

Approved February 27, 1986
Date

MINUTES OF THE HOUSE COMMITTEE ON COMMERCIAL & FINANCIAL INSTITUTIONS

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

3:30 a.m./p.m. on February 25, 1986 in room 527S of the Capitol.

All members were present except: Representative Schmidt, excused

Committee staff present: Bill Wolff, Legislative Research Department
Bruce Kinzie, Revisor of Statutes Office
Virginia Conard, Secretary

Conferees appearing before the committee: Senator Neil Arasmith

Jim Warren, Galva, President of Kansas Independent Bankers Association
Jim Maag, Director of Research, Kansas Bankers Association
Eugene T. Barrett, Jr., State Bank Commissioner
George Garrison, Superintendent of Schools, Dexter, Ks
Dan Keener, Owner and Manager of a meat processing plant in LaCrosse
Paul Fleener, Director of Public Affairs, Kansas Farm Bureau
Rep. Sandy Duncan
John Schmidt, President, Exchange Bank of Schmidt & Koester, Marysville

Chairman Dyck opened the meeting and called on Sen. Arasmith, author of SB432. Sen. Arasmith said that he subscribed to the basic tenets of the bill and he hoped the committee would give it favorable consideration.

Second conferee to appear on behalf of SB432 was J. B. Warren, President of the Kansas Independent Bankers Association. (See Attachment I for his testimony.)

Jim Maag, Director of Research, Kansas Bankers Association, endorsed the SB432 as the vehicle to address the failed bank problem but requested the committee consider some amendments to SB432. (For details see Attachment II.)

Paul Fleener, Director of Public Affairs, Kansas Farm Bureau, appeared before the committee as a proponent of SB432. (See Attachment III)

State Bank Commissioner Eugene T. Barrett, Jr. was the fifth conferee and he stated that "Basically, what we are in need of in Kansas is Branch Banking." (For further details of his testimony, see Attachment IV.)

Sixth conferee for SB432 was George Garrison, Superintendent of Schools at Dexter. He shared some of the things his community is experiencing because of the bank's failure. He said that the community is afraid to go out and try to attract new business, that the citizenry has to go at least 25 miles to do their banking, and that a community that has its bank fail gets the reputation for being unstable. He concluded his testimony by stating that he recommends heartily that the committee consider SB432 for passage.

The seventh and last conferee on SB432 was Dan Keener, owner and manager of a meat packing firm at LaCrosse. He stated that he wanted to speak in support of the bill but he urged the committee to take off the size limitation, the geographic limitations and the one-bank limitations. He said, "Take off the limitations in this bill because we need the assistance."

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON COMMERCIAL & FINANCIAL INSTITUTIONS,
room 527-S, Statehouse, at 3:30 ~~xxx~~ ~~xxx~~ /p.m. on February 25, 19 86

Following a period of questions directed to the conferees by the committee members, Chairman Dyck called on Rep. Duncan, author of HB2988. Rep. Duncan said that this bill is a branch banking bill and is similar to the Nebraska plan.

The second proponent appearing for HB2988 was John Schmidt, President of the Exchange Bank of Schmidt and Koester of Marysville. He stated that bankers of smaller banks in Marshall County where he lives have asked him to buy them out. He said they have asked him to do so because they see the future and they are concerned for agriculture and their communities.

Mr. Schmidt said these bankers say they really want to stay but they don't have the people who want to stay. He said that while he could buy the smaller banks it would not be feasible economically since he would have to keep each bank as a full service bank. He said he has the staff and the modern equipment to operate other smaller banks were he to buy them but that it would have to be under branch banking for it to be economically practical.

Mr. Warren, President of the Kansas Independent Bankers Association, spoke in opposition to HB2988. (See Attachment V for details.)

Bank Commissioner Barrett, speaking on behalf of HB2988, stated that the state needs legislation as free as possible of all geographic and population limitations.

Following the hearings on the two bills, Chairman Dyck directed the committee's attention to the minutes of the last meeting.

Rep. Miller moved that the minutes be approved. Rep. Ott seconded. Motion approved.

The meeting adjourned at 5:15 p.m.

DATE February 25 1986

GUEST REGISTER

HOUSE

COMMERCIAL & FINANCIAL INSTITUTIONS

NAME	ORGANIZATION	ADDRESS
Jacq Montgomery	Gov - Policy	Topeka
Rita Magostino	St. Banking Department	Topeka
Michael S. Deitman	State Banking Dept	Topeka
Yip Bennett A. Deitman		
Amelia McGill	Exchange Bank of ^{Schmidt} KIBA *Kosler Topeka	Manlyville, KS
Chip Wheeler	KIBA	Topeka
George Sarason	USD 471 Dexter, Ks	P.O. Box 97 Dexter
Paul E. Fleener	Kansas Farm Bureau	Manhattan
Juel Wright	Ks Credit Union League	Topeka
Barbara Etzel	Speakers Office	Topeka
KENNETH L. SMITH	ZIP	TOPEKA
Carroll Smith	Zip Proc Inc	Topeka
J. Sue Anderson	Ks. Ind. Bankers Assn	Carbondale
Wendy Sabriel	DeSoto STATE Bank	DeSoto, Ks
Dr. Ellen Boyd	KS Credit Union League	Wichita KS
Sumllow	KBA	Topeka
John Hanna	AP	Topeka
David A. Keener		La Crosse
Det. McGill	KIBA	Topeka

Testimony
before the
House Committee
on
Commercial & Financial Institutions
for SB 432

by J.B. Warren

Kansas Independent Bankers Association

February 25, 1986

TESTIMONY REGARDING SENATE BILL 432
before the
House Committee
on
Commercial and Financial Institutions

Presented by

J. B. Warren
February 25, 1986

Mr. Chairman and Members of the Committee:

I am Jim Warren, Chairman of the Farmers State Bank, Galva. Currently, I am President of the Kansas Independent Bankers Association. I appreciate this opportunity to be here today and to present testimony in support of Senate Bill 432.

A majority of the members of the Kansas Independent Bankers Association are located in smaller Kansas towns, communities where you and I came from. Our members understand the needs of rural Kansas communities. We have historically opposed branching in any form and continue to vigorously oppose statewide branching and the concentration of economic resources in fewer hands. Because of our knowledge of the importance of financial service to our communities we have brought forth this legislation in order to serve a need in those few communities that are unfortunate in losing their bank through closure.

Senate Bill 432 comes to your committee after passing through the Senate by a vote of 38-2. The bill is designed to be an option for continued banking service in one-bank towns which have lost their only bank to bank failure. It comes at a time which is crucial for small towns located in rural areas of Kansas.

The possibility of additional failed banks in this state

is a reality, particularly in rural Kansas. There can be nothing more devastating to a community than to lose its sole financial institution. There is very little the Kansas legislature can do to avoid this. What you can do is enact SB 432 to make it possible for a continuation of banking services in those communities that lose their only bank.

