

Approved \_\_\_\_\_

Date

2/28/91

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

The meeting was called to order by SENATOR RICHARD L. BOND at \_\_\_\_\_  
Chairperson

9:00 a.m./~~p.m.~~ on TUESDAY, FEBRUARY 26, 1991 in room 529-S of the Capitol.

~~All~~ members ~~were~~ present ~~except~~

Senators Anderson, Francisco, Kerr, Moran, Parrish, Reilly, Salisbury, Strick and Yost.

Committee staff present:

Bill Wolff, Research Department  
Fred Carman, Revisors Office  
Louise Bobo, Secretary

Conferees appearing before the committee:

Pete McGill, McGill & Associates  
David Fowler, First State Bank, Burlingame  
Larry Stutz, First National Bank, Alma

Chairman Bond called the meeting to order at 9:06 a.m.

HB 2059 - Interstate Banking (Opponents)

Pete McGill, McGill & Associates, was recognized by the Chairman and rose in opposition to this proposed legislation. Mr. McGill informed the committee of a survey his firm commissioned last Fall which resulted in 52% of the 1000 people surveyed being against the enactment of interstate banking in Kansas. Mr. McGill also reminded the committee members that the Legislature had always made it a policy not to interfere in industry disputes. Mr. McGill said that interstate banking would cause less available capital in small towns. Also, he said that he did not see how larger and fewer banks could result in more competition and further stated that interstate banking would result in more resources being concentrated in the hands of a few. Mr. McGill advised that community banks had greater concern for the people in the community who make up the bank's depositors. Mr. McGill concluded his remarks by reminding the committee members that Kansas has a healthier banking system than other state in our regional area with only one five rated bank in the state. (Attachment 1)

McGill & Associates made two video presentations before the committee detailing the hazards of interstate banking in Maine and advising against its adoption as it is almost impossible to repeal such legislation once it is enacted.

David Fowler, First State Bank, Burlingame, Kansas addressed the committee in opposition to HB 2059. Mr. Fowler emphasized that community banks have not been overly concerned with just getting bigger but have always practiced safety and soundness. He stated that this bill was supported by the Fourth Financial Corporation and the Kansas Bankers Association and not by the people. He further stated that many of the states which have adopted interstate banking are having severe financial troubles and would like to get into the healthy banking climate in Kansas. Mr. Fowler concluded by saying that we have an excellent banking system in Kansas and have control of our depositors funds and our investors capital. (Attachment 2)

Larry Stutz, First National Bank, Alma, Kansas, concluded the conferees opposed to interstate banking. Mr. Stutz said that it was most important for banks to be closely monitored since 90% of the money they deal with belongs to their depositors and not their shareholders. Mr. Stutz pointed out what had happened to the banking industry in Texas which is being controlled by out of state banks. He said that since North Carolina National Bank (NCNB) had acquired the Victoria, Texas bank, the number of employees had been reduced, and it was almost impossible to get a loan. Mr. Stutz also told the committee that the Community Reinvestment Act (CRA) was well-intentioned but still did not assure the community that large banks would reinvest in the community. (Attachment 3)

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,  
room 529-S, Statehouse, at 9:00 a.m./~~p.m.~~ on TUESDAY, FEBRUARY 26, 1991.

Discussion followed. A committee member inquired if we have any record of those states that have interstate banking and what problems they have encountered. Mr. Stutz replied that 1000 banks have failed in the past six years but no one seems to know what percent were in states with interstate banking. Staff interjected that most of those failed banks were in states that did not have interstate banking. Staff added that interstate banking had become more prevalent partly because banks with financial ills had courted healthy, out of state banks to purchase them. Staff added that this was the reason why NCNB had entered the Texas banking system. Mr. Fowler stated that Citibank has borrowed multimillions from a foreign contact. He also stated that some banks had avoided closing because the FDIC had bailed them out. He further stated that, according to the Brookings Institute, taxpayers had "coughed up", through the FDIC, \$50 million to take care of weak banking institutions.

There being no further conferees, the Chairman pronounced the hearing on HB 2059 closed.

Chairman Bond adjourned the meeting at 10:05 a.m.



**TESTIMONY  
OF  
PETE MCGILL  
OF  
PETE MCGILL & ASSOCIATES  
BEFORE THE  
SENATE  
FINANCIAL INSTITUTIONS AND INSURANCE  
COMMITTEE**

**FEBRUARY 26, 1991**

**RE: SENATE BILL 2059**

*Attachment 1  
FI + I  
2/26/91*

Mr. Chairman and Members of the Committee:

I am Pete McGill of Pete McGill & Associates. We have had the privilege of representing the Community Bankers Association for the past 11 years, and I appear here today on their behalf.

After yesterday's testimony where three witnesses attempted repeatedly to question the competence of members of the Community Bankers to even have an opinion, I have never been prouder to be associated with such a group.

Most of our members are also members of the Kansas Bankers Association. Yesterday, you were provided the results of the K.B.A. survey indicating 54 percent of their members voted in favor of interstate banking two years ago, so the K.B.A. took a position in favor of interstate banking. What they didn't tell you was a year or so before that, they took a similar survey and 56 percent of the bankers opposed interstate banking. Instead of being opposed, what did the K.B.A. do? They took a position of neutrality.

As you also heard yesterday, the K.B.A. survey was taken of bank owners, which means Bank IV got to vote 12, 13, or 14 times -- one for each of the banks they owned. Other multiple bank owners apparently were permitted to vote in a similar manner which would indicate probably less than 50 percent of even the Kansas bankers that voted favored this issue.

