

PUBLIC HEARING

before

SENATE LABOR, INDUSTRY AND PROFESSIONS COMMITTEE

on

Interstate Banking and Cap Bills

February 10, 1986
Room 362
State House Annex
Trenton, New Jersey

New Jersey State Library

MEMBERS OF COMMITTEE PRESENT:

Senator Raymond Lesniak, Chairman
Senator Christopher J. Jackman, Vice Chairman
Senator Edward T. O'Connor, Jr.
Senator Gerald Cardinale

ALSO PRESENT:

Dale C. Davis, Jr.
Office of Legislative Services
Aide, Senate Labor, Industry
and Professions Committee

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SENATOR RAYMOND LESNIAK (Chairman): I'd like to call the hearing to order, and call Mr. Herman Suenholz from the First Jersey National Corporation.

HERMAN SUENHOLZ: Chairman Lesniak, Senator O'Connor, Senator Cardinale, my name is Herman Suenholz, and I am Vice Chairman of First Jersey National Corporation and President of its lead bank in Jersey City, New Jersey. The Corporation has branches in 16 counties in the State of New Jersey.

I would like to address the concern that has been raised by those who suggest that the two largest bank-holding companies in New Jersey need to expand to survive the onslaught of interstate banking. I think it has already been submitted to the Committee schedules that show the ranking of the two banks in New Jersey, and I'd like to point out the relevant size in the proposed regional district that's contained in S-1466.

First of all, First Fidelity and Midlantic are already significant players in the regional group, which is part of the current interstate bill before you. The two banks rank among the top 10 banks in the region. As a matter of fact, if the two money center banks in Chicago were to be removed from that group, First Fidelity would rank fifth and Midlantic would rank eighth in the region. Nationally, these two banks rank 32nd and 39th in the entire country out of approximately 15,000 banks. I think those are June 30th figures. I think at year end, if I'm not mistaken, I think it's 35th and 39th, respectively.

Related to the issue of growth, it's important to know that any cap on bank-holding company acquisition would not limit size. First Fidelity and Midlantic can grow through marketing, through expansion of their current services, and as First Fidelity has shown recently, through expansion into the interstate market. So the question is, if the two large banks in the region are already big, why the rush to allow for further concentration of the banking business in New Jersey?

That brings us back to the question of whether it really is in the best public policy interest for New Jersey right now to be discussing legislation that will eliminate the cap in three and a half

years due to a perception that First Fidelity and Midlantic need to grow bigger. If we concentrate just on this one aspect, I'm afraid we're going to lose sight of the fact that elimination of a cap in three and a half years could be devastating to the banking system that we know in New Jersey because of the influence that will allow for out-of-state banks to come in and gain domination of the market.

I would point out that the 15 states that are in the proposed region-- There is one state -- New York -- that is conspicuous by its absence, and if New York has been left out of this region, in the interests of the industry and the State to see this interstate banking evolve, rather than be overwhelmed, I don't think three and a half years is going to change that picture very much.

We have grave reservations about the implications of S-1466. We request that this Committee not tie that bank cap bill into interstate and oversight because of the serious public policy issue of the elimination of the cap. By tying the issues together, you will be giving other legislators the perception that the only way that interstate and oversight can be enacted is to have it hooked up with this one cap bill. We don't need the cap to pass interstate and oversight. The interstate bill has language that says that even if the bill is signed into law, it will be inoperative until the Commissioner of Banking determines that there is a region developed that is in the best interest of the State of New Jersey. This will take several months since Pennsylvania has not even passed their law, so we have time.

We also have time to seriously debate the public policy questions related to the cap issues. If you tie all the bills together, the Governor has no choice but to hold up interstate and oversight, should there be a problem or conditional veto needed with the cap issue. That is why we support legislation introduced by Senator Edward O'Connor -- S-1658 and S-1659 -- to allow for separate consideration of these two issues. Each will have a profound effect on the future of banking in New Jersey.

Thank you very much. I appreciate the opportunity to submit the testimony to the Committee.

SENATOR LESNIAK: Senator O'Connor, do you have any questions?

SENATOR O'CONNOR: I have no questions.

SENATOR LESNIAK: Senator Cardinale?

SENATOR CARDINALE: No questions.

SENATOR LESNIAK: Thank you very much.

MR. SUENHOLZ: Thank you.

SENATOR LESNIAK: Richard Ober, Senior Vice President of United Jersey Banks? Is this all of your testimony? I hope there are a lot of charts in here. (laughter)

RICHARD F. OBER, Jr.: My name is Richard F. Ober, Jr. I am Senior Vice President, Corporate Counsel, and Secretary of United Jersey Banks, which owns eight banks, including the largest State-chartered bank located in New Jersey.

Chairman Lesniak, Senator O'Connor, and Senator Cardinale, I appreciate the opportunity to appear before your Committee today to testify in support of Senate Bill 1444, and in opposition to Senate Bill 1466.

As Senator Cardinale raised questions about the background of other people testifying, I'll briefly mention that I've been Corporate Counsel of United Jersey since 1975. I served as Chairman of the Bank Corporate Counsel Committee, a national organization of in-house counsel, immediate past Chairman of the Banking Law Section of the New Jersey State Bar Association, a member of the Lawyers Committee of the Association of Bank Holding Companies, and the Legislation and Taxation Committee of the New Jersey Bankers Association, although, of course, I do not speak for any of those organizations at this time.

With regard to the areas of economics and antitrust, I graduated from the Woodrow Wilson School of Public and International Affairs, a classmate of Senator Bradley. That included a major economic component, including Money and Banking from Professor Burton Malkiel, who served on the President's Council of Economic Advisors, and Antitrust Law at Yale from Robert Bork, who was subsequently Solicitor General of the United States.

We have been accused of pursuing the selfish interests of the financial organization that we work for. That's true, of course. That's what our shareholders pay us for. But I feel very strongly that we're on the right side of this issue when it comes to considering the interests of the consumer and the small businesses of this State. It's pretty basic that allowing banking competition to be reduced to two institutions will result in monopolistic behavior, lower rates on deposits, and higher rates on loans. And, don't expect the Federal antitrust laws to protect competition in New Jersey. The Federal regulators use market definitions which include a large part of our State within the Greater New York and metropolitan Philadelphia market areas.

I'd like to speak to three points on behalf of Senate Bill 1444: First, the public benefits of the bill for the businesses and consumers of our State; second, the positions taken by the courts, legislatures in other states, and banking experts on the appropriateness and validity of limitations; and third, the effect of this bill on possible changes in the New Jersey banking structure as a result of interstate banking.

We believe that the intention of the Legislature back in 1969 was to ensure that no commercial bank by acquisition -- and I underscore that phrase, acquisition -- should be allowed to continue to acquire its competitors in the banking business once it had reached 20% or one-fifth of the total commercial banking deposits in this State. Remember, our larger brethren can continue to grow by opening new branches, by better advertising, by lower loan rates. The purpose of the limitation was to assure the consumer seeking a mortgage or a car loan, a small business person seeking financing to expand a garage from two to four bays, that he or she would have at least five choices among the New Jersey commercial banks.

You will hear testimony that the State needs one or two banking giants. I could not disagree more. What happens if there are only two organizations in town and one of them doesn't make loans to gas stations this week, and the local manager of the other bank isn't happy with how you serviced his car the week before, or has one of your competitors as one of his big clients? You're out of luck.

First Fidelity already has a dominant market share in a number of counties in this State. First Fidelity, based on 1984 figures, had 48% of the deposits in Essex County, 36% in Atlantic County, 34% in Hunterdon County, and 31% in Burlington. With their acquisition under the loophole in Gloucester County, they have obtained 51% of the deposits in that County by buying the largest banking organization in that County. The Morris County Savings Bank acquisition will give them 32% of the deposits in that County. That will give them over 30% of the commercial bank deposits in six counties. No other banking organization in the State has over 30% in more than one county. I would point out that these acquisitions don't increase jobs or banking convenience. First Fidelity had acquired several branches in Gloucester County in the last few years, and has already closed three existing branches in that County.

The banking industry in the State of New Jersey is already substantially concentrated compared to other major industrial states. New Jersey was the 20th most concentrated of the 50 states and the District of Columbia, when ranked by the percentage of commercial deposits held by the two largest banking organizations, based on 1984 figures published by the Federal Reserve Board. That table is attached as Exhibit B in your attachments.

There are states showing greater concentration than New Jersey that's only 20th, but those states include many sparsely populated or geographically small states, including Rhode Island, Hawaii, Nevada, Arizona, Idaho, District of Columbia, Connecticut, Utah, South Dakota, Maine, Alaska, and Montana. If these are eliminated, New Jersey ranks eighth in degree of concentration. Fortunately, at this point, New Jersey ranks 33rd in the five-bank concentration percentage. That's a pretty good ranking, I think. But, passage of S-1466 would undoubtedly result in increased concentration and reduced competition.

Our opponents have suggested that a Cap Law is archaic; only seven or eight states have such a law, none of which are industrial states. I would point out that both Ohio and Indiana now have deposit caps; I certainly consider them as industrial states. Even with the

Cap Law, we are well up the ladder in the two-bank concentration. Many of the other states which do not have deposit Cap Laws have other forms of limitation on concentration. Our neighbor, Pennsylvania, is years behind New Jersey; it only moved from contiguous county branching to phased statewide bank-holding companies in the last three years. There is still an acquisition limit of four banks until 1990, and also a limitation to bicontiguous county branching. There are still a half dozen states which don't even allow a bank to have a branch — the so-called unit banking states. Illinois was a unit banking state until recently. You can be assured that most of the states which are less concentrated than New Jersey, including many industrial states, up until recently, have had some form of limitation on concentration.

Paul Volker, Chairman of the Board of Governors of the Federal Reserve System, in testimony on the issue of interstate banking on April 24, 1985 before a Subcommittee of the House of Representatives, suggested that, "To forestall any substantial risk of excessive concentration, "the Federal government may, "permit, or even encourage, states to set limitations on the proportion of banking assets or depository institution assets within their own borders that could be acquired through acquisitions or mergers of significant size. Specifically, such acquisitions could be denied if the resultant institution would hold more than, for example 15 or 20%, of a state's banking assets." I've also attached to my testimony Attachment D, a list of other academic authorities, including the former Assistant Attorney General of the United States in charge of the Antitrust Division, which support limitations on banking market shares.

I submit to you that this reduction in choices is not in the interest of the consumer; it's not in the interest of the businessman; and finally, it's not in the interest of the government of this State. The same limitation in number of choices will apply to the counties, the school boards, the State agencies, and the Treasurer of the State of New Jersey when they go out to sell bonds or to obtain competitive bids on deposits. They will only have a few choices, and if that's not a monopoly, it's pretty close to it.

By the way, I would like to correct a mis-impression that Mr. Van Buren may have given -- that the two largest banks handled the early Meadowlands loans by themselves. United Jersey was a full one-third participant in those loans.

The fact that there was a serious effort by these two institutions to push their position through the Legislature in the closing days of the last session without public hearings reflects their already significant power in the State.

I thank Chairman Lesniak for this opportunity to put forth our views, and urge that each member of the Committee consider the political, as well as economic, impact of allowing one or two financial institutions to dominate this State's banking scene. Many of you are doctors, lawyers, or other small businessmen, just like that garage owner I referred to before. When you need loans, you want the best rate on your deposits, and good service. Your choices would be narrowed, too.

It has been suggested that new bank charters would maintain choice to the public. This may be true for individuals, but small new banks will not be able to serve the needs of the middle-market businesses or of the State and its political subdivisions.