Last year, Kansas had 13 bank failures. As a result of these failures three Kansas communities were left without any banking service because there were no bids for the assets and liabilities of the failed banks in those towns. Two other banks also closed without a chartered "replacement" bank but the community had another bank still in operation.

We do not suggest that the closing of any financial institution does not create some immediate problems in a community. We all know it does. However, we have visited with people in both communities and find that funds did not make a mass exodus across state lines. Instead, surrounding community banks near Sedan and La Crosse made a concerted effort to help continue banking services to citizens in those community areas until a more stable environment returns.

It's been suggested that SB 432 should be extended to two-bank towns. If that were allowed, here is what could result. The surviving facility in this instance would assume all the good assets and liabilities of the failed bank. FDIC would retain the marginal assets and liabilities. Then the bank owning the facility is in a position to go after the

good assets and liabilities of the remaining full-service bank. You can see how detrimental this would be to the continued stability of the remaining full-service bank.

SB 432 is legislation of an emergency nature designed to help the people of this state -- NOT BANKERS! Each day this legislation is delayed could pose an additional threat of the loss of banking services to some community in Kansas. Senate Bill 432 in its present form expands the opportunity for potential bidders of failed bank assets and liabilities by allowing the deposit liabilities and certain assets to be bid as a detached facility, thus lowering the cost of their purchase.

The Kansas Independent Bankers Association asked Senator Arasmith to introduce this bill on the first day of the session with the hope the hearings would be expedited and this legislation signed into law very early in the session.

Here is a brief history of this bill. The State Legislative Committee of the Kansas Independent Bankers began last fall for the first time in Topeka to consider the need and development of such legislation. At least six additional meetings in Manhattan, Salina, Wichita and Topeka were held in addition to numerous telephone conference calls. We met with the State Bank Commissioner and his staff, as well as traveling to Kansas City to visit with Federal regulators.

In addition, the Speaker of the House publicly expressed great concern and last fall invited Jim Maag of the Kansas

Bankers Association and Pete McGill, KIBA Lobbyist, to his office to discuss the possible development of such legislation. The Speaker specifically asked that we address legislation for the continuation of banking services in one-bank towns that have lost their only bank. He suggested that any such legislation should be separated out from all other banking issues and both he and the President of the Senate have publicly stated they hoped for this issue to be considered early in the session and not debated in conjunction with other banking issues. After many more days of discussion and information gathering, Senate Bill 432 was drafted for introduction.

Senate committee hearings were held on Tuesday, January 28. They worked the bill on Friday, January 31 with the following amendments:

The size of the town eligible for a detached facility was increased to 1,000 population. The locale from which banks bidding to establish a facility under the provisions of this bill was extended to another tier of contiguous counties for those failed banks in counties along the state boundary, making a total of three tiers. Although some contend the language of the amendment is difficult to understand, the Senate Committee was very clear in their intent.

The other major amendment in Committee was a grandfather clause suggested by the President of the Senate for Herndon, Bronson, and Dexter, the only one-bank towns in Kansas where

the bank failed and there was no new charter. The amendment was offered specifically for those three towns and the cutoff date was erroneously omitted and needs to be corrected.

An additional amendment was made to change the time a successful bidding bank would be required to operate a detached facility - from five years to two years.

I would now like to exam the bill with you in its present form.

The bill allows the appointed receiver of a failed bank to accept bids to establish a detached auxiliary banking services facility to replace the failed bank (1) if the assets and liabilities of the failed bank are not purchased for the purpose of a new bank charter and (2) if the failed bank was located in a town with population of 1,000 or less.

There has been a lot of conversation regarding a population figure. I don't think there is any magic figure, but it should be remembered that when you legislate a banking services facility for small communities it greatly reduces the chance for a chartered bank ever again to exist in that town.

I am quite certain each of you know how much more preferable it would be to have a rechartered bank, with a larger amount of capital invested and a commitment to that community, as opposed to a detached facility that could be obtained with a much smaller investment.

Banks bidding for the opportunity to establish a

detached facility in the failed bank's community are to be located within the county where the bank failed or, if there are no eligible banks in that county, then up to three additional tiers of contiguous counties. [A territory of up to a radius of 75 miles is established by SB 432.] In some towns located in counties bordering the state, that distance is over 100 miles due to the additional tier of counties to be included in the bidding process. [The geographical limitations are also an integral part of this bill for very sound reasons. If a bank should fail in a one-bank town, we feel very strongly if no new charter is obtained, whoever is permitted to operate a facility in that community should come from one of the adjacent communities -- someone that has an understanding of that community, a common concern for agriculture and economic development, but most of all, a common concern for the people.]

An additional provision of the bill states that the bank bidding for the right to establish a facility in these circumstances may not be an affiliate of a holding company owning more than two banks. It should be made clear that this section of SB 432 is not intended to further the territorial expansion of existing banks and holding companies.

Regarding multibank ownership, this is not a branch banking bill. Why would you want to allow a facility to be owned by a branch of a multibank holding company? The

financial decision making would then be twice removed from the source.

Banks which establish a detached facility under the terms of this bill must operate the facility for a period of two years. However, during that period, should the bank wish to dispose of the facility, it may do so if a full service bank is chartered to replace it. In this way, continued banking service will be provided while still allowing a community the opportunity for a chartered bank.

The purpose of this provision was to make certain a successful bidder on a facility where no new charter is established would be required to operate that facility for at least a reasonable period of time. In 1985, a branch in Clarksdale, Missouri was acquired for \$2,000. If that were to happen under Kansas law with no great investment, someone might be desirous of closing that facility altogether.

Regarding the number of facilities in operation, up to two detached auxiliary banking service facilities may be acquired by the same bank under this proposed legislation. In addition, facilities established by this method do not affect the three aggregate city-wide detached facilities currently allowed by law which may be owned or established by the purchasing bank.

The sunset provision of SB 432 recognizes that when economic conditions improve in Kansas, the number of qualified bidders for new charters will stabilize. The

legislature may then reevaluate whether or not to continue this legislation.

Later testimony you hear on SB 432 may attempt to persuade you that this proposed legislation is too narrow in scope, too limiting in territory. However, I would like to point out that bank failures are not an exclusive happening limited to just Kansas. In 1985, the nation experienced a total of 120 bank failures in 21 states. Nebraska and Oklahoma each had 13 bank failures in 1985, the same number as Kansas.

In fact, several other states suffered a higher percentage of bank closings than did Kansas, based on figures available from the Federal Deposit Insurance Corporation. Wyoming ranked first with 4.46%, Oregon ranked 2nd with 4.05%, New Mexico ranked 3rd with 3.09%, Nebraska ranked 4th with 2.71%, Oklahoma ranked 5th with 2.38%. Kansas had 2.07%.

In highest total number of banks failed, Nebraska, Oklahoma and Kansas each had 13 banks close during 1985. An interesting point is that Nebraska had six communities left without any banking service and Oklahoma had one; even though both states have allowed multi-bank holding companies and some form of statewide branch banking since the early 1980's.

