansas Farm Bureau

Mr. Chairman and Members of the Committee:

My name is Edie Dahlsten. My husband, Larry, our two children and I farm in McPherson County near Lindsborg. Ours is a diversified farming operation with crops and livestock. We are assisted in our farming operation by our "friendly, home-town, full service banker." Our "financial partner" is the Farmer's State Bank, Lindsborg, Kansas.

My testimony today, Mr. Chairman, and Members of the Committee, is for and on behalf of the farmers and ranchers who are members of the 105 county Farm Bureaus in Kansas. Our testimony is IN OPPOSITION to S.B. 102, the proposed multi-bank holding company legislation.

Just a bit more background, Mr. Chairman and Members of the Committee, before I share with you the policy position of Farm Bureau regarding this issue. I am the seventh district representative on the Kansas Farm Bureau Women's Committee. We have ten districts in the state. The seventh district is comprised of 11 counties bounded on the north and east by McPherson and Rice counties and generally south and west from there to Comanche and Kiowa counties. I am also the State Vice Chairman of Farm Bureau

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Attachment IV

Women, and by virtue of that position in our organization I serve as Vice Chairman of the Kansas Farm Bureau Resolutions Committee. It is the Resolutions Committee which serves as eyes and ears for county Farm Bureau policy chairmen and vice chairmen for national, state and local affairs. We direct the work of the Public Affairs Division of Kansas Farm Bureau. It is the Public Affairs Division which develops research papers and other study materials for our farmers and ranchers throughout the state.

We did not have a policy position on this issue until December, 1982. In April, 1982, we directed the Public Affairs Division to prepare a reasearch paper on the banking structure in Kansas and some of the controversies that were surfacing at the time. That paper was developed. It was not only provided to our membership. Those in the Legislature at the time also received copies of that and other research papers prepared by the Public Affairs Division. In the research paper on CONTROVERSIES IN BANKING, the basic outline of the banking structure was laid out. The pros and cons of the multi-bank holding company issue were examined. I want to report to you that we were pleased by the reception given this paper by those involved in this "controversy." They said it was very objective and very well done. Several people communicated with our Public Affairs Division in regard to the paper and pointed out some things they wished had been said. I'm going to share with you one or two of those items later on. The point is this: We did study the issue. Our members overwhelmingly responded to the questions attached to

the research paper as to whether or not Farm Bureau should have a policy position regarding the banking structure in Kansas and what that position should be. I will tell you parenthetically that our people are not bashful about expressing themselves and responding to the questions and telling us exactly what they think should be said in a Farm Bureau resolution. At the December, 1982 annual meeting, a short, concise policy statement, or resolution, was adopted. It has been readopted at the December, 1983 annual meeting and at the December, 1984 annual meeting. It is the position of our members as of this date. It guides our efforts and brings us before you today to make these comments. Here is our policy position.

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.

Mr. Chairman, and Members of the Committee, much of the testimony which you have received, or will receive, comes to you from bankers on both sides of this question. Much of it has been available to those of us on the outside of the Legislature. The

point I want to make here is this: This should not be viewed as a banker's issue. It's an issue on which there should be a public debate. You are here today providing that kind of forum. We believe it must be the public that helps you decide whether or not to abandon the laws which have been designed to protect the public from the inordinant concentration of financial resources through a change in the banking structure. We believe the present system allows for size, if that's desirable, for power, if that is desirable and justified through superior service. Those things have nothing to do with the structure for banking in Kansas today. Let me tell you something that helps lead us to that conclusion.

As you know, last fall the Governor, who grew up on a farm not far from Lindsborg in neighboring Saline county, publicly endorsed multi-bank holding companies. He wrote to the President of the Kansas Bankers Association, also a resident of McPherson County, and said that he believes "Our banking industry today is structurally hobbled by our current restrictive state laws." Then, on page 2 of his letter to the KBA President, the Governor indicated: "We have been fortunate in this state to have a banking industry of great diversity and competitiveness comprised of more than 600 commercial banks. Kansas bankers have been fiercely dedicated to serving the needs of Kansans." I want to pause here - not to read the quote again, but to give us all time to reflect on what the Governor really said. Well, I think we all know what he said. We have a good banking structure in this state. We have bankers who have been serving the people of

this state with a great number of services and with a great community-mindedness.

We believe it would ill-behoove the Kansas Legislature to now change the structure that has given us this "diversity and competitiveness" and has allowed the development of banks and bankers who have been "fiercely dedicated to serving the needs of Kansans."