I would point out that the Legislature can assure the independence of its larger financial institutions in the era of interstate banking by amending Senate 1467 to prohibit the interstate acquisition of New Jersey institutions which reach the cap limit. The second sentence of Section 2.a.(3) of Senate 1467 is carefully written to assure that institutions over the cap can be acquired. However, I suspect that First Fidelity and Midlantic do not wish to assure their continued independence sufficiently to support such a change, as their attorneys actively participated in the drafting of this section, which assures their ability to be taken over.

I have attached as Attachment G a section analysis of the two similar bills, which points out various possible loopholes in S-1466. I'll mention only one at this time, and that is, where is the logic in including all types of depository institutions -- banks, savings banks, and savings and loan associations -- in the so-called denominator,

because there is an increased degree of direct competition among them in the marketplace, and excluding the savings and loans from the numerator? This would allow one depository institution to gain an enormous market share by acquiring savings and loans.

I would like to briefly address the issue of compromise, which was raised in the questioning of Commissioner Parell. As was stated then, the chief executive of First Fidelity gave specific deposit numbers for 1986, 1987, and 1988. I've analyzed the rate of growth of deposits of commercial banks, savings banks, and savings and loans over four years, three years, and two years, and that is Attachment F. Taking the lowest of these growth rates of deposits, which ranged from 12.9 to 13.1 over the next three-year period, First Fidelity could grow to its stated needs with a cap of 13.4% of all depository institutions in 1986, 10.6 in '87, and 9.7 in '88.

The Commissioner, in response to a question, indicated that higher caps were necessary, but those calculations assume no growth of deposits in New Jersey over the next three years, and that's an unsupportable assumption.

Although one or two percent seems like a small number to be quibbling over, one percent amounts to a billion dollars at this point in time. Over the three-year period proposed, the deposit cap in S-1466, assuming normal growth in the deposit base, would allow First Fidelity to acquire 9.3 billion in deposits, or virtually double in size. How big is \$9.3 billion? Well, it means that First Fidelity could acquire five of the eight banks on the chart included in the attachments of the 10 largest, and be within the cap. And, Midlantic could acquire the other three. Then you'd be talking about two commercial banks in the State with more than one and one-quarter billion dollars. That really narrows their choices down. What happens if they decide to sell out in interstate banking, as their lawyers have carefully paved the way for? No choices.

My final statements, Mr. Chairman: We have appeared before you today in good faith. However, I would point out that the institutions behind Senate Bill 1466 have taken the position before the Federal government that this Legislature has no jurisdiction over this

subject. First Fidelity filed a memorandum of law before the Comptroller of the Currency in the Gloucester County acquisition, taking the position that the New Jersey Legislature cannot pass any law which would be applicable to the merger of two national banks in New Jersey. It is their position that any Cap Law is totally preempted and superseded by Federal law.

I quote from Page 2 of that memorandum: "There is simply no room for the super-imposition of another tier of analysis or more stringent standards under state law." I quote again: "Thus, even if protestants," -- that's us -- "could persuade the New Jersey Legislature to change State law so that this merger could fall within its ostensible reach, as it does not now, the effect would be fruitless, since the standard -- whatever it might be -- has been preempted in its application by a different, comprehensive, Federal mandate."

In their cover letter, the attorneys for First Fidelity stated, and I quote: "We submit, however, that no rejiggering of New Jersey Cap Laws, or the like, could have substantive effect." I have copies of the cover letter and the memorandum marked as Attachment A for the members of the Committee and its staff. Needless to say, we and our attorneys disagree with the position taken by First Fidelity with regard to State law.

Now, I guess if I was supporting that bill, I'd be a little unhappy that First Fidelity thinks it's invalid and illegal. I could save a little time by not considering their bill.

That is all I have, Mr. Chairman.

SENATOR CARDINALE: I have a question. Earlier in your statement, you indicated that-- Well, you gave an example of a situation where there was a merger -- an acquisition -- and three branches were closed. I think the implication is that the public in those areas was thereby being under-served. Has anyone, has your bank or any other bank that you know of, moved to open branches in these under-served areas?

MR. OBER: We-- First, as to the implication that they are being under-served, that may or may not be true from the bank's point

of view -- from any bank's point of view -- in determining whether that area has grown as fast and has as much business as is necessary to make a branch in that location attractive.

As to whether we have looked at that area, we have looked at all areas of the State, and have opened branches, have bought branches, and have sold branches. As to Gloucester County, I cannot tell you whether we have plans to open a branch where that particular branch was closed, but I would have to say that from my point of view, going into an area where one bank already has more than 50% of deposits by acquisition, it is a very tough market to break into. It is a less attractive one for that reason.

SENATOR CARDINALE: Why is that so? I think the whole implication here -- I'm trying to understand it -- is that the consumer is somehow being under-served or disadvantaged by the size of one company -- whatever company that might be. And whether they are selling oranges or they are opening banks, by the policies that are thereby generated, we have free entry into the marketplace. Certainly, there are many other banks which are smaller and which would similarly like to grow. Why would the public continue to be under-served in any particular area, if the economics were such that a branch could be viable in that area? What does the size of another institution have to do with that factor?

MR. OBER: There are two aspects to that. First, I believe I did indicate that it was quite possible that as far as branches opening new banks -- that new bank charters-- That at the consumer level, if you have a very attractive market area, that the businessmen of that area might open a new bank, which might very well be viable. But, in terms of the business loans which are beyond the capacity of a brand-new institution, it will be some period of time before that institution -- before a new institution -- will be able to serve those needs.

On the second side, I need go no further than Dayton, in my own Township of South Brunswick, where there is a Heritage Branch directly across the street from a Midlantic Branch. Last year, Heritage acquired Midlantic. Before that acquisition, I could walk in

the two bank branches in my neighborhood and get two rates for car loans.

SENATOR LESNIAK: That's news to Bob Van Buren -- that Midlantic acquired Heritage.

MR. OBER: I'm sorry. If I reverse that-- I apologize.
(laughter)

SENATOR LESNIAK: Somebody ought to tell him.

SENATOR O'CONNOR: A Freudian slip. (laughter)

MR. OBER: Absolutely.

SENATOR LESNIAK: I'm sorry. Go ahead.

MR. OBER: No, sir. That's correct. Thank you. But before, I could get two rates on my IRA, or two rates on car loans. Now there's one. I don't know what plans they have for that branch in the future. They may sell it; they may close it. But, there is certainly one less choice within reasonable driving distance in my township.

SENATOR CARDINALE: That's my whole point. It is that I can accept the fact that those kinds of situations have occurred. What is the puzzle to me is why, in a free market, people, if there is a need of the business people -- and we have other business people in the State -- why they are not filling that need? I suspect that part of the reason -- part of the impetus -- behind these mergers is to create economies in operation which ultimately would have to re-down to the public benefit, because it would seem that the larger institution, perhaps, is in a better competitive position and can do more for the public, and thereby attract the business.

MR. OBER: Let me speak to the latter first. There are no economies of scale in banking. The most profitable institutions, as I believe the Commissioner of Banking said, are the ones of \$100 million. The big-money center banks in New York earn half of the profit margin on their assets as First Fidelity, or United Jersey, or Midlantic, or any of the medium-sized banks. So, there are not going to be trickle-down benefits in terms of higher interest rates on deposits and lower interest rates on loans by a large number of acquisitions.

As to the second point, as to why doesn't somebody come in in a free-market economy, with respect to anything above what a brand-new bank opening door can offer -- cash management services, letters of credit, large business loans -- that new bank cannot come in. And, the question you should properly ask: Well, why doesn't United Jersey move in there? The answer would be that there are certain economies in the upper tier of marketing when you're trying to market a statewide program. Some of the smaller banks like Montgomery National, which is here today, have a market area that they can handle very effectively with local advertising. If you want to go on television to reach the executives of Johnson & Johnson or Campbell Soup -- something like that -- that is an enormous expense, and you don't very often exercise that kind of expense when someone already has more than half of the marketplace, because you're banging your head against the wall.

SENATOR CARDINALE: You just raised one other question, and then I'm going to-- I won't even make it as a question. I don't want to prolong the hearing. But, I would have to observe that I find really difficult to believe -- and I have no reason to doubt what you said about the statistics -- that First Fidelity and Midlantic are asking essentially for the authority to become larger so that they can make less money. I find that is a difficult concept to accept.

SENATOR LESNIAK: It may be less of a margin. It may be less of a margin.

MR. OBER: Less of a margin. More gross profits -- no question about that.

SENATOR CARDINALE: If that were really true, we should have lots of people wanting to open smaller institutions and have that market.

SENATOR LESNIAK: May I just ask one question? Does the Lesniak bill come within Volker's parameters? Didn't you testify to that?

MR. OBER: My calculations -- and I recognize that different people will differ as to statistics -- if applied to the commercial banking assets--

SENATOR LESNIAK: No, Volker didn't make a distinction between commercial banking assets and savings banks. He said, "Banking assets."

MR. OBER: Well, maybe I misread the implication of his speech. He said-- In the first part, he said, "A cap on banking assets," parens, "(or depository institution assets)."

SENATOR LESNIAK: Okay.

MR. OBER: And, if there is a difference between banking assets and depository institution assets, and if you have both, I assume he meant there to be some difference. I would have to read banking assets as the assets of institutions chartered as banks, and depository institution assets as including thrifts and perhaps even credit unions. Then he goes down in the paragraph and he says, "Fifteen or twenty percent of banking assets." Therefore, I would not interpret that as including all depository institution assets.

SENATOR LESNIAK: Well, it appeared to me like he, in the first part of his statement, meant to include both, and that's why he mentioned both.

MR. OBER: It was "or," not "and."

SENATOR LESNIAK: I don't think-- Yeah, and I don't think Chairman Volker is someone who speaks without being specific. Anyway, it would appear to me that his statement about banking assets, especially since banking assets -- at least on the Federal level -- are the deregulation of banking, really has clouded many of the distinctions. It would appear to me-- I would interpret his statement to include all banking assets, and have interpreted his statement to include that. I think, quite frankly, my bill fits well within Chairman Volker's parameters.

MR. OBER: There's a copy of the full statement in the attachments, and everybody can read it their own way.

SENATOR LESNIAK: Fine. I'm sure they will. Thank you very much.

MR. OBER: Yes, sir.

SENATOR O'CONNOR: Can I ask a question? Mr. Ober, you said that a reduction in the choices of banks and the number of banks that

would be available, which would result from the Lesniak bill, would not be in the interest—

MR. OBER: It might result.

SENATOR O'CONNOR: I beg your pardon?

MR. OBER: It might result.

SENATOR O'CONNOR: Okay, might result. It rather would not be in the interest of the consumer or the businessman or different levels of government. Robert Van Buren, I believe it was, when he testified, said that the Fortune 500 companies don't have a Jersey bank that can handle their business because of the size of their needs. How do you address that point?

MR. OBER: Well, Mr. Van Buren's bank has relationships, as do we, with many of the Fortune 500 companies. I believe he said that they were not the principal bank, or no Fortune 500 company in the State has as its principal bank, one of the New Jersey banks.

The New York banks run from \$150 billion. We have \$95 billion in this State. To the extent that a Fortune 500 company needs to raise a very large loan, or have a major international transaction, those large institutions -- the five to eight largest money center banks -- have for the last 40 years been the lead bank in those operations. And, if First Fidelity were to reach the position where it had 100% of the State's assets, then it might hope to be the lead bank. We saw the example of that in the Meadowlands, where it took all of the New Jersey banks to bale out a situation where one or two of the New York banks took a walk. It rumored Governor Rockefeller's point.

But, to go from 10 billion to 20 billion, or to 30 billion, I think it is unduly optimistic to believe that Newark or Trenton or any city in the State will become a quote, "money center," that will be the lead bank in those Fortune 500 type loan participations, a large portion of which often comes back to this State in any event. We get nice parts; we get payroll. We all have innumerable transactions with the five, six, seven, eight -- depending on how you define it -- money center banks in this country, which are located in New York, in California. There used to be a couple in Chicago, but they got in big financial trouble. And I believe that Mellon in Pittsburgh claims that title for themselves.