In Kansas, multibank holding companies have not taken an active interest in bidding for the assets and liabilities of

failed banks. This is despite the assurances from proponents that multibanking would go a long way toward providing additional bidder resources for this problem.

Frankly, there can be no complete remedy for bank failure. If there were, bank regulators would have discovered it years ago. The current economy has much to do with the situation. Neither multibanking, branch banking, nor unit banking can stop banks from failing. Likewise neither of those three bank structures can guarantee that there will always be a bidder for a failed bank. Eligible bidders are determined by a number of factors including bank management experience, financial stability, and regulator acceptability. They do not materialize simply because the state allows a particular type of bank structure.

Your affirmative vote of SB 432 in its present form reaches 69% of all one-bank towns in Kansas including those whose economic factors may be most unlikely to regain a fully chartered bank if their only bank should fail. This legislation promotes increased bidding interest by lowering the purchase standards of a failed bank's good assets and liabilities thus making it more economically feasible for a smaller Kansas community to have continued banking service.

In closing, I remind you that SB 432 is a supplement to current banking law which now already allows qualified individuals, investor groups and other Kansas banks - statewide - to bid for the deposit liabilities of a failed

bank. SB 432 does not restrict any potential buyer who wishes to establish a new bank by way of a capitalized charter.

We do not propose to have all the solutions to this critical problem. No other state does either, but we do believe SB 432 answers a very real need for the small communities of Kansas. Since we will not have an opportunity to debate the merits of any amendments that may be offered for this legislation, we respectfully ask that you keep in mind that SB 432 was drafted for a specific purpose: To provide continued banking services for one-bank communities which lose their sole bank due to bank failure without benefit of a replacement chartered bank. This legislation was not designed for bankers. It was not designed to build banking empires. It was designed for the people in small Kansas communities.

I urge your support of Senate Bill 432, the Community Resources Security Act.

Thank you for your attention. If there are any questions from your committee, Mr. Chairman, I will be happy to respond.

TESTIMONY ON SB 432

To the
HOUSE COMMITTEE ON
COMMERCIAL AND FINANCIAL
INSTITUTIONS

By
KANSAS BANKERS ASSOCIATION

FEBRUARY 25, 1986



The KANSAS BANKERS ASSOCIATION
A Full Service Banking Association

February 25, 1986

TO: The House Committee on Commercial and Financial Institutions

RE: SB 432 - The Community Resources Security Act

Mr. Chairman and members of the Committee:

On behalf of the Kansas Bankers Association, I want to thank you for the opportunity to appear before the committee and discuss the vital issues addressed in SB 432. Chairman Arasmith is to be commended for recognizing the need to enact, with all due speed, legislation which will insure Kansas communities of the continuity of banking services. Everyone is well aware that the two worst setbacks a community can suffer are the loss of its school and the loss of its financial institution.

Because of the need for rapid action by the session of the legislature, we endorse the committee's decision to use SB 432 as the vehicle to address the failed bank problem. We do, however, respectfully request that the committee consider as amendments to SB 432 several of the concepts set forth in the KBA proposal, HB 2763, and which are noted below.

It would be our fervent hope that legislation such as SB 432 would not be needed in Kansas in 1986 or any subsequent year, but it is unrealistic to believe there will not be some banking institutions closed in the coming months and years. Until such time as the agricultural economy of this state makes a significant recovery, we can expect difficulties for those Kansas banks who are heavily involved in agricultural lending. The attached article from a recent edition of the Wichita Eagle-Beacon concerning the dramatic decline on farm land value over the past two years is a stark reminder of the problems we are currently facing in Kansas.

In 1985 there were 13 banks closed in Kansas and in five of those closings the bank's customers were forced to seek financial services in other towns when there was not a "purchase and assumption" of the assets and liabilities of the insolvent bank. In three of the five instances, it left an entire community without banking services and in the remaining two instances where the insolvent bank had been located in a two-bank town, many customers were unable to establish a banking relationship with the remaining bank.

Because of these circumstances and the concern that such events might be repeated in 1986 and beyond, the Kansas Bankers Association has spent a considerable amount of time in developing legislation to address the problem. In November, 1985, the State Affairs Committee of the Association recommended to the KBA

Governing Council proposed legislation which makes several amendments to the detached facilities statute in the state banking code. A major factor in the failure to attract purchasers for the assets and liabilities of insolvent banks has been the sizeable capital requirements necessary for a new charter thus making it difficult, if not impossible, to maintain a viable banking operation in a small community. It was the decision of the KBA Governing Council to ask for legislation which would allow any Kansas-based bank to acquire the assets and liabilities of a bank which has just been declared insolvent and establish a detached facility at the location of the insolvent bank if that bank had been located in a one-bank town. It is our belief that this will result in a larger number of interested bidders since a well-capitalized bank would not have to inject a significant amount of new capital for a detached facility operation.

There are currently 323 one-bank towns in Kansas. 230 one-bank towns have a population of less than 1,000 while 95 have a population of 1,000 or more. As can be seen on the attached map, one-bank towns are to be found in all parts of Kansas with only 10 counties (mostly in western Kansas) not having at least one one-bank town. 57 of those 105 Kansas counties have three or more one-bank towns with Reno and Sedgwick counties having the most with 10 each. SB 432 presently restricts one-bank town eligibility to those towns of less than 1,000 population. This would eliminate 95 one-bank towns from consideration for a branch operation if the one bank in the town failed. We would respectfully urge the committee to amend the bill to make the eligibility requirement apply to all one-bank towns.

There were also extended discussions by our State Affairs Committee as to whether there should be some geographic restrictions on who would be considered eligible bidders and the Committee and Governing Council ultimately decided that in order to create a meaningful bidding pool it was not practical to place any restrictions on which Kansas banks should be allowed to bid. State and federal regulators have both expressed concern that the number of eligible and interested bidders continues to decline as the number of closings has increased. The KBA proposal (HB 2763) is an attempt to reverse that trend. It is designed to give the receivers (FDIC) as much flexibility as possible to attract interested buyers in the very tight time constraints under which they must operate.

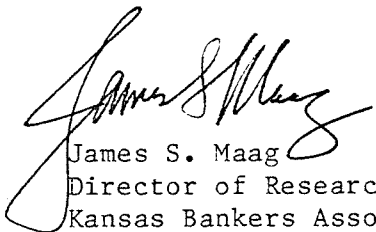
It is important to remember that the size of the failed bank in a one-bank town is very significant when determining who would be capable of assuming the assets and liabilities. If a \$30 million bank in a one-bank town fails and the banks in the contiguous counties or home county are smaller in size the chances of establishing a branch operation under the provisions of the act are greatly diminished. Additionally, SB 432, presently gives failed banks in one-bank towns in state-border counties a much larger "bidding pool" area to draw from than their counterparts in interior counties. There are many examples of where a bank might be eligible to establish a branch in a border county town well over 100 miles from the main bank but that same bank would be prohibited from establishing a similar branch less than 50 miles away in an interior county even though that community is obviously much closer to the acquiring bank's trade area. Therefore, we would respectfully request that the committee amend SB 432 to allow any Kansas bank to be an eligible bidder for a branch operation under the act.