I have been a part of, or observed, the legislative process for more than 20 years. It has been my experience the Legislature has always refused to referee an industry dispute. With an industry divided, why is the Legislature being asked to legislate one over the other?

This is particularly an appropriate question when there has been no testimony presented representing the concerns of the people of Kansas -- the depositors in Kansas banks.

For that reason, last November I commissioned a survey conducted by Don Hardesty of Topeka to determine what the people of Kansas thought about interstate banking. I sent each of you a copy of that survey shortly after this legislative session began.

Many surveys in Kansas usually sample five or six hundred voters, but this was a 1,000 vote sampling conducted in every Congressional District across the state, with a three percent margin of error.

As you may recall, only 21 percent of the people favor interstate banking, and 52 percent were opposed, with 27 percent undecided. Only 14 percent responded in favor of the issue in the Fifth Congressional District in southeast Kansas, and only 16 percent supported the issue in the big First District. Strange as it may seem, in the Fourth Congressional District where Bank IV's principal offices are located, less than half the people favor interstate banking.

In fact, as you may have noted, there are far more people opposed to interstate banking in every Congressional District than those who favor it.

But that is the people, and no one seems to be listening to them, or perhaps no one cares. In the testimony you heard yesterday, not one word was mentioned about what the people might want. Yesterday we heard a lot of rhetoric about what the proponents thought the people should have, but it never dawned on them that the people might well be satisfied with the best banking system in the country that they now have.

As some have asked, if the system isn't broken, why all this effort to fix it?

Yesterday, you heard three witnesses tell you about how interstate banking would help the small business person by bringing new capital into the state. Let me share with you the experience some other small businesses have had with interstate banking in another part of the country. This is what CNN has to say about it.

(CNN video)

Yesterday, my good friend Barkley Clark shared with you his observations about interstate banking. Barkley told you no one paid him to be here, he just stumbled in off the street as a concerned citizen. I was hoping some member of the committee would ask him if his law firm would benefit by the enactment of this legislation.

He went through that old story about the three-legged stool, and it was only a short time ago when he talked so favorably about the one-legged stool he refers to as multibank holding companies. Barkley grossly misstated the Community Bankers' position and statement at that time.

The Community Bankers never predicted complete chaos or the failure of the Kansas banking system. What the Community Bankers did predict has happened -- the concentration of more of the financial resources in the hands of fewer people, and you don't have to be a computer scientist to see that has happened.

The Community Bankers did say such legislation would result in fewer chartered banks in Kansas, and that number is down from 627 to something like 550.

Barkley referred to the second leg of the stool, branch banking, as though the Community Bankers appeared in opposition. Apparently, he was not aware it was the Community Bankers who asked for the introduction of this legislation last year.

It will be interesting to see how many legs Mr. Barkley's stool finally has when he appears here next year and asks for nationwide interstate banking.

I think everyone in the room yesterday was about ready to shed crocodile tears for Gary Sherrer when he expressed "resentment", I believe was the word he used, that anyone would suggest this was a Bank IV bill. I believe he called it a "red herring".

Gary is a little like Barkley Clark -- he just happened to be in Topeka and heard someone had introduced an interstate banking bill and being the dedicated person he is, he thought it was his civic duty to help get the bill passed.

He obviously has done an outstanding job as evidenced by the vote in the House. I fully realize it must be just a coincidence, but I would like to take a moment to show you the correlation between the location of Bank IV and the vote on this bill on the floor of the House.

(Use Bank IV map)

Mr. Chairman, there is no one in Topeka under any illusion about for whom this bill is designed. We have an extremely successful and sound banking system in Kansas, and yet we are here debating about modifying that system to accept the potential problems of other less fortunate states to satisfy the desires of one major bank in Kansas.



As Mr. Sherrer closed his comments yesterday, he made a very significant statement when commenting about Bank IV having no interest in selling out, but if they did, that was a private concern and no business of the Legislature. How ironic!!

In closing, Mr. Chairman, let me say interstate banking is not inevitable in Kansas. It is only inevitable if the Legislature votes to let it happen.

Let me also say, the community banks are not afraid of being gobbled up by the advent of interstate banking. The Community Bankers just happen to have a greater concern for the people of Kansas and their future -- keep in mind the money in the banks belongs to the depositors, not the banks.

As we have so graphically demonstrated, when you concentrate all the financial resources of the states in the hands of fewer people, that creates great economic power, and when you control most of those resources, you control the political power, and that is recorded in history the world over.

The Kansas Bank Commissioner told me last week, we have only one five rated bank in the state, a statistic that makes us one of the strongest banking systems in the nation, and certainly stronger than most of the states in this alleged regional banking group.

Harold Stones said it better than me when making comments about the protection of banks too big to fail, and I quote,

"That will accelerate a trend of getting money out of community banks and into money center banks in New York and Chicago. That's grossly unfair and unhealthy for the nation's economy. All in all, Wall Street triumphed over main street."

How true it is and now Mr. Chairman, I'd like to show a short video of what interstate banking has done elsewhere.