SENATOR O'CONNOR: Okay.

SENATOR LESNIAK: By the way, the only time you slighted the chair was when you gave full credit to First Fidelity and Midlantic for passing the bills without a public hearing. I think the sponsor has to take some credit for that.

MR. OBER: Oh, I apologize. That was my implication. The Chairman is holding public hearings, so I certainly wouldn't--

SENATOR LESNIAK: No, no, no. I would accept the charge that I had a little bit to do with railroading those bills through.
(laughter)

MR. OBER: I didn't use that word.

SENATOR LESNIAK: Okay, thank you very much.

MR. OBER: Yes, sir.

SENATOR LESNIAK: We'll now hear from Richard Schaub of First Fidelity Bancorp.

RICHARD F. SCHAUB: Thank you, Mr. Chairman and members of the Committee. I very much appreciate the opportunity to appear here today. My name is Richard F. Schaub. I am Chairman and Chief Executive Officer of First Fidelity Bank, N.A., West Jersey, an affiliate of First Fidelity Bancorporation. I also serve on the Executive Management Council of the parent company.

From 1970 through 1976, a period of six years, I was First Deputy Commissioner, and then Commissioner of the New Jersey Department of Banking, and I served in both the Cahill and Byrne cabinets.

The main focus of the debate on banking in New Jersey today is on the Cap Law, which imposes limits on the size to which a New Jersey bank-holding company may grow through the process of merger or acquisition. There is little serious dissent on the need for the enactment of the regional interstate banking legislation which is proposed, but I will have a few comments to make on that, as well. I do not believe there is serious opposition either to the Commissioner's oversight regulatory authority.

The real issue is the Cap Law, and while I will address myself to that specifically in just a moment, I would like to first comment on a related question. The question is this: If we all agree

that regional interstate banking is important to New Jersey, why not consider that bill separately? Why should these bills be tied together, especially the bill dealing with caps -- Senate Bill 1466, Senator Lesniak's bill -- and the bill which would allow New Jersey bank-holding companies to engage in merger combinations in those states which reciprocally offer the same privileges under a regional company -- S-1467?

When you analyze the issues covered in the two bills, I believe the answer is crystal clear. New Jersey's Cap Law and the subject of interstate banking are entwined so deeply as to make them inseparable.

The Cap Law which is proposed in S-1466, or for that matter, the limit specified in the Cap Law which is on New Jersey's books today, has a potential impact on New Jersey's largest bank-holding companies, which will have adverse and unjust consequences for them when interstate banking arrives, if, indeed, it is not already here. The Cap Law -- any cap law -- in effect, says the following: That the leading New Jersey banks are prohibited in their own State from making mergers or acquisitions which other banking companies from other states -- companies which may be four or five times as large as our top New Jersey banking companies -- will be free to come into New Jersey and accomplish under interstate banking the acquisitions that our own banks are prohibited from making. Without restriction, they will be able to make those mergers that we are prohibited from making.

It strikes me as making no sense at all to so restrict only our banks in a way that is not only inherently unjust, but also would leave our banks in a weaker condition than they would otherwise be if left to grow without the artificial restraints applied by their own State government.

Given this obvious degree of relationship between the Cap Law and interstate banking, I sincerely feel that the two issues must be taken up together, as you are now doing.

Taking up the Cap Law subject more specifically, I would like to emphasize that my own very strong belief is that the right solution for New Jersey is that there be no Cap Law whatsoever. It is, to say

the very least, strange that we are debating the Cap Law subject here in New Jersey, knowing that we are the only major industrial state in America to have such a law on its books. None of the other 10 states with banking deposit caps are in New Jersey's class as well-developed centers of commerce, industry, and population.

In the other 39 states, there is apparently a clear understanding of the principle that it is harmful to a state's economic health for state government to interfere with the process of competition in free markets. But, the fact is that we do have a Cap Law on our books now, and it is apparently politically impossible to have caps removed from New Jersey's law altogether. For that reason, I am here to support the next best thing, which is a reasonable compromise as set forth in Senate 1466.

You may wonder at the vehemence with which our bank company opponents on this issue have attacked the compromise contained in S-1466. I think it is worth looking at what really has taken place in the banking industry in New Jersey. After the Bank Holding Company Act went into effect in 1968, and after the district restrictions were removed in 1973, New Jersey's banks were faced with decisions about growth and development. Each bank had to decide how intensely it would seek to grow through merger in a holding company structure or, indeed, whether to see that kind of growth at all.

Two banking companies more than any other -- one of them known then as First National State and today as First Fidelity, and the other the Midlantic Banks organization -- saw their future and that of their shareholders and customers as being best-served by a program of aggressive growth, much of it through the merger and acquisition process. Both of these organizations understood also that this was the path that would best serve New Jersey's interests. New Jersey needed then, as it needs today, banks that are big enough and strong enough to serve the expanding needs of the very large corporate organizations doing business in New Jersey. It was either that, or leave the field to banking giants from other states which just happened to be only one river away.

I had occasion only a few days ago to remind a Committee of your colleagues in the Assembly that such a surrender to superior banking power from the outside could have nasty consequences for New Jersey. Any who might have doubted that proposition a dozen years ago got a rude awakening when our State almost failed to realize its dream of a great sports complex in the Meadowlands because bigger-monied interests in New York decided to try to pull the financial rug out from under New Jersey. We had a close call then, but New Jersey's banks — principally First Fidelity, Midlantic, and the former Fidelity Union, now merged into First Fidelity, New Jersey's insurance companies, and the second-tier banks in New Jersey — had just enough financial muscle — just enough -- to turn the tide in New Jersey's favor at that crucial moment.

In the meantime, each of New Jersey's other banks had to chart its own course. Some chose to concentrate on a small segment of the banking market, and to remain smaller, relatively speaking. Many banks which chose this route prospered greatly, just as many well-run smaller banks today are able to prosper and enjoy modest growth. Competition for leadership in size is not for everyone.

Still, other banks fell somewhere in-between. They were unwilling or unable to compete aggressively with the two foremost organizations for leadership in New Jersey. Nevertheless, for the most part, they did relatively well, growing through occasional merger and, as in the case of the two leaders, through internal growth. Still, they had left the real leadership in the banking industry in this State to those who had done the best job of competing for it.

Then, by a stroke of what they must have regarded as very good fortune, they discovered the Cap Law. They apparently hoped that the Cap Law might do for them what they had not been able to do for themselves. They could use the law to hold back their competitors while they, having fallen behind First Fidelity and Midlantic, might catch up with the leaders, free of any competition from the front runners. The Cap Law, they apparently hoped, would ensure that First Fidelity and Midlantic would not be around to bid against them when they got around to making their own more intense effort to get back in

the quest for leadership. First Fidelity and Midlantic could be kept on the sideline in any such bidding. Then the second-tier banks would be able to pay less to the shareholders of those smaller banks for which they would be bidding. Never mind that it might not be in New Jersey's overall economic interest, given the looming imminence of interstate banking. Never mind that the shareholders of smaller New Jersey banks might not receive the full value for their shares that they could obtain if all players, First Fidelity and Midlantic included, were in the contest. The Cap Law, at least, would serve the immediate, more narrow interest of those second-tier banks.

The second-tier group faced some problems, however. First, there was the clearly drawn, specifically worded exception to the existing Cap Law, known as Section 347. It expressly exempted bank-to-bank mergers from the Cap Law limits. The second-tier group expressed great pain over that, and attacked it in court, so far without success. Then they saw that compromise, as it is contained in S-1466, was a compromise which would not keep the two leading bank companies strictly on the sidelines. They couldn't allow that, so they came in with their own so-called compromise -- a compromise which, in our view, is no compromise at all.

Their apparent idea of a compromise is one which takes First Fidelity and, in the near future, Midlantic, out of the picture and keeps them out. Is that what New Jersey wants for those of its banks which have shown the most in economic leadership for our State? Does New Jersey really want to shackle the two banking organizations which have been out front in the efforts to ensure the greatness of our State? They have done so through commitment to lending to government at all levels in New Jersey, through their respective extensive programs of lending to individuals and business in our State, through their willingness to be found in the forefront in such places as The Meadowlands or Atlantic City, through the provision of services to government, through volunteer leadership in untold civic or public organizations, and by many other means.

It has been argued by those same opponents of S-1466 that as the banking industry grows, and the deposit base grows with it, the

dollar amounts to which First Fidelity and Midlantic can grow will increase correspondingly. Because of that factor, they contend, caps beginning with 11 or 11.5% the first year are sufficient to provide both those organizations with room to grow. That contention, however, fails to completely take into account that while the industry grows, First Fidelity and Midlantic will grow with it. If our growth is at the same rate as the industry's, then we gain nothing under that theory.

In fact, our recent rate of internal growth has exceeded that of the industry -- First Fidelity -- and if that were to continue, as we believe it most certainly will, then we would not even hold our own against the projected growth formula advanced by our opponents. We would lose ground, a result which I am sure would hardly displease those who oppose us on this. Again, that would not be good for New Jersey.

Beyond that, the figures purporting to show that projected industry growth would create merger growth room for us are not our figures. Those figures come from those who, for the reasons which I pointed out in my comments earlier, would have a self-serving interest in seeing both First Fidelity and Midlantic barred from further mergers or acquisitions in New Jersey.

It is difficult to believe that those who seek to stifle our growth are not fully aware of these facts. I heard Senator Stockman's recent testimony at your Committee meeting, Senator, and as I recall his words during his response to a question, he agreed that under the bill he proposes, a bill which he has tried to describe as a compromise, the percentages of allowable growth would, in fact, have the immediate effect of denying to First Fidelity the opportunity to bid any further on mergers or acquisitions in New Jersey. Midlantic, of course, wouldn't be far behind.

I realize that the positive arguments on the Cap Law bill under consideration here have been publicly discussed at great length, and without restating them all again, I'd like to finish up by hitting on what I think are some key points.

First, without sufficient size or strength, New Jersey banks could not prevent acquisition by major non-New Jersey banks. That would place outside of New Jersey the control of key banks operating in this State. Crucial financial decisions affecting New Jersey -- its economy, its development, its jobs, and its policies -- would also take place outside the State.

Any change in our State's Cap Law must recognize the extremely profound changes which have occurred in the financial services industry. Savings and loans and savings banks can now provide a whole range of services, such as trust, commercial loans, a variety of consumer loans, and investment services. They could not offer these services to their customers when the Cap Law was enacted.

Some have gone interstate in a big way. We know that Carteret and City Federal, our two larger savings and loan associations, operate on an interstate basis right now. Savings and loans and savings banks clearly are now in the field of competition with commercial banks. As the trend of their further expansion continues, it is imperative to recognize that any caps today are irrelevant to what is going on in the free market nationwide. Accordingly, anything more restrictive than the compromise contained in S-1466 should not be considered.

There has been argument to the effect that uncapped growth of large banks in New Jersey could lead to a loss of jobs in the banking industry. That is a false claim. Size is an important factor in a bank's ability to expand its services. As a bank grows, more services are added, meaning more jobs are needed. Accordingly, the major New Jersey banks have experienced a corresponding expansion of jobs, even during the period of the greatest bank merger activity in our State's history. I would cite this information from the State Department of Labor: "From March, 1980 to March, 1985, a period of intense merger activity, banking jobs in New Jersey rose by 10%. They were at 49,100 as of the most recent report date, up from 44,700 five years ago."

There has been a mistaken idea that the Cap Law issue places the State's largest banks in opposition to its smaller banks. That, as I pointed out earlier, is another false notion. The fact is that the

banks which are trying to prevent a reasonable resolution of the Cap Law problem are themselves very large -- in the multi-billion dollar class.