Since two of the five insolvent banks which were not purchased were in two-bank towns (Sedan and LaCrosse), it is interesting to note that there are 75 two-bank towns in Kansas and in 19 instances they are towns which are smaller than Sedan and LaCrosse. As noted above, the bank closing in those towns resulted in many bank customers being forced to seek banking relationships in other communities when the remaining bank was unable to accommodate all of the insolvent bank's customers. While this is an issue which is not addressed in either SB 432 or the KBA proposal, it is a problem which the legislature may well need to consider at some point.

We would also request the committee to address the issue of bidding eligibility of banks in a multi-bank holding company. As currently provided in SB 432, a multi-bank operation which controls only two banks having over \$500 million in assets would be eligible while a multi-bank operation controlling three small banks of less than \$70 million would be not eligible. We believe this creates a very unfair situation and may well eliminate from the bidding process banks which are the only ones in a given area capable of establishing a branch under the act.

Let me reiterate, Mr. Chairman, our sincere appreciation to you and your committee for acting on this matter in a timely fashion and we at the KBA wish to work with you to assure the citizens of Kansas communities financial services will be maintained for them, if at all possible.

Thank you for the opportunity to appear before the committee.



James S. Maag
Director of Research
Kansas Bankers Association

JSM/ljs

KANSAS ONE-BANK TOWN STATISTICS

One-bank towns with populations of <u>less than 750</u>	200
One-bank towns with populations of <u>750 or more</u>	125
One-bank towns with populations of <u>1,000 or more</u>	95
One-bank towns with populations of <u>1,500 or more</u>	57
One-bank towns with populations of <u>2,000 or more</u>	39
One-bank towns with populations of <u>2,500 or more</u>	25
One-bank towns with populations of <u>3,000 or more</u>	17

The Largest one-bank town is Merriam (Population - 10,794)

The smallest one-bank town is Freeport (Population - 12)

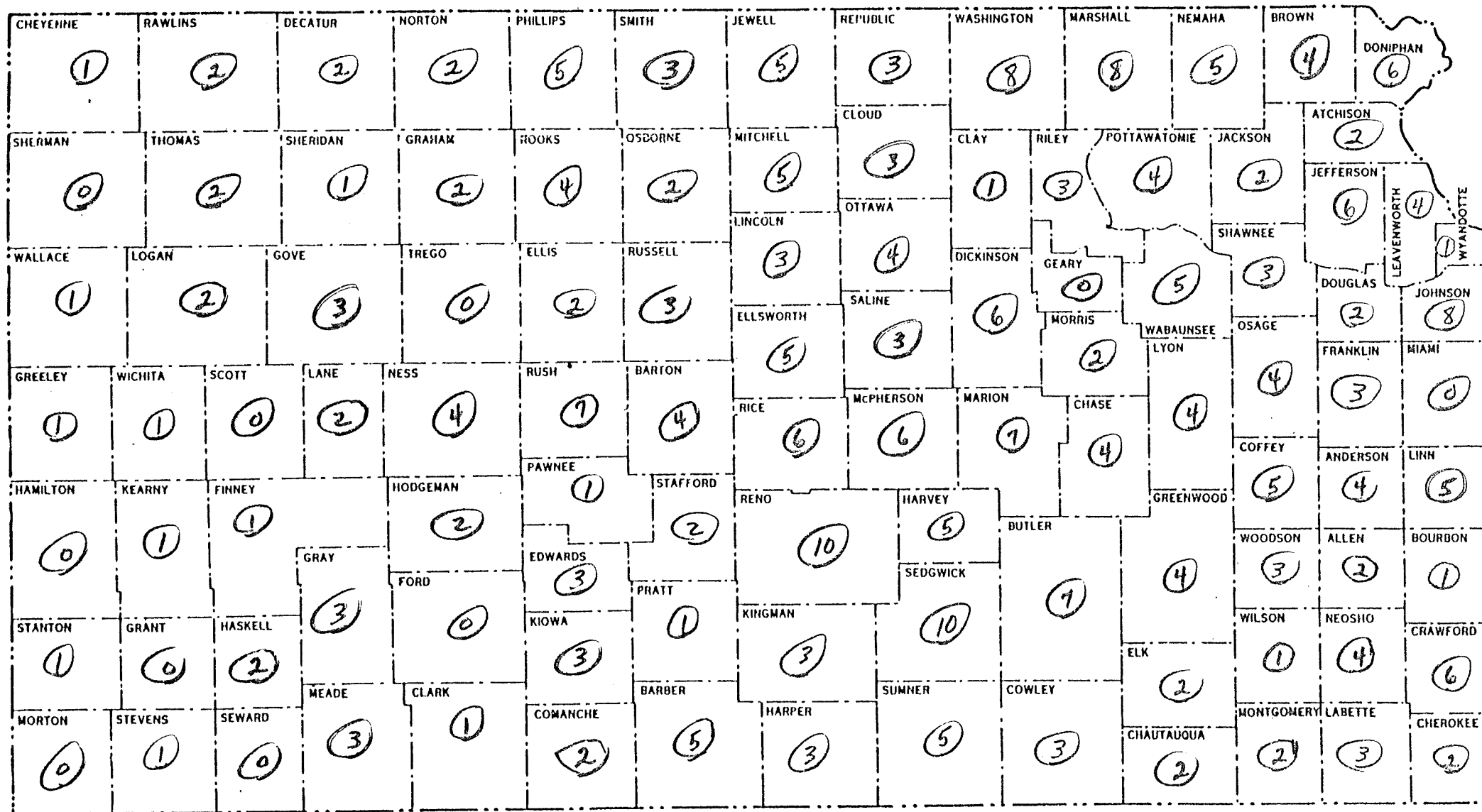
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Number of counties with <u>0</u> one-bank towns	10
Number of counties with <u>1</u> one-bank towns	16
Number of counties with <u>2</u> one-bank towns	22
Number of counties with <u>3</u> one-bank towns	19
Number of counties with <u>4</u> one-bank towns	13
Number of counties with <u>5</u> one-bank towns	11
Number of counties with <u>6</u> one-bank towns	6
Number of counties with <u>7</u> one-bank towns	3
Number of counties with <u>8</u> one-bank towns	3
Number of counties with <u>10</u> one-bank towns	2

(SEE ATTACHED MAP)

53 of the 95 banks in one-bank towns of over 1,000 population have assets of \$20 million or more.

KANSAS



NUMBER OF ONE-BANK TOWNS PER COUNTY

KANSAS TWO-BANK TOWN STATISTICS

Two-bank towns with less than <u>1,000</u> population	8
Two-bank towns with population of <u>1,000</u> or more	66
Two-bank towns with population of <u>1,500</u> or more	56
Two-bank towns with population of <u>2,000</u> or more	50
Two-bank towns with population of <u>2,500</u> or more	39
Two-bank towns with population of <u>3,000</u> or more	32

The largest two-bank town is Arkansas City (Population - 13,201)

The smallest two-bank town is Macksville (Population - 546)

In 36 two-bank towns both banks have assets of more than \$20 million.