TESTIMONY  
OF  
DAVID FOWLER  
CHAIRMAN OF THE BOARD & PRESIDENT  
OF THE  
FIRST STATE BANK  
BURLINGAME, KANSAS  
  
BEFORE THE  
SENATE COMMITTEE  
ON  
FINANCIAL INSTITUTIONS AND INSURANCE

FEBRUARY 26, 1991

RE: HOUSE BILL 2059

*Attachment 2  
F I & I  
2/26/91*

Mr. Chairman and members of the Committee, my name is David Fowler. I am a native Kansan. I was born into a Kansas Banking family and I have been involved with Kansas banking for over 50 years. I am President of the First State Bank of Burlingame and 1st Vice President of the Community Bankers Association of Kansas. I have also served on the Kansas Bankers Association Governing Council and their Board of Directors. Most importantly I am here as a Kansan asking that you consider the long term effects of HB 2059 on the people of Kansas, rather than just the greedy desire of a few bankers.

Kansas banks are healthy according to our Bank Commissioner, Congressman Dick Nichols, John Davis, president of KBA and Harold Stones, EVP of KBA. I whole heartily agree. As a matter of fact, Kansas banks are a ripe plum for the picking by many foreign banks. Sale of Kansas banks to outside investors won't help the people of Kansas one iota, but it would transfer control of deposits, capital and policy to non Kansans. Most likely it would dilute capital and put depositors at greater risk. All these foreign investors need is a change in our banking laws.

Kansas banks survived the agriculture and oil crises in the mid 1980's and we didn't put a huge drain on the FDIC insurance fund in solving our problems. Many of the interstate banking states are experiencing severe banking problems today, as they have drained capital with poor investments and management. These problems are

placing extreme pressure on the FDIC insurance fund and now the healthy banks (Kansas) are being required to help replenish the FDIC fund with escalating premiums. Perhaps if these states had retained control of their banking system as we are doing in Kansas, they could have avoided these uncontrolled problems.

Kansas banks are healthy under our present banking system. Who is pushing for change? Certainly not the people, as clearly shown by a statewide poll conducted by a reputable research firm in late 1990. In that poll, 52% opposed interstate banking and only 21% favored it. It appears the primary player for interstate banking is Fourth Financial Corporation and the KBA leadership. The new CEO of Fourth Financial Corporation was recently quoted as saying "it's time for the largest multi-bank holding company in Kansas to consolidate some operations and digest the acquisitions that have taken place." (Topeka Capital-Journal, 02/08/91). What does consolidate and digest mean?

I won't attempt to speculate on Fourth Financial Corporations plans, but we can discuss what consolidate and digest has meant under current multi-banking laws and interstate banking laws of other states. Examples: Loss of charter (no need of president or Board), policy decisions transferred to central office, operations, investments and deposit decisions centralized. How do these changes affect Kansans? Employees: loss of jobs, loss of income, and loss of taxes. Customers: reduced service, loss of personal contact, loss of influence on policies, loss of community participation, loan decisions delayed, loan funds decreased, deposits at higher risk with diluted capital. State: Loss of tax revenue.

This banking legislation is called a regional interstate banking bill. According to the language of the bill, only Missouri, Oklahoma, Colorado, Nebraska, Arkansas, and Iowa banks would have the ability to own Kansas banks. Are we being hoodwinked again? Under HB 2059, what is to keep a Colorado bank from purchasing a Kansas bank and there after the Colorado bank being sold to a Minnesota bank? The answer - nothing.

I am amused at comments of proponents in attempting to make opponents of interstate banking look stupid, ignorant, backward and generally without wisdom. So be it...if defending our healthy banking system against the cancer of HB 2059 is considered backward - say hello to "stupid." I am honored to defend our Kansas banking system and our depositors who make up 90% to 95% of its resources. I certainly wouldn't infer that some of my banking friends are mentally impaired, but I would suggest that on occasion their greed out weighs their good sense.

The CEO of one of Kansas City, Missouri's multi-bank holding companies was quoted in the Kansas City Star (02/07/91) as saying, "Those of us on the Missouri side have been shut out of half of the metropolitan area because of antiquated Kansas banking laws." Anyone who knows anything about banking knows that statement is pure poppy-cock. Kansas City, Missouri banks have been doing business in Kansas since Moses. Kansas banks have used Missouri banks as depositories and cash letter transmittals for eons. Kansas businesses and individuals transact banking business with Missouri banks on a daily basis without restriction. The same is true of Colorado, Oklahoma and Nebraska. Perhaps the Missouri banker meant to say his Missouri bank

can't own and control our healthy banks. Why should we put our depositors at risk, lose control of policy and perhaps dilute capital. Antiquated banking laws? Another one of those inane statements of proponents.

Abraham Lincoln said, "All men are created free and equal." My dad adamantly challenged me on this quote, so I found it in a high school history book and showed it to him. Dad cast it off with, "You can't believe everything you read." Dad was right, you can't believe everything you read.

We do not need this plantation mentality of banking in Kansas, where men brought up huge parcels of land and then totally owned and controlled people that worked for them. Men and women fought and died for freedom and equality in the Revolutionary and the Civil Wars. States rights were of deep concern with our founding fathers. Our Constitution provides that each State has certain rights, and establishing your own banking laws is one of those rights. Many of the interstate banking states are now having severe banking problems and would be very happy to have the healthy bank system of Kansas.

Ladies and gentleman at best this bill is poor legislation as it does absolutely nothing for the people of Kansas. It merely provides a new sales tool for a few greedy bank investors. You are now dealing with major property tax legislation that has the people of Kansas totally up in arms. This property tax legislation was put upon the people of Kansas without knowing the full impact on them and the budget. Now you are having to deal with corrective measures that will satisfy the people and adequately fund the budget. Why would you want to burden yourselves and the people of Kansas with

additional major legislation in the form of HB 2059. Especially when this new legislation could further impair the tax structure of Kansas and weaken healthy Kansas banks.