The arguments of the proponents say that we are among the last to permit multi-bank holding companies or branch banking. That we should join some parade. That has not been the thought process of Kansas Legislators over the course of the years. They, and you have been and are innovators and leaders. You have been recognized as the outstanding Legislature in the nation. I will have to hasten to add this is not a blanket endorsement for everything that is done nor every bill or resolution passed or adopted. But it is the history of the Kansas Legislature to develop a climate in Kansas for the growth and advancement of Kansans, notwithstanding what is done in other states.

Back to the banking structure. Very often the customers of small banks, particularly those in rural areas, have a legitimate need for a loan which may well be larger than the local bank can make. There are constraints on the bank. Well, our current system meets that need by allowing the local bank to find a participant - a correspondent bank - to take a part of the loan that is in excess of what it can handle. I submit to you that is part of our structure today and it works well. If it did not

work, if it were not permitted, I can tell you there would be farmers and consumers and small businessmen here asking you to lead the charge for the panacea that is painted as multi-bank holding companies if, indeed, that were the answer. It is not.

The proponents tell you that the bill before you contains a provision, a "safety net" provision requested by the Kansas Bank Commissioner, to assure that there are bidders in the case of failing banks. We suggest to you that that procedure, certainly one that bears your examination, could and should be dealt with separately.

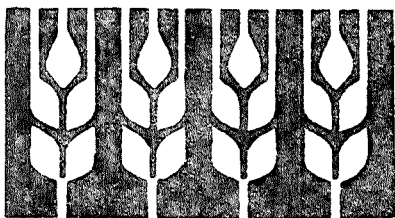
In conclusion, Mr. Chairman and Members of the Committee, I want to share with you one comment from a banker in Tonganoxie who indicated he had reviewed, in 1982, our research paper on CONTROVERSIES IN BANKING. Included in his comments were these thoughts:

"I felt that it was important to let you know that I feel the most vital concern in the banking controversy was not covered in your study. Specifically, what I am referring to is the problem of removal of the local decision-making process through the liberal-ization of banking laws. A case in point is the situation that I am familiar with in a multi-bank holding company state where an edict from the lead bank curtailed all swine loans because of the bad experience with a disease problem in one of the affiliated banks. Can you imagine the affect that action had on the approximately two dozen rural communities involved?"

That strikes very close to home, Mr. Chairman. We are pork producers on the Dahlsten farm. You and your colleagues in the Kansas Legislature are the jury. It seems to me the prosecution -- the proponents -- must prove beyond a reasonable doubt, and you must believe a structure change will benefit all Kansans. We do not believe such change will be beneficial. We appreciate the diversity and competitiveness of the present structure. Should such a situation be permitted to happen in Kansas? Should we be changing something that has given us today a banking industry of "great diversity and competitiveness?" Should we, today, in the 1985 Session of the Kansas Legislature, revamp a system that has provided for Kansans a structure with bankers "fiercely dedicated to serving the needs of Kansans." We think not. We urge that you report unfavorably S.B. 102.

Thank you very much for this opportunity to present a statement to you today.

KANSAS ASSOCIATION
OF WHEAT GROWERS



TESTIMONY

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Wednesday, February 13, 1985

Senate Bill 102

My name is Howard Tice, and I am the Executive Director of the Kansas Association of Wheat Growers. I appreciate this opportunity to testify today in opposition to Senate Bill 102.

As you are no doubt aware, Kansas is, and probably will continue to be the nation's number one producer of Wheat. Our state is also among the top producing states in several other agricultural products. Agriculture is without a doubt the state's number one industry. It is a capital intensive industry, and for many years, now a highly leveraged industry.

Speaking for producers of Kansas number one crop, I would like to call the attention of this committee to the concerns of those producers regarding multi-bank holding companies.

We have heard the testimony of proponents that would have us believe that our concerns have no foundation. However, most of that testimony consists of the assertion that fears of money being transferred from rural areas to urban centers are ungrounded. They also insist that fears of insensitive metropolitan bankers making credit decisions for farmers is groundless. But a spokesman for proponents of Senate Bill 102 told this committee yesterday that many credit decisions for rural banks would indeed be made in Wichita, Topeka or Kansas City.