In 14 two-bank towns both banks have assets of less than \$20 million.

In 24 two-bank towns at least one bank has assets of more than \$20 million.

COMPARISON OF DETACHED FACILITIES LEGISLATION

POST-INSOLVENCY

ISSUE

SB 432

HB 2763

Town eligibility

One-bank towns with a population of less than 1,000 are eligible for the establishment of a facility. (230 towns)

Any one-bank town is eligible for the establishment of a facility. (325 towns)

Geographic eligibility for bidding on a facility

For failed banks in one-bank towns in non-state border counties any bank in the county of the failed bank or in a contiguous county is eligible to bid. If there are less than 10 banks eligible under those circumstances then banks from the next tier of contiguous counties are eligible to bid. For failed banks in one-bank towns in state-border counties any bank in the county of the failed bank or in the three tiers of contiguous counties is eligible to bid.

Any Kansas bank is eligible to bid if a bank fails in a one-bank town.

Other eligibility

No bank which is controlled by a multi-bank holding company which owns controlling interest in more than three banks is eligible to bid.

Any Kansas bank is eligible to bid.

Operating requirements for facility establishment under the act

Facility must be operated for a minimum of two years.

No time limit on how long a facility must remain open.

Establishment of a facility in towns or townships currently without a bank

Allows any bank in the same county or a contiguous county to establish a facility in a town where the only bank has failed if that bank had been located in a non-state border county. Allows any bank in the same county or three tiers or contiguous counties to establish a facility in a town where the only bank has failed if that bank had been located in a state border county.

In counties of less than 100,000 population any bank in the county can establish a facility in a town or township where there is currently no bank. In counties of more than 100,000 population a bank may establish a facility in a contiguous town or township in that county which does not have a bank.

Increase in the number of facilities

No increase allowed except that any facility established under the act would not count against the allowed total of three facilities.

Allows for an increase from three to four facilities and provides that any facility established under the act would not count against the allowed total of four facilities.

Sunset provision

Provision of the act expires July 1, 1991.

No expiration date established.

Land Values Nearly Half Of '81 Prices

By Tom Webb
Staff Writer

The value of Kansas agricultural land deteriorated so severely in 1985 that a typical ranch is now worth half of its 1981 price, according to a survey released Tuesday by the Federal Reserve Bank of Kansas City.

Kansas farmland fell 19 percent in value last year, and that's atop a 20 percent drop in 1984, the survey said. Never in Kansas history have farmland values fallen as steeply in back-to-back years — not even during the worst years of the Dust Bowl and Great Depression.

"The effect that it has on farmers, it also has on banks," said Kim Norris, a researcher at the Kansas City Fed. "Obviously when farmland values fall, the value of farmers' collateral falls."

And, Norris said, that means bankers sometimes have to call in loans.

With about 24 million acres of farmland, 17 million acres of ranch land and 3½ million acres of irrigated land in Kansas, paper losses since 1981 are approaching \$13 billion.

Economists cite high interest rates, depressed crop prices, the easing of inflation and a glut of farmland on the market as major reasons farmland values have declined 44 percent since peaking in 1981. Ranch land has dropped 50 percent in value, with non-irrigated land down 39 percent, the survey said.

The findings are based on a quarterly survey of Kansas bankers. The figures are statewide averages for an acre of good farmland, so prices vary from region to region.

"The continuing decline in land values represents a continuing decline in the net worth of the land owner and a decline in the collateral value of that property," said Don Caviness, a spokesman for Wichita Farm Credit System, which holds more farmland loans than any other lender.

In the last three months of 1985, non-irrigated farmland fell another 4 percent in value, irrigated land dropped 7.5 percent and ranch land declined an average of 6 percent, the survey showed.

Figures also said that land prices nearly collapsed last fall in Oklahoma. In just three months, Oklahoma farmland values declined by 14 percent — signaling that falling oil prices also are pressuring farmland values.

"You'll recall a few years ago when energy prices were increasing, and there were some phenomenal leases paid by energy companies for exploration rights,"

● FARMLAND, From 1D

Caviness said. "That situation has totally reversed itself, and I would think that would be a major contribution to the drop in land values of those areas."

The decline is most worrisome for farmers who are selling land, and for farmers who borrow large amounts of money using their land as collateral, analysts say. Bankers are responding by demanding more collateral for loans.

"It's a contributing factor to the numerous ag bank failures that we see," said Norris.

The story is much the same throughout the Midwest. Nebraska farmland has declined in value by 31 percent since 1981. Oklahoma farmland is down 46 percent. Missouri land has dropped 46 percent.

In Kansas, good-quality farmland now sells for an average of \$428 an acre, with irrigated land bringing an average of \$667 and ranch land an average of \$196 an acre, the survey said.

Although the trend continues down, economists at the Kansas City Federal Reserve expect land prices to stabilize by the end of 1986.

Kansas Farmland Values			
	NON-IRRIG.	IRRIG.	RANCH
1980	\$737	\$1,020	\$377
1981	742	1,059	393
1982	677	998	336
1983	658	957	321
1984	531	831	267
1985	428	667	196

SOURCE: Federal Reserve Bank of Kansas City survey of Kansas bankers.



The value of farmland in Kansas continued its downward spiral in 1985, with all three types of land declining. The per-acre values listed below reflect average prices for non-irrigated, irrigated and ranch land.

Alison Kuhn/Staff Artist

The Farm Credit System also sees a bottom to the free-fall. "In some areas, prices have

stabilized and have begun to move up slightly," Caviness said. "We think that's very encouraging."

● FARMLAND, 5D, Col. 1

Editorials

*In God We Trust**The left banks*

Everyone agrees that no Kansas town should be left without a bank. There is ample disagreement, however, over how to be sure that won't happen.

In 1985, 13 banks failed in Kansas. Three of those facilities have yet to be rechartered and reopened. They are in Bronson, Dexter and Herndon.

Legislation has cleared committee that would allow solvent banks to take over failed banks in small Kansas towns and operate them as branch facilities. The forwarded bill limits the banks that may bid to operate a failed bank to the immediate geographic area. The town must also have a population of 1,000 or less to be eligible. The bank would have to operate the branch two years even if it proved unprofitable.

The fear of large banks being operated from a distance and unable to understand the needs in small Kansas towns is understandable. But that fear is sur-

passed by the need for a bank to serve each locality. Weakened by agricultural and other economic problems, small banks aren't out of the woods and, unfortunately, others might yet fold.

It may be better to allow any Kansas bank to operate a branch in a community with a failed bank, as long as those banks close to the town are given first consideration. It may also be best to broaden the definition of a "small town" — a population of 1,000 may be too restrictive and "larger" small towns may yet need the benefits of the legislation.