We have an excellent banking system in Kansas that is meeting the financial needs of our people and providing a reasonable profit for investors. Just because we are one of three States without interstate banking, we need not hang our heads. More correctly we should stand with our heads high, knowing that we have control of our depositors funds and our investors capital. I respectfully ask that you vote NO on HB 2059.



TESTIMONY  
SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

FEBRUARY 26, 1991

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, MY NAME IS LARRY J. STUTZ, EXECUTIVE VICE PRESIDENT OF THE FIRST NATIONAL BANK IN ALMA, KANSAS. I HAVE BEEN IN BANKING FOR OVER TWELVE YEARS AND ALSO SPENT 5 1/2 YEARS WITH THE COMPTROLLER OF THE CURRENCY AS A NATIONAL BANK EXAMINER.

THE FIRST NATIONAL BANK IN ALMA IS A \$16,000,000 BANK IN A COMMUNITY OF 900. HARDLY A PRIME TARGET FOR CITICORP OR EVEN FOR A BANK LIKE BANK IV. THEREFORE, YOU CAN REST ASSURED THAT MY TESTIMONY TODAY IS NOT BECAUSE I HAVE ANYTHING TO GAIN OR TO LOSE FROM YOUR DECISION ON THIS ISSUE. BUT RATHER IS GIVEN BECAUSE OF THE ADVERSE EFFECTS THIS LEGISLATION COULD HAVE ON THE ECONOMY OF KANSAS.

AS A PROPONENT STATED YESTERDAY, THIS DEBATE HAS BEEN A LONG AND DETERMINED BATTLE. AS WELL IT SHOULD BE. BANKS ARE UNLIKE ALL OTHER BUSINESSES IN THE WORLD. #1). 90% OF THE MONEY WE DEAL WITH IS OUR DEPOSITORS MONEY NOT OUR SHAREHOLDERS. THEREFORE, BANKING MUST BE CLOSELY MONITORED AND IN SOME CASES PROTECTED, BECAUSE MOST OF WHAT WE HAVE TO LOSE IS NOT OURS BUT OUR DEPOSITORS. #2). FINANCE IS UNLIKE ANY OTHER PRODUCT IN THE WORLD. NO INDUSTRY ON EARTH CAN FUNCTION WITHOUT MONEY. THE LIFEBLOOD OF EVERY ECONOMY IS PROVIDED BY ITS BANKS, WEATHER IT IS THE ECONOMY OF THE UNITED STATES OR THE ECONOMY OF ALMA, KANSAS.

BECAUSE OF THESE TWO DIFFERENCES WE MUST BE VERY CAREFUL WITH OUR DECISIONS TO MAKE CHANGES IN THIS PARTICULAR INDUSTRY. DO WE WANT TO ALLOW THE LIFEBLOOD OF OUR STATES' ECONOMY TO POTENTIALLY BECOME UNDER THE TOTAL CONTROL OF A BOARD OF DIRECTORS THAT DOES NOT LIVE IN OUR STATE? AFTER VIEWING THE TWO FILMS I WOULD SAY THERE ARE MANY IN THE STATE OF MAINE THAT WOULD QUESTION THE WISDOM OF THAT. I HAVE INCLUDED AS PART OF MY TESTIMONY A COPY OF AN ARTICLE FROM A VICTORIA, TEXAS NEWSPAPER. THIS ARTICLE DISCUSSES THE NCNB (NORTH CAROLINA NATIONAL BANK) EXPERIENCE IN TEXAS. THE NCNB BANK IN VICTORIA HAD TOTAL DEPOSITS OF \$188,000,000 AND TOTAL LOANS OF \$35,000,000, A LOAN TO DEPOSIT RATIO OF 17.5%. IS THIS INDICATIVE OF AN INCREASE IN CAPITAL TO LOCAL BUSINESSES? IN THE ARTICLE IT IS STATED THAT THE ENTIRE LOCAL BOARD OF DIRECTORS RESIGNED IN PROTEST OF THE ACTIONS OF NCNB.

YOU CAN READ THE ARTICLE AT YOUR LEISURE BUT I WOULD LIKE TO POINT OUT A FEW ITEMS. THE CHAIRMAN OF THE BOARD BILL NOBLE WAS QUOTED AS SAYING; "MY MAIN CONCERN IS WHAT'S HAPPENING TO TEXAS BANKING, OWNERSHIP IS BEING CONTROLLED BY OUT-OF-STATE BANKS." "THERE IS A LACK OF COMMITMENT TO THE COMMUNITY, CLAIMING NCNB'S VICTORIA BRANCH HAS ALMOST \$188,000,000 IN DEPOSIT-ONLY \$35,000,000 OF WHICH IS LOANED OUT." HE FURTHER STATED "GO OUT THERE AND TRY TO GET A LOAN, IT'S ALMOST IMPOSSIBLE." THE FINAL STATEMENT OF BILL NOBLE I WOULD LIKE TO QUOTE "WHEN NCNB ACQUIRED FIRST REPUBLICBANK (VICTORIA, TX) IT HAD 136 EMPLOYEES...TODAY THERE ARE 26 EMPLOYEES." MEMBERS OF THE COMMITTEE I CAN ASSURE YOU THAT A REDUCTION OF STAFF TO THAT LEVEL IN A

*Attachment 3*  
*FI + I*  
*2/26/91*

\$188,000,000 BANK IS NOT INDICATIVE OF THEIR INTENTIONS TO MAKE MANY LOANS, BUT RATHER A COMMITMENT NOT TO LEND MONEY. I HAVE BEEN TOLD THAT IN MANY TEXAS COMMUNITIES THAT NCNB NOW STANDS FOR "NO CREDIT FOR NOBODY".