I urge that the Senate go forward with S-1466 as a reasonable solution to a problem which, if not resolved in a sound and fair way, could be seriously detrimental to New Jersey's future.

I'd like to comment just briefly on the interstate banking legislation, which is also before this Committee. I have more than a passing familiarity with this subject, not only because, as I pointed out, I did serve as Commissioner of Banking for a number of years, but also more recently through having served as Chairman of the New Jersey Bankers Association, and a year later as Chairman of the Association's Task Force on Interstate Banking.

As the Association's Chairman in 1983-84, I had occasion to call the first meeting of leading bankers from the states which, it was then thought, would make up the interstate region in which New Jersey would be included. The actual outline of that region, as it is now contemplated, would be along the same general lines that we anticipated then, although there are a couple of differences.

At any rate, I think that experience provided me with a special consciousness of interstate banking and the issues associated with it.

First Fidelity, as a matter of fact, is not only in favor of this bill to enable interstate banking to proceed within the region, but as in the case of our view on the Cap Law, we really believe that there should be no interstate restrictions whatsoever.

We believe that where the business of banking is concerned, the free markets should be allowed to operate, and that commerce should not be restricted by artificial geographic barriers.

SENATOR LESNIAK: Excuse me. Wouldn't you think that when we go from a regulatory type of framework to a non-regulatory type of framework, there should be a transition period in many cases, and that this interstate banking proposal that we have before us is kind of really that transition period, and that maybe later on, we'll look at what you're proposing in terms of--

MR. SCHAUB: Well, I'm not proposing nationwide interstate from day one.

SENATOR LESNIAK: Well, okay. That's what it sounds like.

MR. SCHAUB: No, no, no. We were a part -- we, First Fidelity -- and I personally was a part of hammering out, again, a compromised regional reciprocal interstate banking bill. And, we do support that 100%. Our real wish would be -- as is the wish of many small banks in this State-- They'd just as soon open up right now because, Senator, they (inaudible). Those small banks who in 1970 through '73, when we were talking about dropping all barriers to free movement by banks within New Jersey, said, "Big banks will come in" -- and, I think I heard this very same statement uttered today with respect to size of banks and reasonable reciprocal interstate -- "Big banks will come in. They will cut loan rates. They will raise rates on time deposits, on savings accounts, and they will drive us out of business." That has not happened because the worst fears of the small banks in this State were never realized.

They found that they could carve out a niche. Community banks, regional holding companies -- statewide holding companies -- could all operate in the same marketplace, and the smaller banks have found that they can operate, in many instances, more profitably than the larger banks. So, big bank competition doesn't frighten them one little bit. It is this second-tier of multi-billion dollar holding companies that seem to be uttering these false concerns at this point.

SENATOR LESNIAK: The only point I'm trying to make is that we really have to take these steps in a step-by-step--

MR. SCHAUB: I agree.

SENATOR LESNIAK: ---manner.

MR. SCHAUB: I agree, which we did in our own State. We phased out home office protection and branch office protection over about a four-year period on a population basis.

SENATOR LESNIAK: Okay, I'm sorry for the interruption.

MR. SCHAUB: But, we believe that where the business of banking is concerned, I said, the free markets should be allowed to operate, and that commerce should not be restricted by artificial

geographic barriers, just as free markets operate without artificial boundaries in virtually every other line of business. The state borders behind which New Jersey's banks, and those of many other states, have had to remain in order to do business are, after all, nothing but artificial lines when it comes to commerce.

It was not very long ago, as I pointed out, that we had similar artificial barriers at the county line level to restrict banking activity here in New Jersey. Later we had the three districts, and we got rid of all that.

Fortunately, we in New Jersey, and I mean the banking and financial community, and I include everyone -- the thrifts, as well as commercial bankers, and thank goodness, our Legislature -- along the way had the insights needed to understand that such restrictive lines do no more than protect inefficient or poorly managed banks from the competition which should at all times be present in a free market situation.

We understood also that by providing some of our banks with the kind of protection from competition that no other free market business would expect, we were hurting the consumer, who was denied the benefits of competition for his or her business. Moreover, we were retarding business and economic development generally.

And, in the years since we did away with those unneeded barriers within our own State, New Jersey has shown overall growth and new economic strength that surpasses anything in the history of our own State. We believe that these same principles apply on an interstate level. That is why we are prepared for a full-scale interstate banking competitive climate tomorrow, if it comes. We're ready to compete, and we're ready now, but we know that that's not attainable, and we do feel that the regional reciprocal interstate approach to this is the best approach.

So, for reasons which I outlined earlier, this issue and that of the Cap Law are wrapped around each other. Both should be dealt with now as quickly and as reasonably as possible, along with the creations of authority for the Commissioner in the holding company area. We should get on with all of it just as called for in the

companion Senate bills, 1466, 67, and 68. Our State and its people will be the beneficiaries.

Thank you.

SENATOR LESNIAK: Senator O'Connor?

SENATOR O'CONNOR: Thank you, Mr. Chairman. Mr. Schaub, the Assembly last week, as I understand it, had some difficulty with the tying of the interstate and oversight bills to a particular cap law. Given what happened in the Assembly Committee-- Well, first of all, what's your opinion with respect to the need for interstate and oversight, apart from any cap bill?

MR. SCHAUB: The need for them?

SENATOR O'CONNOR: Yes.

MR. SCHAUB: I think the Commissioner ought to have the authority to review to ensure the safe and sound operation of the holding companies doing business in the State, and I think the industry, in general, agrees with that concept -- that she should have the authority granted in this reciprocal holding company oversight.

SENATOR O'CONNOR: Given some of the concern that has been expressed by this Committee, and given the action of the Assembly Committee last week, doesn't that speak in some way to the wisdom of having an interstate and oversight -- or having interstate and oversight bills untied to any particular formula?

MR. SCHAUB: No, I don't think so. I think that would be a serious mistake. They didn't untie them.

SENATOR LESNIAK: Can we have for the record what the actual action of the Assembly Committee was? Dale?

MR. DAVIS: My understanding is that the Assembly Committee released the cap bill and held the interstate and the oversight bill for a public hearing.

SENATOR LESNIAK: They didn't amend?

MR. DAVIS: They did not amend either bill -- any of the bills.

MR. SCHAUB: The Assembly version of your bill was released.

SENATOR O'CONNOR: How would you comment what was stated here earlier by Mr. Richard Ober to the effect that under the Stockman bill

-- under the cap formulas that are proposed in that bill -- that First Fidelity and Midlantic would be able to acquire all of the second-tier banks?

MR. SCHAUB: Well, I don't know what numbers they are using, nor the dates of those numbers, but our simple arithmetic of their numbers now -- they're not ours-- Our simple arithmetic says that we're out of business -- day one. And I believe Senator Stockman admitted that; I believe you asked him the question, sir. Someone did. Maybe you did, Senator Lesniak. We're out of business from day one.

Our internal growth, if we merely keep up with the rate of growth of the industry in New Jersey as a whole, gradually puts us out of-- It gives us no room to grow at all and, in fact, as I pointed out in my testimony, we in the past few years have grown at a greater rate than the industry -- percentage rate in the industry as a whole. So, whatever growth we would be allowed will be shrinking over the year.

SENATOR O'CONNOR: I take it that you disagree with his statement also that given projected rates of the growth of the banking industry, based upon the last four years' experience, that you would be able to grow by, I think you used a 13.5% cap.

MR. SCHAUB: They are his numbers; they are not mine. Our arithmetic based on their numbers is in sharp disagreement with his assessment of what it does.

SENATOR LESNIAK: I would ask then, so is the Commissioner of Banking's opinion that she ventured at our public hearing, as well.

SENATOR O'CONNOR: Yes. That was based on the year of growth, as Mr. Ober said today.

SENATOR LESNIAK: And (inaudible) growth and their deposits, as well. Okay. Senator Cardinale?

SENATOR CARDINALE: I have no questions.

SENATOR LESNIAK: Thank you very much, Mr. Schaub. Assemblyman Bob Singer is here.

ASSEMBLYMAN ROBERT W. SINGER: Thank you, Mr. Chairman. And, I want to thank the Committee for allowing me to say a few brief words to you on this subject.

Certainly, I have absolutely no problem with benefiting legislation to the banking community, but I would ask you to consider one factor when we look for beneficial legislation. We are having a very difficult time on the local levels throughout the State of banks cashing Social Security checks and welfare checks of people who do not have accounts in those banks. That issue is--

SENATOR LESNIAK: Excuse me. How is this relevant to the bills before the Committee?

ASSEMBLYMAN SINGER: Well, I was hoping that possibly as you're passing legislation that is benefiting banking, you might tab something on that might help us.

SENATOR LESNIAK: I would suggest that you introduce your own legislation and advance it through the Legislature because these bills deal with interstate banking, the Commissioner's regulatory power over banks, and the size that any particular bank can have in the marketplace. Quite frankly, the issues that you are raising are irrelevant to the bills that are before this Committee.

ASSEMBLYMAN SINGER: I understand that, Mr. Chairman. I was just hoping that you might consider something to those bills. I realize that I can pass legislation and start the process, but I was hoping through the fact that these bills are in the process of a beneficial nature that you might, in a few simple words, solve a very dire needed problem that is facing many, many people throughout the State.

SENATOR LESNIAK: Thank you, Assemblyman.

ASSEMBLYMAN SINGER: Just a point.

SENATOR LESNIAK: Thank you, Assemblyman.

ASSEMBLYMAN SINGER: I thank you, Mr. Chairman.

SENATOR LESNIAK: Michael J. Schneiderman, Vice President of the Montgomery National Bank?

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SENATOR CARDINALE: Before the next witness, you know, it seems to me that the issue that the Assemblyman was addressing is an issue that has been raised in a good deal of the testimony already, even though it has been raised in a sort of tangential way. The question of whether you are still going to have small institutions which are serving an individual community, or not have those kinds of institutions as a result of the cap bill and the other measures, is certainly a valid one. You may recall that on the floor, an issue which was perhaps equally tangential, but really tangential--

SENATOR LESNIAK: I totally agree. I absolutely agree.

SENATOR CARDINALE: --really touches on the subjects of these bills. Frankly, I think that perhaps as the sponsor, you might want to consider this, and I'm making it as a suggestion, and not as anything else. You might want to consider the Assemblyman's testimony and give it some weight.

SENATOR LESNIAK: Senator, either Assemblyman Singer, or you, or any other Senator or any other Assemblyman, are certainly free -- as you well know -- to tack any amendments onto these bills, or introduce your own bills. I just happen to think, quite frankly, that those issues, especially the issue of check cashing, is one that is totally relevant to the bills before us today. The smallest of banks have the most restrictive policies in terms of turning over checks as well; so, I mean, that may be an issue that this Committee should address. But certainly, I don't see that we should clutter up our record that we have on these bills.

SENATOR CARDINALE: I'll take your suggestion, Senator, especially seeing what the past history is of attempting to introduce amendments that are not favored by a sponsor, particularly when that sponsor is Chairman of a Committee.

SENATOR LESNIAK: Well, Senator--

SENATOR CARDINALE: But I would be happy to work with you.

SENATOR LESNIAK: Senator, you're probably talking about the former Chairman. (laughter)

SENATOR CARDINALE: I'm not speaking of any particular Chairman. We'll work with you on it.

SENATOR LESNIAK: Okay, thank you. Mr. Schneiderman?

MICHAEL W. SCHNEIDERMAN: Thank you. Chairman Lesniak, Vice Chairman Jackman, members of the Committee: My name is Michael Schneiderman. I'm Vice President of the Montgomery National Bank, headquartered in Montgomery Township, Somerset County. Montgomery National Bank has assets of approximately \$55 million.