Kansas towns need the protection such a bill offers. Any measure enacted should be broad enough to afford the protection needed without necessitating additional legislation. For this reason, restrictions included in the measure should be carefully considered.



PUBLIC POLICY STATEMENT

Statement to:
HOUSE COMMERCIAL AND FINANCIAL INSTITUTIONS COMMITTEE

RE: The Community Resources Security Act - S.B. 432

Topeka, Kansas
February 25, 1986

Presented by:
Paul E. Fleener, Director
Public Affairs Division
KANSAS FARM BUREAU

Mr. Chairman and members of the Committee:

My name is Paul Fleener. I am the Director of Public Affairs for Kansas Farm Bureau. We are here today as PROPONENTS of S.B. 432, the Community Resources Security Act.

As every member of this committee ... indeed, every member of the Legislature certainly knows, agricultural credit has been uppermost in the minds of farmers and ranchers, of bankers and other lenders, and of Legislators for the past two or three years. In 1985, in this Legislature, there were some attempts to come to grips with some of the credit needs of farmers. There have been numerous proposals advanced in the Congress of the United States dealing with the Farm Credit System and the health of our banking and farm lending institutions.

At the 1985 Annual Meeting of Kansas Farm Bureau, farmers and ranchers from the 105 counties of Kansas who were delegates to that meeting and represented the thousands of farmers who are

members of Farm Bureau in Kansas, redirected their efforts and their policy position concerning Agricultural Credit. Throughout the year 1985 "credit" was the focus of countless meetings in our county Farm Bureaus, was the topic of discussion at numerous meetings of our members and the staff of the organization. We all watched as banks failed around our state. We directed suggestions to members of the Kansas Congressional Delegation concerning some ways to retain the opportunity for borrowing and at the same time salvage the institutions which make loans to farmers. The delegates, reviewing a year of meetings and discussion, adopted the following policy position on Agricultural Credit:

Agricultural Credit

Farmers and ranchers need a variety of credit facilities to finance operating and ownership expenses. In these difficult times neither farmers nor lenders will succeed by themselves if the other fails. We need credit programs that are mutually beneficial for farmers and lenders, programs that will assist farmers and ranchers to maintain viable operations, and programs that will give lenders sufficient latitude to work with producers who have credit or debt difficulties.

Special programs should be designed at federal and state levels to specifically deal with credit and financing problems of young farmers and ranchers who are trying to get established.

Commercial banks face difficulties in continuing to work with many agricultural borrowers. We support programs which will assist banks in providing service to rural communities in Kansas. We believe commercial banking institutions should have a longer time to write off agricultural loan losses. They should also be given incentives to participate in interest buy-down proposals.

In order to help maintain the viability and vitality of rural communities in Kansas, we support legislation to permit a bank in Kansas to operate a facility in a community with only one bank **if** that one bank is found to be insolvent, or outside support would keep it solvent and prevent a collapse. Preference to operate a facility in a one-bank town whose bank has failed or is in danger of failure should be given to a bank in the same county or geographic region.

The position adopted by our farmers ... together with our own reading and understanding of S.B. 432 ... indicates that we should voice our strong support for this legislation before your committee today. By passage of this measure you would be adding a new chapter to the statutes dealing with additional detached auxiliary banking service facilities. S.B. 432 delineates and specifies the conditions under which a "failed bank" may be taken over and operated as a detached auxiliary banking service facility by a "bidding bank." The conditions set forth are similar to the conditions contained in our policy position supporting operation of a bank found to be insolvent or about to collapse.

We urge your favorable consideration and support for S.B. 432. Thank you for the opportunity to make this brief statement of behalf of the farmers and ranchers in Kansas who are members of Farm Bureau.

TESTIMONY OF: State Bank Commissioner Eugene T. Barrett, Jr.

PRESENTED TO: The Senate Commercial & Financial Institution Committee

DATE: January 28, 1986

Mr. Chairman and Senate Committee members, as you may be aware, in 1984 seven (7) banks in Kansas failed and seven (7) banks re-opened under a new charter. In 1985 thirteen (13) Kansas banks failed and five (5) did not re-open at all and one (1) bank closed and re-opened in 1986. Since 1984 twenty-one (21) banks have failed in Kansas. During these last two (2) years, the Department of Banking has been cautioned several times by various regulators that buyers for failed Kansas banks are running out. The chart in front of you shows the first of these twenty-one (21) failed banks which did not have a buyer was in Dexter in June, 1985; the second in Herndon in August, 1985; the third in Bronson in August, 1985; the fourth in Sedan in September, 1985; and the fifth in LaCrosse in November, 1985. The foregoing statistics indicate that fewer purchasers are being found in Kansas for failed banking institutions.

Other facts which I feel need to be brought to this Committee's attention regarding the history of bank failures in Kansas, deal with the size of the towns in which there has been a failed bank. Of the twenty-one (21) failed banks since 1984, eleven (11) were in towns of less than 750 people. The remaining ten (10) were in towns of over 750 population; one (1) having a population of 752. Under the Senate Bill No. 432, now before this Committee, ten (10) of the twenty-one (21) failed banks would not have been able to be purchased by a successor bank and operated as a detached facility. In addition, nine (9) of the twenty-one (21) failed banks were in communities

wherein more than one (1) bank existed. Thus, none of these nine (9) failed institutions would be permitted, under Senate Bill no. 432, to be purchased by a bank and operated as a detached facility.

Furthermore, under Senate Bill No. 432, none of the twenty-one (21) failed banks would have been able to seek a buyer outside of the home county or a contiguous county to open a detached facility. In other words, under sub-section (c) of New Section 2, every bank failure since 1984, would not have been able to look to the next tier of contiguous counties for detached facility bidders because more than ten (10) banks existed when adding together the home county and contiguous county banks.

In view of the preceeding background and statistics and my experience as a regulator, I would like to share with this Committee my suggestions as to any such proposed legislation regarding a failed bank opening as a detached facility.

1. Keep the proposal as simple and streamlined as possible. Time is a critical factor during the bidding period, so the less complicated the procedure is for allowing the purchasing bank to establish a detached facility, the better the chances are for having a significant number of bidders for the bank.
2. Place no geographic restrictions on the banks which are bidding. It has been the experience of the FDIC that they are currently forced to notify banks from a very large area (half the state in some instances) in order to have a minimal number of banks at the bid meeting. An example of this situation was seen in November, 1985 in Oberlin and LaCrosse, Kansas, wherein the FDIC took notified

eligible bidders from sixty (60) or more counties extending from Salina to the Colorado Border. As a result of all these invitations, one one (1) bid was received for the banks in Oberlin and none for the bank in LaCrosse. It is important to keep in mind that the FDIC will allow banks which they consider to be in sound financial and managerial condition to bid on a failed bank, and thus, a number of banks are precluded from bidding, even though they may be located in an area close to the failed banks.

3. I would also suggest that you explore the possibility of allowing the bank which has a stock loan on the failed bank to have the opportunity to take over the bank as a detached facility at some point prior to insolvency. I realize fully that this would be a difficult matter to deal with in legislation, but unless it is addressed, there is going to be increasing reluctance on the part of correspondent banks to participate in bank stock lending.