I BELIEVE THAT TO JUSTIFY THE PASSAGE OF ANY LEGISLATION YOU SHOULD BELIEVE IT WILL CORRECT AT LEAST ONE OF TWO SITUATIONS.

1). THERE IS A PROBLEM THAT NEEDS TO BE CORRECTED. IN THIS CASE THERE IS SOMETHING WRONG WITH THE PRESENT BANKING STRUCTURE. THE ONLY EVIDENCE PRODUCED TO DATE INDICATES THAT THE BANKS OF KANSAS ARE IN EXCELLENT CONDITION. MEMBERS OF THE KBA HAVE BEEN QUOTED RECENTLY AS STATING THAT KANSAS BANKS HAVE BETTER CAPITAL AND STRONGER EARNINGS THAN THE AVERAGE BANKS IN THE U.S. ALSO THERE HAS BEEN NO EVIDENCE THAT EITHER CONSUMERS NOR BUSINESSMEN FEEL THAT THERE HAS BEEN A PROBLEM WITH BANKS' IN KANSAS PROVIDING EITHER SERVICES OR LOANS. FINALLY, PROPONENTS HAVE ELUDED TO A LACK OF CAPITAL IN KANSAS, BUT THE FACTS INDICATE OTHERWISE, KANSAS BANKS ARE WELL CAPITALIZED. SINCE THERE HAS BEEN NO EMPIRICAL DATA THAT INDICATES A PROBLEM EXISTS WITHIN THE PRESENT STRUCTURE WE MUST CONCLUDE THAT THIS IS NOT A REASON TO PASS THIS LEGISLATION.

2). WILL THIS LEGISLATION IMPROVE THE EXISTING BANK STRUCTURE WITHIN THE STATE OF KANSAS? BOTH SIDES OF THIS ISSUE HAVE TRIED TO PERSUADE YOU AS TO WHAT THEY BELIEVE THIS BILL WILL DO "FOR" OR "TO" THE KANSAS ECONOMY AND THE CONSUMER. ONE OF THE PROPONENTS STRONGEST ARGUMENTS CONSISTENTLY HAS BEEN 46 STATES HAVE IT THERE MUST BE SOMETHING WRONG WITH US. HERE, I AM COMPELLED TO REMIND YOU THAT THIS SORT OF LEGISLATION IS ONCE IN A LIFETIME. THAT IS ONCE IT IS ENACTED THERE CAN BE NO TURNING BACK. ONCE YOU HAVE ALLOWED BANKS FROM OUT-OF-STATE TO PURCHASE BANKS YOU CANNOT FORCE THEM TO SELL THEM BACK. THIS FACT IN ITS SELF WOULD BE ONE REASON FOR THE 46 STATES TO STILL HAVE INTERSTATE BANKING. NEXT I WOULD ASK YOU, HAVE THE PROPONENTS PRESENTED EMPIRICAL DATA SHOWING THAT IN THE 46 STATES THAT HAVE INTERSTATE BANKING THAT ANY OF THE FOLLOWING HAVE OCCURRED?

1). CAPITAL WITHIN THE STATE HAS ACTUALLY INCREASED.

2). COSTS HAVE GONE DOWN ON SERVICES TO THE CONSUMERS.

3). THERE HAS BEEN INCREASED AVAILABILITY OF CREDIT TO BORROWERS. I WOULD QUOTE FROM RONALD K. ENEE'S TESTIMONY PROVIDED TO YOU. "THE NATIONAL FEDERATION OF INDEPENDENT BUSINESS, SMALL BUSINESS'S TRADE ASSOCIATION IN WASHINGTON, SAID THE FOLLOWING IN TESTIMONY BEFORE THE U.S. CONGRESS: IF, AS MANY INTERSTATE BANKING SUPPORTERS CONTEND, THERE IS AN ECONOMY OF SCALE IN THE EXPANSION OF LARGE INTERSTATE BANKS, THEN THE SCALE DERIVES NOT FROM THE SIZE OF THE BANK, BUT THE SIZE OF THE BORROWER; IN THIS SMALL BUSINESS WILL REAP NO ECONOMY." FURTHER HE QUOTES PROFESSOR NICOLAS M. DIDOW'S TESTIMONY BEFORE THE U.S. CONGRESS ON BANK SERVICE CHARGES: "THE LARGER THE BANK, THE HIGHER THE LEVEL OF FEES. THE SMALLER THE BANK, THE LOWER THE LEVEL OF FEES." AS TO INTEREST RATES ON LOANS HE TESTIFIES:

"SEPARATE STUDIES BY THE FEDERAL RESERVE BANK OF BOSTON AND THE NEW YORK STATE BANKING DEPARTMENT SHOW THAT INDEPENDENT BANKS IN THOSE JURISDICTIONS CHARGE CONSISTENTLY LOWER RATES ON BOTH COMMERCIAL AND CONSUMER LOANS THAN BRANCH BANKS IN THE SAME MARKET. THE CALIFORNIA SUPERINTENDENT OF BANKS TESTIFIED BEFORE THE U.S. SENATE BANKING COMMITTEE THAT THE STATEWIDE BRANCH BANKS IN HIS STATE ALMOST WITHOUT EXCEPTION CHARGE SIGNIFICANTLY HIGHER RATES THAN THE STATES SMALLER INDEPENDENT BANKS."