We're not number one in size in the State, but we do like to think that we're number one with our customers.

The Montgomery National Bank is just one of the many community banks that form the backbone of New Jersey's vibrant and competitive banking system.

Actually, it's because of my strong support for maintaining a competitive banking system in our State that I come before you.

I've been following the debate on the cap issue over the past few months. I'm concerned that with the lure of interstate banking, the Legislature may have lost sight of the important role that the 20% cap has played in protecting New Jersey banking consumers. As you know, when statewide bank-holding companies were authorized by the New Jersey Legislature in 1969, the Legislature included a 20% cap provision in the law to prevent the dominance of New Jersey's banking system by one or two giants. Now that the State's largest bank has reached this limit, it is seeking to change the rules.

I believe that this rule change would not be in the best interest of the consumers and businesses of our State. I believe that the Legislature acted wisely in assuring that no one or two financial institutions would achieve such a concentration of economic power to effectively monopolize the banking business in this State.

I ask, would you, as a consumer, want to have only one or two choices as you shop for the best interest rate on a money market account? As a small business person, would you want to be forced to borrow at a higher rate because there weren't any alternatives?

Such scenarios could develop if the Legislature passes S-1466, which will phase out the cap over three and a half years. I urge this Committee to thoroughly study the consequences of such a move before it votes on the cap issue.

Related to the cap issue, I'd like to point out that Paul A. Volker, Chairman of the Federal Reserve System, in testimony on the issue of interstate banking, suggested that, "To forestall any substantial risk of excessive concentration," the Federal government may "permit, or even encourage, states to set limitations on the proportion of banking assets within their own borders that could be acquired through acquisitions or mergers of significant size."

Chairman Volker offers sound advice. So I ask, why is New Jersey considering a bill that would lift limitations in three and a half years? Please, don't be shortsighted in viewing the cap. Consider the importance of retaining a cap as we test the interstate banking waters over the next few years.

Now I'd like to address another issue to set the record straight. I understand that Bob Van Buren, Chairman of Midlantic Banks, made a statement before this Committee on January 30, that the small banks favor the higher cap limit of S-1466. His argument was that with the two big companies in the market, small bank shareholders would benefit.

First of all, I'm in the business to provide my customers with banking services. I'm not in the business of being acquired, or acquiring others.

Second, First Fidelity and Midlantic have grown big through the purchase of mid-sized banks, not the small banks. So the cap has had, and will have, little impact on the market for acquisition of banks our size. Most of the activity has come from mid-sized banks, whose numbers will be reduced if the

higher cap limits are enacted. So, one could argue that S-1466 and S-1444 would be harmful to small bank shareholders.

Finally, Mr. Van Buren's statement is an indication of the fixation of the large banks on growth through acquisitions. This aggressive campaign to gain greater concentration of the State's banking businesses through acquisitions concerns me. In trying to meet the short-term goals of the State's two largest institutions, S-1466 will leave New Jersey's banking system vulnerable to dominance by foreign banks in the future. This fact should not be treated lightly.

Cap limitations are needed in New Jersey. If the Legislature believes that the cap limit should be raised, then I would urge this Committee to support S-1444, since it allows for a gradual increase in the cap -- 10.5% first year, 11% second year, 12% third year -- and then maintains the cap until such time as the Legislature acts to adjust it at a future date.

Thank you.

SENATOR LESNIAK: Senator O'Connor?

SENATOR O'CONNOR: No questions.

SENATOR LESNIAK: Senator Cardinale?

SENATOR CARDINALE: You are a single branch thing?

MR. SCHNEIDERMAN: Yes, sir.

SENATOR CARDINALE: One physical location?

MR. SCHNEIDERMAN: No, sir. We presently have two locations, and will be putting up a third location on Route 206 in Hillsborough in the next few weeks.

SENATOR CARDINALE: Do you pay your depositors on a competitive basis with respect to rates that other banks charge -- large banks charge?

MR. SCHNEIDERMAN: I think we're better than that. We sit down with the customer-- I think we're better than competitive than the other area banks.

SENATOR CARDINALE: Do you pay higher rates of interest than are generally available?

MR. SCHNEIDERMAN: I say we pay competitive interest rates. We pay competitive rates, but we offer service to the consumers.

SENATOR CARDINALE: In terms of what you charge for loans--

MR. SCHNEIDERMAN: Yes, sir?

SENATOR CARDINALE: --do you charge more for your loans, or less for your loans than a large holding company?

MR. SCHNEIDERMAN: I believe, in some instances, we charge competitive or less in certain areas, depending on the type of loan it may be.

SENATOR CARDINALE: You indicated a general feeling throughout your statement that somehow this threatens your continued existence, but you actually say in your statement that -- and other institutions like yourself-- But you actually say that, really, the activities of First Fidelity and Midlantic, in acquiring all these banks, have really had no effect on you because your size institution is not the target. That causes me to wonder why you're here. If this is something that really does not affect you, what is the real purpose behind your concern?

MR. SCHNEIDERMAN: My concern is to let the Committee know exactly what we feel. We don't want a small bank, or banks, around this community bank, to be ultimately, at a later date, absorbed, be acquired. That is my main purpose for being here.

SENATOR CARDINALE: So, you have a fear that they will acquire--

MR. SCHNEIDERMAN: At a later date. We have consumers who have always come to us-- When we had our first branch-- We opened our first branch office in Hopewell some months back, and the first question when consumers came in to us was, "When are you going to be acquired?" That was the first thing. Now, when we opened our second one, the same question. More consumers are coming in and asking the same thing.

SENATOR CARDINALE: It doesn't seem, though-- You have been able to grow serving communities which are relatively small communities, and you are a relatively small institution. Yet, you have been able to find a niche in the marketplace that has enabled you to continue to prosper and, obviously, to serve your consumers very well, despite the fact that you are surrounded by all of these multi-billion dollar giants. Why do some changes in the way the multi-billion dollar giants operate-- Why does that seem to you to be a threat? You have always had them out there.

MR. SCHNEIDERMAN: Yes, sir.

SENATOR CARDINALE: And certainly the change in relationship is not really dramatic as far as you are concerned. If Midlantic was twice its present size, what difference would that make to you?

MR. SCHNEIDERMAN: We're looking down the future. The way we have grown, our community, I believe later on down the road, will change.

SENATOR CARDINALE: So you feel that when you get to be a mid-size bank, you might be a takeover--

MR. SCHNEIDERMAN: We would be up there, correct, because over the past nine years, we grew to where we are today.

SENATOR CARDINALE: But don't you think someone -- in terms of the public interest -- would come along, once you become a mid-size bank, and you are not operating as the small community bank any longer because those methodologies have to change as you get bigger-- Don't you think someone else will come along and fill the niche in the marketplace that you're leaving?

MR. SCHNEIDERMAN: I can't answer that at this point in time.

SENATOR CARDINALE: Well, you did it.

MR. SCHNEIDERMAN: Yes, I did it, but that's not, you know--

SENATOR LESNIAK: Excuse me, Senator. I just have a question along the same lines. Basically you're saying that

the First Fidelities of the world really aren't interested in you.

MR. SCHNEIDERMAN: Correct, sir. At this point, they are not.

SENATOR LESNIAK: But the United Jersey Banks of the world may be, and you could be just as easily acquired by the United Jersey Banks as anyone else under the current law. Is that correct?

MR. SCHNEIDERMAN: That's correct.

SENATOR LESNIAK: Do you have stockholders?

MR. SCHNEIDERMAN: Yes, we do.

SENATOR LESNIAK: You say you are not interested in acquisition, you're interested in providing services. Aren't you interested in making a profit, too?

MR. SCHNEIDERMAN: We do make a profit, as well.

SENATOR LESNIAK: Okay. If you could make a profit by being acquired by United Jersey Banks, or a mid-size bank, wouldn't that be a consideration of your stockholders?

MR. SCHNEIDERMAN: Yes; however, I think our identity will change at that point, too, to our consumers, because there aren't-- I don't know the exact figure, but the community banks -- there are very few at this point.

SENATOR LESNIAK: Who do you feel that your obligation is to, your consumers or your stockholders -- your legal obligation?

MR. SCHNEIDERMAN: Our legal obligation? I think my stockholders first, and my consumers, in that priority.

SENATOR LESNIAK: Okay, thank you. Marlen Dooley, New Jersey Public Interest Research Group.

MARLEN DOOLEY: My name is Marlen Dooley. I am a Consumer Advocate and attorney with the New Jersey Public Interest Research Group. I thought I would make a few comments from the second page of my statement first because we are suggesting that some consumer protection amendments be attached to the interstate banking bill: a basic consumer checking account; a

Truth in Depository Information Act; an Expedited Funds Availability Act; and, a Community Reinvestment Act.

So, since the comments that Senator Lesniak made earlier, I thought I would just say that, we think it is important that while the Legislature is considering restructuring the banking system, it also include safeguards for the consumer. New Jersey PIRG is neither supporting or opposing interstate banking. We want to point out that there are problems that exist for the low-income consumer, and that they will continue to grow unless action is taken. With interstate banking, the service may get more complex and removed from the consumer as banks are less localized. In addition, the banking industry has taken no action to alleviate the problems which I will allude to in a few minutes.

We think it is important that the ground rules for banks doing business in New Jersey be set, and that other states, such as Illinois, have recognized that there are problems facing low-income consumers and have implemented legislation. Illinois introduced four amendments to their interstate banking bill, which included a life line bank account, check hold, uniform check hold policies, truth in depositing, and community reinvestment enhancement.

So, with that said, if I can just take a few minutes--

SENATOR LESNIAK: Take as much time as you want. You're not another legislator, so you have the right to suggest amendments to my bill.

MS. DOOLEY: Okay. I won't read the entire testimony; I'll just give some background for why--

SENATOR CARDINALE: They may have representation in your district, but he's from somewhere else. (laughter)

MS. DOOLEY: Okay. I am just going to give some background on how we reached our position, and then highlight the amendments that we are suggesting.

In 1982, the Federal government began lifting the interest rate ceilings on the amount that banks could pay depositors. This action was taken to allow banks to be

competitive with other investment markets. Following deregulation, we have seen a tremendous escalation of basic bank service fees. According to a Wall Street Journal article, between 1978 and '82, bank service charges more than doubled to 10.8 billion, from 4.9 billion. The House Banking Committee also estimated that between 1979 and 1983, costs of basic banking services for the average U.S. household jumped 104%.

Fees for excessive withdrawals from savings accounts, for maintaining a small savings account, for cashing government checks, using live tellers, and for using automatic tellers are common. Large account holders obviously do not have trouble fulfilling minimum balance requirements. In addition, these customers are sometimes preferred, and often receive banking packages that exclude service charges. It is the moderate- and low-income consumer who is harmed by these increased charges. According to Federal Reserve Board data, 40% of all Americans have less than \$1000 in financial assets of any type. Another 20% have \$1000 to \$5000 in financial assets. Not only do these consumers not reap the benefits of high interest accounts, but they may not be able to acquire essential banking services because they can't afford the fees.

New Jersey PIRG is concerned that the moderate- and low-income consumer is being pushed out of the banking market. Again, data from the Federal Reserve Board shows that the number of families without checking accounts is greatly rising. In 1977, 44% of the poorest American families did not have checking accounts. In 1983, 56% did not have checking accounts.

Houston's Med Center Bank provides a good illustration of how many banks are de-marketing consumers. Houston Med increased its fees and chased away 8000 to 12,000 customers. At the same time, the bank doubled its deposits by pursuing the wealthy. Average depositors at the Med maintain a balance of \$30,000.

It should be noted that there is a wide disparity of fees among banks. This calls into question the relation of the

fee to the service. Philadelphia's Mellon Bank East charges \$30 for each bounced check, while others charge only \$10 to \$15. New York State, in 1982, asked banks to submit data on the actual cost of processing a bounced check. The banks could only justify \$5 to \$6 an item, and the state then set a maximum fee of \$7.