In conclusion, my firm belief is that any new legislation should be drafted as simply as possible. Basically, what we are in dire need of in Kansas is BRANCH BANKING.

RMD/jas

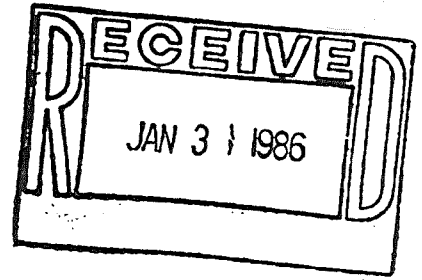
	<u>1984</u>	<u>Nbr. Banks</u>	<u>Population</u>	<u>County</u>	<u>Outcome</u>	<u>Par C</u>
1-27-84	Indian Springs Kansas City	18	161,087	Wyan.	P&A (partil)	N/A
8-22-84	First S/B Thayer	1	517	Neosho	P&A	N/A
10-10-84	Rexford S/ B Rexford	1	204	Thomas	P&A	N/A
	First B & T Gaylord	1	203	Smith	P&A	N/A
11-29-84	Strong City S/B Strong City	1	675	Chase	P&A	N/A
12-11-84	University Bank Wichita	16	279,272	Sedg.	P&A	N/A
12-20-84	Farmers S/B Selden	1	266	Sheridan	P&A	N/A
	<u>1985</u>					
5-2-85	Bank of Commerce Chanute	2	10,506	Neosho	P&A	N/A
6-13-85	First S/B Edna	1	537	Labette	P&A	N/A
6-20-85	Farmers S/B Dexter	1	366	Cowley	Liq.	N/A
7-2-85	Madison Bank Madison	2	1,099	Greenwood	P&A	N/A
7-18-85	Eskridge S/B Eskridge	1	603	Wabaunsee	P&A	N/A
7-25-85	Ks-American Overland Park	10	81,784	Johnson	P&A	N/A
7-25-85	Citizens Bank El Dorado	3	10,510	Butler	P&A	N/A
8-14-85	S/B of Herndon Herndon	1	220	Rawlins	Liq.	N/A
8-23-85	Bank of Bronson Bronson	1	414	Bourbon	Liq.	N/A
	First Nat'l. Onaga	1	752	Pottawat.	P&A	N/A
9-25-85	S/B of Sedan Sedan	2	1,579	Chaut.	Liq.	N/A
11-21-85	Frmrs. & Mts. LaCrosse	2	1,618	Rush	Liq.	N/A

11-21-85	Oberlin	2	2,387	Decatur	P&A	N/A
	1986					
	First Nat'l.					
	White City	1	542	Morris	P&A	N/A

TESTIMONY OF: James R. Shumaker
Assistant Regional Director - FDIC

PRESENTED TO: Kansas State Senate Finance Committee

DATE: January 28, 1986



Mr. Chairman and Senate Committee Members, I wish to thank you for the opportunity to offer the FDIC's views on Senate Bill #432. The FDIC applauds the intent of the proposed bill as liberalization of branching laws enhances the ability of the FDIC to sell failed institutions and thereby continue banking services which otherwise would be lost. Given the increasing difficulty being encountered in finding purchasers for failed institutions, any action which provides additional flexibility in structuring a transaction is beneficial.

The FDIC in its role as receiver of failed institutions, has significant experience in structuring purchase transactions for such institutions. In 1985 120 banks failed nationwide with 13 failures noted in Kansas. Nationwide, approximately 18 percent of such banks resulted in deposit payouts as buyers could not be found. In Kansas in 1985 the payout rate was 38 percent. Based on discussions with potential purchasers, it is evident that the necessity to charter a de nova bank to replace the failed institution and the capital requirements thereof has been detrimental to our endeavors to find a purchaser for such institutions.

When the FDIC is notified by a chartering authority that a failure is likely, FDIC personnel prepare a package of financial information for use by prospective bidders and develops a list of prospective bidders. Generally a meeting with prospective bidders will be held prior to the actual closing at a site relatively close to the failed bank. The nature of the proposed transaction, the name of the bank and bidding instructions are provided at this meeting. The intent is to provide all potential bidders with identical information to insure fair and competitive bidding. Such meetings oftentimes require travel by prospective bidders and require a significant time expenditure whether or not a decision is made to offer a bid.

Such meetings are generally scheduled relatively close to the date the institution will be closed. This is done to maintain confidentiality regarding the failing institution. In most instances, the institution is a functioning entity at the time of the meeting. Fairness to the owners of the institution requires confidentiality to maximize the institution's opportunity to correct its problems and avert closure.

Given the necessarily short timeframes to review the data provided, formulate a bid and obtain necessary approvals and financing, it is necessary to be selective regarding persons and institutions invited to bid. Additionally, the FDIC is desirous that the failure of the institution not be repeated. Prospective bidders are, therefore, selected based on the track records of their institutions. Generally, only banks rated a Composite 1 or 2 (the highest ratings accorded) are selected. 1 or 2 rated institutions which have CAMEL (Capital, Assets, Management, Earnings and Liquidity) component ratings of 3 or below may be deleted if it is determined that the bank's problems are

sufficiently severe. The ability to provide management is believed critical to a transaction; hence, banks less than twice the size of the failing bank are generally excluded as the purchase would likely severely strain management capabilities.

Concurrent with the actions described above, our Division of Liquidation is assembling a staff to handle the receivership. The numbers of personnel needed and the actions of the liquidation staff are in large part governed by the success or failure of the bidding process. The FDIC devotes its efforts to insure that depositors' funds are available to depositors at the earliest possible time. We are hopeful that procedures for branching in failed bank situations will be established which will allow for a rapid transfer of deposits from the receiver to the successful bidder.

The FDIC can accept bids only after a determination that the transaction is legal and has been approved by the chartering authority. The FDIC, however, reserves the right to accept or reject any bid. This is necessary as the FDIC must legally be able to show that an assisted purchase and assumption transaction is the lowest cost method of handling the receivership. The FDIC has a minimum acceptable bid level for each failed institution, and a bid submitted below that level precludes its acceptance. As I will show later, branching allows banks to utilize existing excess capital to facilitate the asset growth inherent in a purchase and assumption transaction. This limits the need for new capital funds and new borrowings by the purchasers; hence, the availability of funds to pay a bid premium to the FDIC is enhanced.

An assisted purchase and assumption transaction has several safeguards not available in an open bank purchase. The FDIC retains all poor quality assets, and indemnifies the purchaser against suits for events prior to the purchase date. In addition, the regulatory authorities are available to allow for necessary regulatory approvals on an overnight basis. The limited success noted in 1985 in finding purchasers rests primarily with the unwillingness of potential purchasers to invest significant capital funds and to buy buildings which have excess capacity in markets of questionable viability. In many instances significant question exists as to the economic viability of the town in a few years. The options available to banks operating in small towns which will continue to decline are a gradual dissipation of earnings and ultimately capital or the augmentation of earnings through investments or loans outside of the bank's normal trade area. Neither situation aids the community in which the bank resides. Because of the limited options available, liberalization of branching laws for open banks as well as failed banks to allow for branching in such towns would be beneficial.