LAST, ON THIS ISSUE MR. ENEE STATED:

"A COMPREHENSIVE STUDY BY THE FEDERAL RESERVE FOUND THAT A 10 POINT INCREASE IN CONCENTRATION WOULD INCREASE BUSINESS LOAN RATES BY SIX BASIS POINTS, AND A 20 PERCENT INCREASE IN CONCENTRATION WOULD RAISE LOAN RATES BY 10 BASIS POINTS."

AS YOU CAN SEE THAT WHILE THE PROPONENTS WOULD LIKE YOU TO THINK THAT THIS LEGISLATION WILL BE GOOD FOR THE CONSUMER AND THE SMALL BUSINESSMAN, THERE IS SUBSTANTIAL EVIDENCE THAT THIS IS NOT THE CASE.

TESTIMONY YESTERDAY WOULD SEEM TO INDICATE THAT THE CONCENTRATION OF THE BANKING INDUSTRY AND A REDUCTION IN THE NUMBER OF BANKS OPERATING IN KANSAS WILL RESULT IN INCREASED COMPETITION AND THUS LOWER LOAN RATES AND LOWER SERVICE CHARGES FOR THE CONSUMERS. SOMEHOW THIS STATEMENT SEEMS TO BE CONTRARY TO ITSELF. HOW DO YOU INCREASE COMPETITION BY DECREASING THE NUMBER OF COMPETITORS?

AS TO THE CONCENTRATION OF BANKING IN THESE OTHER 46 STATES LOOK AT WHAT THIS HAS ACCOMPLISHED ON A NATIONWIDE SCALE. THE FDIC IS GOING BROKE BAILING OUT THE TOO BIG TO FAIL AND THE LARGE REGIONAL BANKS THAT ARE NOW IN TROUBLE. HAS THIS CONCENTRATION OF FINANCIAL RESOURCES NATIONWIDE BEEN IN OUR BEST INTEREST?

TO SUM THIS UP I WOULD AGAIN QUOTE FROM MR. ENEE'S TESTIMONY:

"SEVERAL YEARS AGO, FEDERAL RESERVE GOVERNOR EMMETT RICE SUMMED UP THE ARGUMENTS AS WELL AS ANYBODY. HIS WORDS STILL RING TRUE TODAY. HE SAID:

THERE HAS BEEN NO DEMONSTRATION OF ANY PUBLIC BENEFITS FROM REGIONAL INTERSTATE BANKING. THE PROPONENTS CLAIM THAT REGIONAL BANKING WILL LEAD TO FASTER REGIONAL ECONOMIC GROWTH BUT THERE IS NO EVIDENCE THAT THERE IS ANY RELATIONSHIP BETWEEN BANKING STRUCTURE AND ECONOMIC DEVELOPMENT. THEY CLAIM THAT THE MERGING BANKS WILL ACHIEVE ECONOMIES OF SCALE, BUT THERE IS NO EVIDENCE TO SUPPORT THAT OPINION. THEY CLAIM THAT BY GROWING LARGER THEY WILL BE IN A BETTER POSITION TO SURVIVE THE EVENTUAL ENTRY OF THE NATION'S LARGEST BANKS. HOWEVER, THERE IS NO EVIDENCE THAT THE REGIONAL BANKS NEED TO BE LARGER TO SURVIVE. SURVIVAL IS THE RESULT OF PROVIDING GOOD SERVICE AT COMPETITIVE PRICES AND THERE IS NO EVIDENCE TO SUGGEST THAT THIS IS DIRECTLY RELATED TO THE SIZE OF THE ORGANIZATION. THE ADVOCATES CLAIM THAT LARGER BANKS CAN BETTER SERVE THE NEEDS OF LARGE BUSINESSES, BUT THERE IS NO EVIDENCE THAT THE CREDIT NEEDS OF LARGE BUSINESS FIRMS ARE NOT BEING MET. IN SUMMARY, THERE IS NO EVIDENCE TO SUPPORT THE CLAIMS OF THE PROPONENTS OF REGIONAL BANKING."

OUR PROTECTION IN THIS BILL IS CRA. IT IS INTENDED THAT CRA WILL PREVENT ANY BANKING ORGANIZATION FROM ACQUIRING BANKS IN KANSAS AND NOT SERVICING THE LOCAL COMMUNITY. CRA LEGISLATION HAS BEEN AROUND SINCE 1977, WHERE IS CRA IN TEXAS OR MAINE? WE HAVE NOT HEARD OF THE ACTIONS TAKEN BY FEDERAL REGULATORS AGAINST NCNB AND THE BANKS' IN MAINE. I SPENT 5 1/2 YEARS AS AN EXAMINER FOR THE COMPTROLLER OF THE CURRENCY, ONE YEAR OF THAT AS A COMPLIANCE EXAMINER. ADDITIONALLY, THE BANK I AM WITH JUST UNDERWENT A COMPLIANCE EXAMINATION INCLUDING A CRA EXAM, WE PASSED. YOU MUST REMEMBER THAT THE FIRST STEP IS TO HAVE A CRA EXAMINATION. AT MOST THIS WOULD OCCUR ANNUALLY. IF THERE IS A PROBLEM THEN THE EXAMINERS WILL REQUEST THAT THE BANK TAKE ACTIONS TO CORRECT THE PROBLEMS. THE BANK WILL THEN BE GIVEN TIME TO TAKE ACTIONS AND IMPLEMENT NEW POLICIES. IF THE BANK DOESN'T DO THIS IN TIME THEN THE EXAMINERS WILL TAKE FURTHER ACTION. MY POINT IS THAT