New Jersey PIRG, through its Consumer Action Center, recently performed a study of 67 banks' check fees. They were banks and savings and loans in New Jersey. That study also showed a wide disparity between fees at banks. That is attached to the copies of my testimony.

SENATOR LESNIAK: Isn't that good? Doesn't that show that the marketplace is working?

MS. DOOLEY: Well, it might suggest--

SENATOR LESNIAK: That competition exists?

MS. DOOLEY: Well, it shows that it exists, but, as we showed in our check hold cite, oftentimes by region there is not that much difference. And oftentimes-- For instance, one of the things we saw was, Newark banks would have high fees, but it is the suburban areas where the fees are lower. So, if you are worried about a low-income consumer, who often doesn't live out in the suburbs, then the problem still exists. If you are worrying about de-marketing, you know, that is where it takes place -- in the low-income areas.

SENATOR LESNIAK: Do you have a breakdown of the fees within Newark?

MS. DOOLEY: We have it by county. It's attached.

SENATOR LESNIAK: Do you have, somewhere, a breakdown in the fees within urban areas?

MS. DOOLEY: We don't have it by urban areas; we have it by county, and then we have it by bank. So you can see by knowing which banks are in Newark, what the fees are.

SENATOR LESNIAK: Well, no. First Fidelity, for instance, is all over the place.

MS. DOOLEY: Right, but we looked at branches. There is a variation between branches.

SENATOR LESNIAK: Well, I mean, Union County has Summit, and Union County has Elizabeth, but I don't think you can combine an analysis that includes Elizabeth and Summit. They are totally different areas.

SENATOR CARDINALE: But, if you had such an analysis, Senator, I think you would have to analyze it for many factors. She is indicating that in suburban areas, the fees tend to be lower. There may be other things that are lower in suburban areas. Wages may be lower. There may be a-- Taxes may be lower.

SENATOR LESNIAK: That's true. I'm just-- My interest is in terms of actually what the facts do show, and I'm not sure that you have -- that we have available to us a breakdown of the fees in Newark. I'm not saying what information you can give me structurally. What are the conclusions from that? What I would like to have, for instance, is a comparison of urban/suburban, just for my own benefit if, at some point in time, you could provide that.

MS. DOOLEY: Yeah, I'm sure we can. This is only the beginning of a study that we started just a couple of weeks ago. So, we are continuing with it, and we certainly can get you that information. If you want to take a look at the study, you know, in the next week, or whatever, and have specific questions, certainly we can meet those.

SENATOR LESNIAK: I think you know my view in terms of these issues which this Committee will consider, you know, at some point in time. I don't believe they ought to be part of these proposals, but you are certainly welcome to raise them.

MS. DOOLEY: Okay. I guess-- Again, we just think that now is the perfect time, and other states have also felt that. Also, we are concerned about the low-income consumer and having safeguards. Since there is no guarantee that interstate banking is going to deal with any of these issues, the problems are going to continue to exist. Now is the perfect time, with the restructuring, for them to be added. We have specific amendments -- suggestions for amendments -- within our

testimony that you can take a look at. We are also developing actual amendments, which we should have by the end of this week. So I don't think it would slow down the process very much. I think it is important to low-income consumers in New Jersey.

SENATOR LESNIAK: Let me ask you one question. Do you have a proposal for a community reinvestment of locally generated deposits?

MS. DOOLEY: Do we have an amendment?

SENATOR LESNIAK: Yes.

MS. DOOLEY: We don't really have an in-depth proposal. We just suggest that something be looked at in that area.

SENATOR LESNIAK: Okay, because I would be concerned, for instance, in what deposits are guarded in affluent areas would be restricted from being used in urban areas, which may have more growth potential now; that anything we did in that area could have a harmful effect. That's my concern in terms of urban development.

MS. DOOLEY: Yeah. Well, we have the same concerns of the Public Advocate. We are going to siphon off funds which, you know, could occur.

SENATOR LESNIAK: That could be siphoned the other way, too.

MS. DOOLEY: Right.

SENATOR LESNIAK: Okay, thank you. Any questions?
(negative response) Thank you very much.

MS. DOOLEY: Thank you.

SENATOR LESNIAK: Now we'll hear from John Walther.

SENATOR JACKMAN: Can't these bums get together?

SENATOR LESNIAK: No. What was that question, Mr. Jackman?

SENATOR JACKMAN: Hey fellows, excuse me. I want to ask a question. You know, we are going to spend a lot of time-- I'm serious when I say this; you may think I'm not. You know, after 20 years down here, I get a little-- Can't you

guys who sit out there, who have a problem you're giving to us -- can't you resolve something and come up with an answer?

SENATOR LESNIAK: Mr. Vice Chairman, there is no one in the chair to answer the question. (meaning chair at witness table)

SENATOR JACKMAN: There's nobody over there?

SENATOR LESNIAK: We'll have John Walther, Chairman of the New Jersey National Corporation. Now you can ask the question, Senator Jackman.

JOHN H. WALTHER: I thought your question was very well taken.

SENATOR JACKMAN: John, let me ask you something. You're a nice guy. I know you; you do a good job. There are a lot of people sitting in this room I know and I respect because of their expertise. But, don't you think that somewhere along the line the guys who've got this so-called serious problem-- Can't they sit down among themselves, you know, like we have to do sometimes, and resolve something that you can compromise, and then come back to us and say, "Here, this is something we think that everybody is more or less agreeable to. It's not 100%." Because I hate to work on something where I have to make a decision. I may have to vote for you, and then maybe have to vote against somebody else. I don't want to do that. You've both got good expertise. Can't you come and give it to us, and say, "Here, fellows, this is what we can work out. I think it will be amenable to everybody"? Is that possible?

MR. WALTHER: Senator Jackman, we have tried to work it out. In a meeting on December 1, 1985, at which Mr. Ferguson and Mr. Van Buren, I believe, and Tom Stanton were present with the Commissioner, there were certain needs that Mr. Ferguson gave at that time which indicated that he needed certain growth levels. We put forth, and indeed the bill introduced by Senator Stockman puts forth those particular growth levels. The numbers that are being tossed around, again, 1% translates into a billion dollars. The change is rather a significant one.

We are trying to put together a compromise, and have been. These are increases to what we have seen as the old 20%, which translates backwards into 10%, if you want to take the entire deposit. Those are rough numbers. So, we have tried to put forth a compromise.

SENATOR JACKMAN: But you haven't been successful?

MR. WALTHER: To date, no, sir.

SENATOR JACKMAN: I'm going to tell you something. You may not like to hear this, or anybody in the room, but how in the hell do you expect us to do it, when you guys have got the expertise? You're asking us, in essence, to guess.

SENATOR LESNIAK: Let me disagree.

SENATOR JACKMAN: You can disagree with me, but I am going to tell you something.

SENATOR LESNIAK: My position is that even if a compromise were to be reached, we are still the legislators. This is still the Banking Committee, and we will make the final decisions, regardless of the compromise.

SENATOR JACKMAN: I wouldn't depend on your expertise on banking, by any stretch of the imagination. (laughter) I am not ashamed to tell you that, no more than you would bank on my expertise. I'm going to get the expertise that is sitting in the room that knows banking. What you and I know about banking, you could put in a thimble.

SENATOR LESNIAK: How about two thimbles?

SENATOR JACKMAN: Two thimbles. I'm serious. I look out here and I'm worried, because when the final decision is going to be made, we may be making the wrong decision. That is what worries me.

SENATOR LESNIAK: No, you won't.

SENATOR JACKMAN: I hope not.

SENATOR O'CONNOR: May I just pick up on what Senator Jackman was saying?

SENATOR LESNIAK: Go right ahead, Senator O'Connor.

SENATOR O'CONNOR: I think-- It strikes me that as the banking community is coming to us-- I support what Chris

is saying, but I think what the banking community, at this point, is saying to us is, "This is almost like a last and best final offer, and you must take either Offer A or Offer B." I have difficulty with that because I happen to think that there still is room for some compromise. If they don't want to do it themselves, I think it is incumbent upon us to come up with some numbers -- if we rely on our expertise -- that both sides can live with.

SENATOR JACKMAN: Okay.

SENATOR LESNIAK: There are still public policy decisions to be made, regardless of the numbers.

SENATOR JACKMAN: I agree.

SENATOR LESNIAK: And those public policy decisions are our decisions.

SENATOR JACKMAN: Okay, thank you.

MR. WALTHER: Chairman Lesniak, my name is John Walther. I am Chairman of the New Jersey National Corporation, which has assets of approximately \$2 billion.

Incidentally, members of the Committee, growth is a funny thing. The First Fidelity and Midlantic are not being denied growth; they are only being denied growth through acquisition. Our own holding company has had two major acquisitions in the approximately 180 years that we have been in existence. These two have been in the last 15 years. Since that time -- since 1970 -- we have grown. I use 1970 because that is the time at which the present banking legislation was basically introduced, allowing expansion beyond the county. Since 1970, we have grown over 700%, almost all of it entirely self-generated. Except for \$300 million of it, that growth has been entirely self-generated through pleasing the customer with fair prices and good products.

One of the arguments that we've heard in this debate on the cap issue has been the accusation that we middle-sized banks just want to keep the smaller banks in New Jersey from selling to First Fidelity or Midlantic at the best possible price.

Since this issue has emerged out in the debate, I would like to address my concerns to this issue.

First of all, I would like to put the phrase "middle-sized" in some perspective. There are approximately 85 commercial banking organizations in the State of New Jersey. Incidentally, in 1980 when I was Chairman of the New Jersey Bankers Association, we spoke at that time that there were 200 banking organizations in the State of New Jersey. These can be divided into three groups.

The first group would include the two largest organizations in the State: First Fidelity, with approximately \$12 billion in assets, and Midlantic, with approximately \$10 billion in assets.

The second grouping of banks would include approximately 17 organizations ranging in asset size from \$693 million to just over \$5 billion. These are called "middle-sized" institutions.

The third grouping of commercial banking organizations would include those institutions with assets of less than \$450 million, such banks as the Montgomery National, that you heard about this morning.

As an attachment to my testimony, I have included a chart which shows the difference between the large institutions and the so-called middle-sized banks. This chart shows clearly that the gap between the two largest and those so-called middle-sized organizations is quite large.

Now that we've discussed the different groupings, I'd like to turn to the issue of how the cap has affected our banks in New Jersey.

If we look at recent history, the acquisition pattern of the two largest banks in New Jersey has been to target acquisition of the middle-sized banks, not the smaller banks. For example, since 1980, what is now known as First Fidelity has grown through acquisitions as follows: In 1980, acquisition of Garden State National Bank, \$799 million in assets; 1980, acquisition of First National Bank of South

Jersey, \$583 million in assets; 1982, acquisition of First National Bank of New Jersey, \$1.3 billion in assets; 1984, merger with Fidelity Union, \$3.8 billion in assets; 1985, merger with National Bank of Gloucester County, \$400 million in assets; and, 1985, acquisition of Morris County Savings Bank, \$885 million in assets.

In the interest of completeness, I would also like to note that they have also acquired two smaller banks, with \$26 million and \$218 million in assets, respectively.

Likewise, Midlantic's acquisitions have been of middle-sized banks. Their history is as follows: In 1983, acquisition of Greater Jersey Banks, \$1.3 billion in assets; 1984, Midlantic had an agreement, later cancelled, to acquire First People's, which at the time held \$700 million in assets; 1984, Midlantic made a hostile run at, and attained a minority interest in, Statewide Bank Corporation, which at the time had \$1.1 billion in assets; and, 1985, Midlantic acquired Heritage Banks, which had \$2 billion in assets. They also acquired a \$77 million bank during that period.