A survey made in 1975 which involved Ohio State University, the Ohio Agricultural Research and Development Center, Indiana University, and Purdue University concluded that independent banks were offering a range of auxiliary services at least as complete as affiliated banks, and in certain areas such as farm management counseling, the independent banks were clearly superior. This underscores the assertion that there is no substitute for immediate knowledge of local conditions and immediate knowledge of the integrity and honesty of the potential borrower.

We are also told that legalizing multi-bank holding companies in Kansas would insure that buyers could be found for banks that fail and must be sold. In 1984, of the 79 banks which failed, there were only four found to be unmarketable. They were all in multi-bank states. All seven failed banks in Kansas were successfully sold, and remain in service to their communities. Incidentally, I understand that of those seven banks failures, only two were caused by bad agricultural loans.

While we are assured that this bill would not allow interstate multi-banking, it is undeniable that legalizing intra-state multi-banking would remove a barrier to the interstate systems. Common sense also tells us that it is much easier to prevent something from getting started than it is to remove it from the system once it has been installed.

In short, we believe that multi-bank holding companies in Kansas would be bad for agriculture, and therefore bad for the state, and we urge the defeat of this bill.

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Attachment VT

Statement by
Ivan W. Wyatt, President
Kansas Farmers Union
on
Senate Bill Number ■ 102
(Bank Holding Company)
Before the Senate
Committee on Financial Institutions and Insurance

Mr. Chairman, members of the Committee:

I am Ivan W. Wyatt, President of the Kansas Farmers Union.

Many things have been said in support of why we should change the Kansas banking system from the present unit system to a multi-bank holding company system. After examination, most of the reasons hold little water, factually.

Some say a multi-bank system will better serve the people of Kansas. This is not true. Perhaps it will serve a few better, but for the vast majority of Kansans, this is not true; especially farmers, livestock producers, local small businessmen and rural communities.

We are already seeing banks in the larger towns and cities turning away from making agricultural and rural loans.

It has been said multi-bank holding companies will insure economic development of Kansas by making capital and services available for bank customers.

Such statements infer a multi-bank holding company system will increase the supply of money available for lending.

This is false. Multi-bank holding companies will not increase the amount of capital available, it will only transfer assets from many communities to a

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Attachment VII

larger pool in a larger community.

A news story in a metropolitan newspaper (Wichita Eagle-Beacon 11-18-84) spelled this out. One bank owns the legal 24.9% interest of five banks in five different towns, sharing in their earnings, but the assets of the five banks are not on its books.

However, with multi-bank legislation, that one metropolitan bank would be able to acquire control of the five banks and their assets of \$493 million, thereby increasing the parent company's lending limit by 50% at the expense of the five local banks. There would be no creation of new money for lending purposes.

It has been said if we set up a few large bank holding companies, large out of state, regional or interstate banks would be less likely to move into Kansas.

History shows that mergers or buyouts are usually carried out by corporations gaining control of other large corporations.

There are indications that some of the state's large banks are already being eyed as acquisition targets in the event of an interstate banking environment.

Such large banks would be less encouraged to pick up numerous smaller banks versus buying out one large bank, such as the recent merger of one banking unit of \$1 billion with another of nearly one half billion dollars in assets.

Whether it be war or banking, there is safety and strength in numbers as opposed to size. In the Battle of the Bulge, the American tanks defeated the German Panzer and Tiger tanks not because of size but because of numbers.

Kansas' many smaller unit banks could be our safety and strength.

Page 3 multi-bank holding companies

The deposits of this country's largest banks, because of high interest rates, are made up of 75% foreign deposits. If and when interest rates drop, those deposits would disappear overnight.

Those deposits could only be replaced by drawing assets from the outlying banks of the multi-bank corporation. Such a move would devastate the state's largest industry, agriculture, and the state's rural communities.

The Kansas Legislature must not forget we are dealing with the people's financial resources and savings, not the assets of the bank. All is based on the deposits and savings of the people, and the ability of the bank to generate a profit from the lending of those deposits.

The most effective way to serve the citizens of the state of Kansas and to protect them from the predatory money centers is not to put all of their financial nest eggs in a few baskets.

If the Kansas Legislature passes multi-bank legislation, in just a matter of a few years, or less, you will be considering regional banking.

In Missouri, they are now saying they need regional banking to provide "tremendous opportunity for job creation in St. Louis and Kansas City" and to oppose the threat of "national banking" that would siphon jobs from Missouri to New York. It would appear once the concentration in financial institutions begins with that first step of multi-bank holding companies, it just goes on and on and on.

Thank you for your time. I would be happy to answer any questions you may have.