THIS PROCESS TAKES TIME. WHAT HAPPENS TO THE INDIVIDUAL BORROWER OR CONSUMER IN THE MEANTIME. THE ANSWER IS THAT BY THE TIME THE PROBLEM IS DISCOVERED AND ACTIONS ARE TAKEN THE DAMAGE IS ALREADY DONE. THE STATES AUTHORITY TO ELIMINATE STATE DEPOSITS IS NOT AN OVERWHELMING ACTION EITHER. AT OUR BANK THE STATE HAS APPROXIMATELY \$217,000 ON DEPOSIT VERSUS OUR TOTAL DEPOSITS OF \$14,500,000. AS YOU CAN SEE THIS REDUCTION WOULD NOT HAVE A VERY LARGE IMPACT. WHILE THE INTENTIONS OF THIS PROTECTION IS GOOD AND IT WOULD BE USEFUL AS A SCREENING TOOL, ONCE A BANK GETS INTO THE STATE THE OPPORTUNITY FOR THE REOCCURRENCE OF A VICTORIA, TEXAS TYPE SITUATION IS STILL THERE.

FINALLY, I WOULD LEAVE YOU WITH THE WORDS OF SENATOR ROBERT DOLE IN HIS JANUARY 16 LETTER TO TREASURY SECRETARY NICHOLAS BRADY ABOUT THE FEDERAL PROPOSALS ON INTERSTATE BANKING:

"IT'S ONE THING TO ENCOURAGE COMPETITION; IT'S SOMETHING QUITE DIFFERENT TO UPROOT BANKS THAT HAVE ABLY SERVED LOCAL COMMUNITIES FOR GENERATIONS."

THANK YOU FOR YOUR TIME AND CONSIDERATION ON THIS IMPORTANT MATTER.

Partners of Public Safety Trooper ... will investigate the ...

# THE VICTORIA ADVOCATE

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## NCNB Texas Directors Resign in Protest

By KEN PRITCHARD  
Advocate Staff Writer

The directors of Victoria's NCNB Texas bank have resigned to protest the firing of the bank's two top officers, with the group's chairman saying it is another injustice caused by out-of-state ownership of Texas banks.

In a statement issued Tuesday and endorsed by all seven former directors, the board members said it was the way in which bank President Richard Logan and Senior Vice President Joe Donelson were discharged Friday that angered them.

It stated that the NCNB's district office in Houston took the action without prior explanation or knowledge of the board and without giving the board a reason for the firings.

"It is felt we have no choice but to resign in protest," the statement concluded. Samuel W. Baker, who started as the Victoria

**"My main concern is what's happening to Texas banking. Ownership is being controlled by out-of-state banks."**

—Bill Noble

branch president Monday, said, "We regret that the advisers have resigned.

"However, NCNB is determined to go forward in a positive manner in Victoria, doing good things for our customers and our community."

Members of the dissolved board were chairman Bill Noble and directors Zac Lentz, W.S.

Fly, W.J. Braman, Albert Dick, Melvin Dusek and Carlisle Maxwell.

In comments separate from the board's statement, Noble said he has several concerns about the Victoria branch of NCNB and the ownership of Texas banks by out-of-state institutions:

- NCNB has a very low ratio of loans compared to deposits in Victoria.
- Profits from the Texas division of the North Carolina concern are being used to bolster corporate operations in the sagging East Coast economy.
- NCNB received between \$4 billion and \$5 billion in federal tax credits, allowing it to be more competitive with Texas banks.
- Lack of care for personnel, citing the discharge of Logan and Maxwell.
- The Victoria branch has had a dramatic reduction in staff and service since NCNB ac-

quired the former First Republic Bank on Lan- rest Street in 1988.

A spokesperson for NCNB Texas in Dallas reached by phone Tuesday said bank officials had no comment concerning Noble's com- ments.

"My main concern is what's happening to Texas banking," Noble said. "Ownership is being controlled by out-of-state banks."

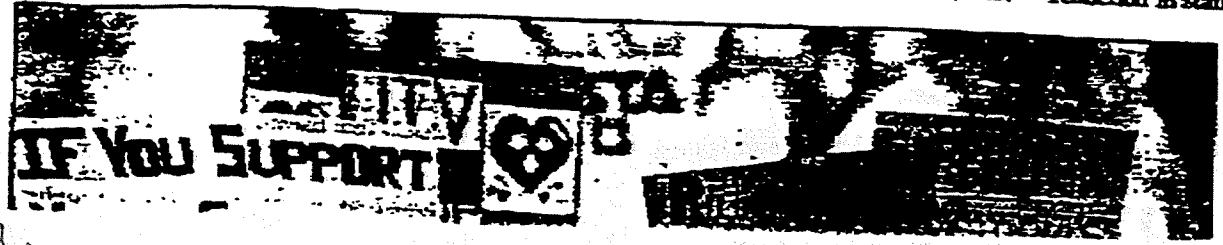
Noble said there is a lack of commitment to the community, claiming NCNB's Victoria branch has about \$288 million in deposits — only \$33 million of which is loaned out. He said the bank's ratio of loans to deposits of 17.5 per- cent is well below the industry average of 60-70 percent.

"Go out there and try to get a loan," he said. "It's almost impossible."