In summary, these two bank-holding companies have acquired close to \$11.3 billion in assets, eliminating six of 23, or 26% of the middle-sized banks in the State.

So the idea--

SENATOR JACKMAN: That First Fidelity, in their acquisition -- they wound up with \$8 billion. They started with four and they wound up with \$8 billion. They grew fast, didn't they? They took over \$8 billion when they only had \$4 billion.

SENATOR CARDINALE: Wouldn't you like to do that?

SENATOR JACKMAN: Is that right?

MR. WALTHER: I don't have those numbers, sir.

SENATOR JACKMAN: I got them; that's what you just read.

MR. WALTHER: Okay. Well, I did not bother to add them all together.

SENATOR JACKMAN: They did pretty good. With \$4 billion, they took over \$8 billion. They had to be very persuasive.

MR. WALTHER: Or dilute your shareholders, one or the other, or perhaps both.

So the idea that the middle-sized banks are trying to block the acquisition of smaller community banks by the two largest organizations simply doesn't hold up when we look at the historical acquisition and merger policies of the two banks. As a matter of fact, it takes about the same amount of management effort and the same dollars for legal and printing fees to acquire a middle-sized institution as it does to acquire a small one. So it makes business sense for the two largest banks to grow through acquiring middle-sized banks, rather than a series of smaller banks.

That's why this is one of the great concerns of the middle-sized banks. Simply put, by raising the cap, the targets of acquisition will not be those smaller banks. It will be the middle-sized banks, which are the backbone of providing commercial loans, major trust and municipal bond business, cash management, and more sophisticated services which only banks of this size can provide. Our concern is that by reducing competition even further through additional acquisitions in the middle-sized range, there will be a potential for a significant reduction in market competition. This concentration can only result in a negative impact on the consumers of New Jersey.

Incidentally, Senator Cardinale, we have plans to open four -- and assuming that we can work out an acquisition of the land -- five branches in Gloucester County, where there is a significant concentration of banking assets. To us, that represents an opportunity. Because of our medium size, we have the muscle to be able to go in there and, we think, do an effective job, and hopefully taking some of that market share away from them. So I think that shows the value of other medium-sized banks that are willing to go into these areas where there have been concentrations.

SENATOR CARDINALE: The point that I was trying to make, John, was really that, even if all of the middle-sized banks got gobbled up, there would be someone to take their place because there is a market position for middle-size, there is a market position for small, and there is a market position for large.

SENATOR O'CONNOR: Is that true?

MR. WALTHER: The cost of getting into the banking business is rising every year. It takes a level of sophistication, which basically translates to computers, and a computer costs the same whether you are a big bank or whether you are a small bank, in terms of the sophistication required to offer the products that the market demands today. It is much easier to lay that off over a larger number of customers -- it reduces those costs -- than it is to a small number.

SENATOR CARDINALE: Chris has perhaps changed the tone of the hearing a little bit with his remark. Let me just ask you this. In other states which do not have a cap, do they still have large banks, small banks, and medium-sized banks -- where there is no cap at all?

MR. WALTHER: You're asking me something that I-- I am a New Jersey banker. I am basically a central and southern New Jersey banker. I don't know a lot about other states.

SENATOR LESNIAK: That's a good question, one of the best questions asked.

MR. WALTHER: My knowledge would be of Pennsylvania. Pennsylvania has a different type of cap, in that they have limited the number of acquisitions as opposed to the size. They have, I believe it is three acquisitions over a four-year period. I believe that is the case. But there are good-sized banks in Pennsylvania, of course.

SENATOR LESNIAK: Isn't there another form of cap in existence, and that is the Banking Commissioner's authority to disapprove an acquisition if it is not in the best interest of the public?

MR. WALTHER: Well, in the case of the First Fidelity acquisition of the National Bank of Gloucester, the Banking Commissioner felt that she didn't have that authority.

SENATOR LESNIAK: She felt she did not have that authority?

MR. WALTHER: That's my understanding of what she felt. You could ask her.

SENATOR LESNIAK: Well, should she have that authority?

MR. WALTHER: Do I-- Certainly, I support the oversight bill.

SENATOR O'CONNOR: That sounds like a lawyer's dream, not in the best interest of the public.

SENATOR LESNIAK: The oversight bill would give her that authority?

MR. WALTHER: My reading of it would, yes, sir. She would have the right to pass on any acquisition that was--

SENATOR LESNIAK: So that's why it's good to have the oversight bill tied into the--

MR. WALTHER: Tied in with the interstate banking.

SENATOR LESNIAK: Interstate banking.

MR. WALTHER: Yes. May I continue?

SENATOR O'CONNOR: Very clever cross-examination. (laughter) May I just take you back, because I don't think you answered the question that Senator Cardinale raised?

MR. WALTHER: Yes, sir.

SENATOR O'CONNOR: In that Gloucester County situation, where you, as a medium-sized bank, are anticipating moving in there and filling that market, the Senator has suggested that there will always be a market for the smaller and medium-sized banks to go in and do that. My question is: Are the smaller banks able, because of what you said about computerization and so forth-- Are they able to go in there and do that?

MR. WALTHER: Mr. Schneiderman very -- and I don't mean to denigrate anyone -- proudly told you that after 10 years, they are now into their third branch. Branches today

cost anywhere from between a half and a million dollars each. I submit that a small bank cannot go in with four or five branches in Gloucester County all at once, such as we would do.

SENATOR O'CONNOR: So, following that out then, if the medium-sized banks are all gobbled up, there will not be anyone there to fill this void that would be created by the larger banks coming in and then closing branches?

MR. WALTHER: That is my opinion.

SENATOR LESNIAK: If they close branches.

SENATOR O'CONNOR: Well, if they do as they have in the Gloucester situation.

SENATOR LESNIAK: They may open branches, in other instances.

MR. WALTHER: Well, we hope they keep closing them, sir, as a competitor. May I finish?

SENATOR LESNIAK: Okay.

MR. WALTHER: I submit to you that by not putting any controls at all on concentration of banking business, New Jersey will be faced with a reduction in choices that will hurt the consumer, hurt the businessmen of New Jersey, and finally, hurt the government of the State.

Concentration of banking in larger banking organizations, whether they be New Jersey-based or out-of-state, will effectively limit the choices available to our State's counties, school boards, State agencies, the Treasurer of the State of New Jersey, and others when they go out to sell bonds or obtain competitive bids on deposits.

A lot of testimony seems to go back to the Meadowlands. It's very interesting. As I mentioned to you, we are a central and southern New Jersey bank. When the Meadowlands was a sure thing, those banks which most recently put up the money for the Meadowlands didn't invite us into that loan participation. Why? Because the repayment is assured. We, however, were invited in back in early 1970, when the bonds were not a sure thing. We were asked to take our total \$5 million worth of those bonds also. And at that time, as I indicated to you, we were about a \$400 million bank.

SENATOR LESNIAK: How about the Turnpike bonds? Were you included in that?

MR. WALTHER: I don't know specifically on that, sir. My guess is that we probably were included in that. But the Meadowlands surpassed everybody's expectations, more so, let's say, than the Turnpike bonds.

SENATOR LESNIAK: Well, I hope that the Turnpike doesn't surpass everybody's expectations. Anyway--

SENATOR JACKMAN: You won't have any city left--

SENATOR LESNIAK: I won't have any city left.

SENATOR JACKMAN: --if they keep it up. They're taking part of his district.

MR. WALTHER: That's why we're concerned about the direction that S-1466 is taking. We must view it as a three and one-half year phase-out of all caps on the limits of bank-holding companies. Others have argued that caps are archaic, that they stifle growth. I submit that the State should look at caps as a way of controlling growth without stifling it. Who knows what's ahead as we travel down the highway of regional and interstate banking? I believe that this State should set a cap limit and retain that cap until such time as the Banking Commissioner and the Legislature determine that an adjustment should be made. This provides the State with a strong management tool, so that it can serve as a mechanism for controlling growth and ensuring that there will continue to be competition for the consumers of New Jersey.

S-1466, on the other hand, will phase out the cap in three and one-half years, unless the New Jersey Legislature acts. Let's be realistic. Three and one-half years from now will put us right in the middle of the 1989 elections. With both houses up for election, as well as the Governor, it is my fear that this issue of the cap will be lost in the shuffle.

I would hope that this Committee would see fit to really look closely at the ramifications of supporting S-1466. Do you really want to eliminate the cap? Do you really want to open up the possibility of out-of-state banks controlling and dominating New Jersey's banking business?

New Jersey National Corporation urges this Committee not to tie S-1466 to the passage of interstate and oversight. We support the approach of Senator O'Connor's legislation -- S-1658 and S-1659 -- which separate interstate and oversight, which should move forward from the cap issue, which we feel requires a more thorough examination.

I believe you've heard in the testimony today, and in the testimony that will follow, that there are some serious reservations about the cap issue. We would hope that these issues will not be lost or overshadowed in the rush to implement interstate and oversight banking.

Like any public issue, there are two sides to the story. We're appealing to this Committee to balance the debate and work with the Department of Banking and the Governor's office to come up with a compromise that makes sense and will protect the consumers of the State of New Jersey. This will allow for true competition and a strong and healthy banking system.

I thank you for the opportunity to offer my testimony.

SENATOR LESNIAK: Any further questions?

SENATOR JACKMAN: I just want to make a correction because I just checked. We don't come up for election three years from now. We only come up for election in 1987, and then we go for four years. So, we won't be available--

SENATOR LESNIAK: We will be available.

SENATOR JACKMAN: We will be available.

MR. WALTHER: See what happens when you get out of your own little small area of expertise. (laughter)

SENATOR LESNIAK: Wait a second.

MR. WALTHER: Thank you.

SENATOR LESNIAK: Jon Holt, Holt and Ross.

SENATOR JACKMAN: I just thought of that. I was thinking, "Gee, don't tell me we're running for two years now." That got me a little scared.

SENATOR LESNIAK: By the way, of course, lawyers have expertise in all areas.

SENATOR CARDINALE: Or think they do.

SENATOR LESNIAK: And dentists -- lawyers and dentists; labor leaders, as well.

JON HOLT: Mr. Chairman, members of the Committee: For the past several months I have served as Legislative Agent for 10 of the mid-sized bank-holding companies in New Jersey.

SENATOR LESNIAK: Two new clients you added on here in pencil (referring to witness's written statement)?

MR. HOLT: Yes.

SENATOR LESNIAK: They weren't paying into the kitty?

MR. HOLT: No, it's always been 10. It's a growing list of concerned mid-sized banks. The banks, for the record, are Citizens First Bancorp, Commercial Bancshares, Constellation Bancorporation, First Jersey National Corporation, United Jersey Banks, Statewide Bancorp, United Counties Bancorporation, the Summit Bancorporation, Horizon Bancorp, and New Jersey National Corporation.

I come before you as one of the participants in all the battles over the last few months concerning all of these issues. One point that I think may have been lost in some of the discussion, I want to address now.

One of the bills before you, S-1468 -- and we just discussed it earlier -- stresses the need for increased oversight of the changing banking scene by the New Jersey Department of Banking.

Consistent with the goals of S-1468, if the State wants to build oversight into the interstate package, I urge you not to rush to throw away the safeguards provided by a deposit cap law. I might also add that Senator O'Connor's S-1659 also has the oversight provisions in banking.

S-1466, as written, phases out the cap safeguard over a three and a half year period. If the Legislature takes no action to retain the cap, then it will be eliminated.