The failures in Kansas in 1985 show the difficulty in obtaining an adequate number of qualified and interested bidders. On average, in 1985, the FDIC contacted 35 groups to determine interest in a failed bank. From this number an average of 9 groups attended and listened to the FDIC's presentation on the specifics of the transaction. In one case only one party attended the informational meeting. In only one instance (El Dorado, Kansas) were more than two bids received. For the recent failures in LaCrosse and Oberlin, Kansas all qualified banks in the western one-half of the state were contacted. In addition 19 individuals or groups, which had requested consideration, from the eastern part of Kansas were contacted. In all, 47 parties were contacted for

LaCrosse and 51 for Oberlin. One bid was ultimately received on the Oberlin bank and none was received for LaCrosse.

The FDIC does not believe that liberalized branching will be a cure-all that will prevent future closings. Branching, however, does offer some clear economic advantages to potential purchasers as it allows banks to utilize excess capital funds available within the purchasing bank to fund the expansion and can reduce the amount of new capital funds needed. For example, if a bank with \$10,000,000 in assets fails, by regulation, a new bank would require capital of at least \$600,000. If a \$20,000,000 bank with an 8 percent capital ratio purchased the bank, the resultant \$30,000,000 institution would be required to have capital of at least \$1,800,000. The purchasing bank already has capital of \$1,600,000, hence, new capital funds of \$200,000 would be necessary versus \$600,000 for a de nova bank charter. Additionally, should the marketplace of the branch ultimately prove not to be viable, a bank may close the branch and suffer only a loss on the sale of the bank building. In this situation, the availability of credit sources for the community are continued by the parent bank and the bank's capital funds are protected. A chartered bank in such a marketplace has no option presently but to remain in the community until its capital accounts are fully depleted, thus, another failure with concomitant negative effects on the bank's borrowers and the community.

Senate Bill #432 places significant limitations on banks eligible to be purchased as branches. It appears that only 201 or one-third of the state's 625 banks could be eligible for relief under its provisions. Our experience at Sedan and LaCrosse, cities which had more than one bank, offers concern over the limitations established in the bill. Banks by regulation must maintain a 6 percent capital to asset ratio. Neither surviving bank in these communities had sufficient excess capital available to absorb the deposit growth which could be expected to flow from the failed institution. Neither had ready access to new capital funds. As a result, the preponderance of deposit funds in Sedan ultimately went to banks in Oklahoma, and much of the time money from LaCrosse was deposited in a Kansas City, Kansas bank.

Limitations in Senate Bill #432 would allow only banks within set geographic areas to branch. As previously mentioned, economic advantages to the purchaser in branching rather than de nova entry are substantial. Our experience in Nebraska, which allows statewide branching in failing bank situations, supports this contention as none of the 13 failing banks in Nebraska in 1985 were bid for by individuals or groups seeking de nova entry into the market. Prospective purchasers not meeting the tests of the bill would be placed at an economic disadvantage in the bidding process and would have to make an economic decision as to whether to compete for entry into the market. The FDIC is concerned that under the above circumstances the economic decision would generally be against bidding on less than an equal basis with other potential bidders. The impact of such decisions would be most notable in marginal markets which have proven the most difficult markets in which to maintain services. The FDIC is concerned that the bill enhances the saleability of the bank to too small a group and could have the unwanted effect of reducing the number of potential bidders, making sale of the bank less likely rather than more likely. Specifically, the FDIC is concerned with the limitations in Section 2(a), (b) and (c) and Section 5(b) of Senate Bill 432.

Section 6(d)(2) requires the approval of the state banking board to operate a full service detached facility more than 2,600 feet from the main bank premises. Given the timeframes within which a purchase and assumption transaction must be accomplished, this approval process could prove detrimental to utilization in failed bank situations.

Section 1(b) precludes holding companies with three or more Kansas banks from the bidding process. As many potential bidders already own more than three banks and could bid under this bill, the specific purpose of this limitation is not understood. The section appears to preclude an otherwise legal method for banks or individuals to structure a purchase transaction.

Implementation of Section 2 of the bill could create troubling delays in resolving failed bank situations and could prove unnecessarily costly to the FDIC. It appears that it may be necessary to seek bids for a de nova bank before bids as a branch may be accepted, in order to meet the requirement that attempts to recharter a bank have been made and failed. In the alternative, concurrent acceptance of de nova and branch bids would be necessary. The language of the bill suggests that a de nova bid must be given precedence over a bid as a branch. This condition raises the prospect that the FDIC would have to decline a more favorable bid and accept a lesser bid by a purchaser seeking a de nova charter.

It is hoped that information regarding FDIC procedures in failing bank situations and our specific concerns over provisions of Senate Bill #432 will prove of some assistance to you in your deliberations of this increasingly important matter.

TESTIMONY REGARDING HOUSE BILL 2988
before the
House Committee
on
Commercial and Financial Institutions

Presented by

Jim Warren
February 25, 1986

Mr. Chairman and members of the committee.

I am Jim Warren from Galva, Kansas and President of the
Kansas Independent Bankers Association.

I appear here strongly in opposition to HB 2988.

There is not a lot about this bill to debate or discuss,
if I understand it correctly. It is a bill that would
authorize statewide branch banking - pure and simple.

For the last several years many of you have observed a
parade of witnesses before this committee discussing bank
structure issues stating in the most profound language their
strong opposition to statewide branch banking. You have
copies of testimony on record of numerous officers of the
Kansas Bankers Association expressing their strong
opposition. The Kansas Independent Bankers Association is
also on record many times expressing their opposition to
statewide branch banking.

HB 2988 as I interpret it, would permit any chain of
banks to take the assets, liabilities, capital, surplus and
individed profits and merge them with one central bank
leaving only a string of branches across Kansas.

There is no mention in the bill of a distressed bank or
any other specific qualifications for such a merger. In fact

Attachment V
2-25-86
House C&FI

there appears to be no restrictions other than the acquired bank must have been in existence for five or more years.

Since there are no specific requirements to justify such a merger and there is no criteria or guidelines to provide any direction for the bank commissioner, it is assumed that the commissioner could approve any such proposal upon receipt of an application.

With no geographical restrictions, no population restrictions, and no asset limitations, it is conceivable under HB 2988 to have one bank in Kansas with more than 2500 branches. This total could be feasible considering the inclusion of the three authorized detached facilities stated in the bill.

The Kansas legislature has historically been opposed to the concentration of the financial resources of this state in the hands of fewer and fewer individuals.

It is difficult to believe there is any public support for this type of legislation in Kansas.

Mr. Chairman, members of the committee, we respectfully suggest you report HB 2988 adversely.

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