Maxwell said that as a member of the con- (See DIRECTORS, Page 18A)



Advocate Photo by Roger Cartier  
**BILL NOBLE**  
... resigns NCNB post



## Teachers Join Rally

9-5

ny soviet military power  
he gulf that might cement  
a coalition already poised  
against him.

ing the Soviets is not like  
age Moscow's mounting  
with Saddam over his re-  
ve Kuwait, nor imperil its  
liance with the West.

uesday in Washington,  
ocrats, on a vote of  
pted a policy statement  
clared President Bush  
ke no military action  
q without prior approval  
gress, "except to protect  
lives from imminent en-  
nt."

ocratic caucus debated the  
g declaration for two  
ending it in the end to in-  
uage supporting the presi-  
diomatic initiatives in the

admonition to Bush to seek  
nal approval for making  
statement by the Demo-  
crats that we want the Con-  
gress respected on this crucial  
id Rep. Norman Dicks, D-

ddressed his first Conser-  
vative rally as prime minister  
he supported President  
sent offer to send Secretary  
ames A. Baker III to Iraq.  
id there should be no com-

can be no question of nego-  
concessions, partial solu-  
linkage to other issues," he

last month decided to send  
14,000 troops to the gulf,  
its troop total to 30,000.

## Amble Resident Killed 3-Vehicle Collision

ivoeste News Service  
LAVACA — One man was  
d two others injured in a  
icle collision 2 miles north  
omfort on state Highway 35  
light.

ad man was identified as  
James Fontenot Jr., 35, of  
He was pronounced dead at  
e by Calhoun County Pre-  
Justice of the Peace Jack  
at 10:30 p.m.

were Mark Anthony Webb,  
asadena and John Ernest  
f Cuero.

erson for Memorial Medi-  
in Port Lavaca said Tues-  
noon that Webb was ad-  
or observation and was in  
ndition. She said Duker was  
and released following the

ing to a report by Texas De-  
t of Public Safety Trooper

He ran out of town and was con-  
vinced his situation would be best if  
he gave up.

"The conditions are not as bad as  
they could be," he said of his impris-  
onment. "The biggest surprise for  
me was that Saddam (Hussein)  
picked me."

Asked for his feelings about the Ira-  
qi leader, he replied: "I'd rather not  
answer that."

He said he was moved at least five  
times as part of the "human shield"  
at chemical and utility plants.

## DIRECTORS

(Continued From Page 1A)

munity, he is concerned about the  
bank branch's low loan ratio.

"A community depends on its banks  
and they (NCNB) tend to ship the  
money out of the area," Maxwell  
said.

Noble said the company's profits  
from its Dallas-based Texas division  
are being funneled out of the state to  
help NCNB with Charlotte, N.C.-  
based NCNB Corp. operations. He  
said that during the third quarter  
ending in September, the NCNB  
Texas division had a net income of  
\$82.2 million. During the same peri-  
od, all corporate operations for  
NCNB showed a net income of \$36.9  
million. Without the income from the  
Texas division, the East Coast oper-  
ations would have shown a \$25 mil-  
lion loss, he said.

NCNB Texas has more than \$35 bil-  
lion in assets with nearly 300 banking  
offices in 79 Texas communities.

Noble, who is on contract as an out-  
side consultant to NCNB for 30 more  
days, said, "The ownership of the

me a job," he said.

He and his wife, Margaret Jean,  
will celebrate their 30th wedding an-  
niversary on Friday.

She said she had missed him "a  
bunch, a bunch, a bunch. It's been  
lonely. I hope we can get back to-  
gether again and get to the way it  
was."

"It's hard to explain," Mrs. Smart  
said. "I just don't know what to say.  
It's just wonderful to have him com-  
ing home."

outside banks clearly has a direct ef-  
fect on our economy."

Noble said a \$4 billion to \$5 billion  
federal tax credit NCNB received in  
1988 has allowed the bank to be more  
competitive in the markets it serves,  
because it allows the bank to offer  
higher interest rates on deposits.  
And that attracts depositors and  
their money.

"The banks have grown beyond  
their imagination," he said.

Noble said another incentive the  
federal government gave NCNB was  
taking over ownership of the former  
First RepublicBank building on Lau-  
rent Street and allowing NCNB to se-  
lect the assets it desired from the  
failed bank. NCNB only leases the  
space it uses in the Laurent Street  
building.

Noble said NCNB has a corporate  
philosophy of keeping operational  
overhead low and interest rates for  
deposits high.

He said they operate like a major  
discount retail chain.

"As long as you're giving the best  
price, people will stand in line,"  
Noble said. "Don't worry about the  
complaints of lack of tellers and peo-  
ple in the lobby."

Noble said that when NCNB ac-  
quired First RepublicBank, it had  
136 employees. He said that today,  
there are 28 employees and the  
branch has a year-and-a-half mandate to  
cut back to 24 1/2 full-time employee  
equivalents.

Noble said that he suspects the re-  
cent discharge of the two bank offi-  
cers and the recent discharge of loan  
officer Bobby Taylor have been fi-  
nancially motivated. He said the  
bank will save \$222,000 annually with  
the moves. Taylor was the highest  
paid loan officer and was two years  
away from early retirement from the  
bank.

Noble said management is from the  
top down, with no flexibility.

"It is management by intimidation  
— pass the word down," he said,  
adding that employees are afraid to  
stray from corporate policy.

Noble said the firing of the long-  
time employees for "personnel rea-  
sons" has sapped employee morale.