I urge you to look at the three-and-a-half-year phase-out realistically. We heard Mr. Schaub speak to the fact that they look at this as a way of eliminating the cap

completely after three and a half years. That is how First Fidelity and Midlantic are viewing it. As Mr. Walther stated, we have a lot of concerns about the three-and-a-half-year phase-out. Out-of-state banks, we have to realize, through interstate banking, will be involved in New Jersey banking. You can't overlook that side. Do we really want to have a sunset provision that in three and a half years from now could -- because of either the inertia or because of other issues that are affecting the Legislature -- become--

SENATOR LESNIAK: Inertia never affects the Legislature.

MR. HOLT: --eliminated completely, and we would have no cap.

While the idea behind the sunset provision is an interesting one, I believe that it offers more problems than solutions.

Why should a cap be retained? Because without some sort of cap, New Jersey would be open to having its banking dominated by one or two large banks. The worst scenario could find us with two out-of-state banks dominating the market.

Does this scenario sound farfetched? Well, we were talking earlier about, are there states that have their banking dominated by one or two banks? Are they big banks, little banks, and medium banks? We only have to look at Rhode Island, where we find two banks control 83% of all the commercial deposits in that state. In Nevada, it's 72%; in Arizona, it's 66%.

SENATOR CARDINALE: May I interrupt you for a second?

MR. HOLT: Sure.

SENATOR CARDINALE: With respect to those, can you give us-- Can you furnish us, perhaps even now, or later, with the two major questions, I think, that we would have to answer; that is, are loan rates higher or lower in those states where you have this high concentration? And, do the consumers get a greater or lesser amount on their deposits in those states? I am not familiar at all with Rhode Island. It is my impression

-- which may be wrong -- that in the Western states, consumers do obtain a much higher rate than they do in the East.

SENATOR JACKMAN: Rhode Island? How big is Rhode Island? Rhode Island is about as big as Jersey City, isn't it?

MR. HOLT: It votes the same way, too.

SENATOR LESNIAK: Isn't the way to prevent the impact of out-of-state banks on New Jersey to allow New Jersey banks to grow so that they won't be in a position to be taken over by--

MR. HOLT: I think we have that position now with First Fidelity, the Keefe Report, that was presented as part of our testimony last time. Many of the analysts say now that it is large enough so that it won't be taken over. Now, when you get into New York, that's a different question, but New York is not being considered right now as part of the interstate package. The argument that I understand from the other side is that they want to grow big now to be able to offset problems in the region that is being formulated.

Right now, they are ranking in the top 10 -- both banks in the region. So, they are sizeable banks at this point. Now, the big question is, how big is big? S-1466 will allow them, you know, to almost double in size over the next three and a half years. And then you have a 100% cap limitation, and that is really the focus of my discussion. And, Senator Cardinale, I will look into this question about the other banks.

SENATOR JACKMAN: Do you foresee interstate banking in New York and New Jersey?

MR. HOLT: Well, there's a trigger. You know, New York will be in five years from now, or there is a trigger, so we have to look down the road to that. But, you know, the question now is, we're looking at the regional interstate banking, and what we are going to do over the next five years, or even the next three and a half years.

SENATOR LESNIAK: Do we look down the road by restricting the growth through acquisition by the State's largest bank? Is that looking down the road?

MR. HOLT: Well, if we look at S-1466, and we look at the growth and the figures on that, it does provide First Fidelity and others to double in size over three and a half years. That is without even eliminating the cap. After you eliminate the cap after three and a half years, our big concern in the 10 banks is, you know, if we look at S-1466 realistically, and we know-- You know, you're the sponsor of it, and you're the Chairman of this Committee. We really want to step back from all the debate on the numbers and all the other issues, and say, "Where are we going on this cap issue? What is going to happen three and a half years from now?" We think it is wrong to eliminate the cap completely to put a sunset in there that could leave us open to problems down the road.

I don't agree with the argument that, well, if the little banks are so concerned, and the mid-sized banks are so concerned three and a half years from now, they will come back to you and demand that something be done. I just think it is unsafe to have that sunset when we don't know what is going to happen with interstate. Can you tell me what banking is going to look like three and a half years from now? Can the Commissioner tell us? Can the banks tell us? We don't know. I just think the sunset, which is really not a sunset -- it's basically that something will happen if nothing else happens-- I think we ought to amend S-1466 so if you do consider and do move it, that it have the cap retained after the three and a half years. Then, if it shows that it is stifling, we can come back and work on it again, if it shows that interstate banking is working. But I submit that the Commissioner may want to have that cap three and a half years from now.

SENATOR JACKMAN: What Commissioner?

MR. HOLT: What Commissioner? The Commissioner of Banking.

SENATOR JACKMAN: Yeah, but which one?

MR. HOLT: Whoever it may be.

SENATOR JACKMAN: Oh, that's it, because we have been changing them so fast, we don't even know--

MR. HOLT: Well, you don't know. You really don't know.

SENATOR LESNIAK: It's probably going to be Hazel Gluck. (laughter)

MR. HOLT: And the other question-- Ray, I think you asked the question. You said S-1466 -- does it fit in with Chairman Volker's statement? For the first three and a half years, yes, it fits under his cap. After the three and a half years, if you eliminate the cap, no, it doesn't. We see Ohio and Indiana putting caps on; we see other states facing interstate; and here in New Jersey we're looking at eliminating them completely. I just think it is the wrong message to send at this time.

I have a draft amendment that I would like to have the Committee consider and review. It is attached to my statement. Basically what it says is that after three and a half years under S-1466, the 13.5% would be retained, unless the report from the Commissioner shows that it should be adjusted. That is all we are asking for. We're asking for that at this point when we look at it. We look at this three-and-a-half-year period and see how we're doing. We see how interstate banking is going, and take a view of it down the road.

But we really have a lot of reservations about the elimination of the cap. We would like to have that seriously considered, and not lost in the debate on what the percentages should be.

I also have some information, Senator Cardinale, on the size of the banks. This is a list that I will-- I only have one copy, and I have a copy for the stenographer. This list ranks all the banks in New Jersey, from the top to the bottom. If the mid-tier is absorbed by the larger banks, there is really a big gap between what is now mid-size and what the smaller banks are. That is what this shows. So, we do have

some concerns about that also. That is why we think the cap should be retained in some form, until we can look and see what's happening down the road.

SENATOR LESNIAK: Questions? (no response) Thank you, Jon.

MR. HOLT: Thank you.

SENATOR LESNIAK: Al Griffith? Al, you're going to punt, is that--

AL GRIFFITH: I'm Al Griffith. I'm Vice President of the New Jersey Bankers Association. I am a person who always enjoys coming before this Committee. I know that the volumes of testimony you have received are very weighty and very significant. Each of you have done, and are continuing to do some soul-searching, as all of us in the banking community have -- all the issues that are before you.

The New Jersey Bankers Association, on the issue of the cap-- To start with, there was discussion as to what position NJBA should take on that particular issue back in June, when the issue began to come to a head. The members of the Executive Committee -- some of whom are here in the room today, or who are part of bank-holding companies that they are representing -- felt, in light of the division of the opinion among the major bank-holding companies which are supportive members of the Association, that it would probably be extremely unwise that NJBA take a particular position on that issue, since, again, it is such a divisive issue.

Historically, when I have spoken before you, it was principally when I indicated that there was a particular NJBA position, and it was always with an overwhelming majority of support from our banks before I made such representation, so you would have the assurance that whatever I said, you could go back home and talk to most of your bankers back home and find most of them pretty much in agreement with the sentiments I offered. But on the issue of the cap, clearly I cannot -- from the standpoint of the Association -- tell you which way to go, one way or the other on it.

However, I would like to, just very briefly, attempt to explain to you the regional interstate legislation, since it was put together for almost a three-and-a-half-year period by almost all of the participants here in the room from the banking community. It was debated, discussed, amended, revised, re-revised, etc., and it was done also with the Banking Department, as well, crafted to a compromise, one, which as you probably read the bill, and sometimes scratched your head, and said, "How could they possibly come up with such crazy things like this -- 14 states south and west of here, regional triggers, national triggers, etc?" They were all compromises, again, designed to satisfy the varying concerns that the bank-holding companies had with regard to the timing of interstate banking, and, also, to the assurance that as many as possible were protected, and yet had opportunities to do things elsewhere as well.

The testimony before you -- and I won't read it -- is essentially the statement to the interstate bill as introduced. It indicates the fact that the regional arrangement was devised over a period of time, and that what we were attempting to do was to find ourselves as a participant in the interstate world. Interstate banking is clearly here right now in many regards, front door and back door. Commercial loan operations by out-of-state banks exist in New Jersey; EDJAC corporations exist here. You have the use of plastic across state lines, including plastic for doing everything but taking deposits. In many ways, you have the non-bank bank existing, which exists and is here prior to being grandfathered, and so in many ways it's here, except for, I guess, one major dimension, and that is the nature of interstate deposit taking. That is probably the last remaining remnant of that. Even to some degree, perhaps, there is a certain dimension of that as well.

New England decided it was in their interest to try to devise some regional arrangement so that they would be able to allow certain banks in their region to grow of size to be

competitive when interstate banking came. It was done in anticipation that interstate banking would take place on a national basis eventually. It was designed, also, with some concern about the possibility of having larger money center banks from the straddling border of New York, as an example, overrunning them before they were prepared to be competitive. So in New England, an arrangement was devised among the states of that particular region.

In the southeastern part of the country, Florida, which was also very much concerned by the very strong advances of several of the money center banks, some potential legislative advances decided it would be in their interest to try to sit down with bankers from other states in the southeast to devise a Southeast Interstate Region. That ultimately also came to pass, and there is regional interstate banking in the southeast.

The question was, would states, however, be able to pass legislation to provide for regional arrangements? And that ultimately went to the Supreme Court of the United States. In June of last year, the Supreme Court upheld the right of states, through the Douglas amendment which gives them particular rights, validly and legally, to establish regional interstate arrangements. So the interstate legislation, whether it be the bill that was introduced by Senator Orechio, which is tied to the enactment of a cap bill, or the legislation introduced at our request by Senator O'Connor-- Both of them are identical, except for the tie, and both provide for New Jersey to engage and participate in the regional interstate game or, perhaps, the national interstate game.

There are two ways in the legislation that New Jersey could get involved in an interstate mode. One is if any three states of 15 within a given region, going south of here to, I guess, as far south as West Virginia and as far west as Missouri-- If any three states in that 14 -- actually 15 now with Tennessee included as an amendment later last year-- When

any three states in that region have deposits of \$20 billion or more -- there are three states in the 14-state region that are below that -- have regional reciprocity with New Jersey, New Jersey would then be able to engage in reciprocity with banks in those particular states. It would be upon the third state of size having reciprocity with us, and obviously the enactment of our own statute, that would allow us to engage in interstate banking then within the region.

A second way by which New Jersey could engage in interstate banking, another way which could possibly come before the region, is if any 13 states in the nation, including -- counting DC as a state -- have reciprocity on a nationwide basis with New Jersey, and four of those 13 states are among the 10 largest states with commercial bank deposits nationally, upon the 13th state entering with those conditions met, New Jersey would then go into an interstate banking mode and, in effect, would be engaged in interstate banking head-on with New York.

The number of states, their size, were crafted as kind of a way of allowing us to phase into the activity. Other states have tried other approaches, such as time deadlines. In Rhode Island, as an example, their Legislature, a year or two ago, passed legislation that would allow the banks in Rhode Island to engage in regional interstate banking in New England. However, they have a different provision, and that is that on July 1 or 15 of 1986, when that magic date arrives, the banks in Rhode Island would then be able to engage in interstate banking in any other state in the nation.

We talked about the possibility of having a particular date when we would go nationwide, but there was a fear on the part of most of our banks involved that there may not, possibly, be much activity taking place by that particular date, and New Jersey would be left, along with a number of small states which were seeking a considerable amount of capital, such as Maine, and would be left alone to be picked off by the money center banks, for the most part. So, that is

why our legislation was kind of designed the way it was. We're hoping that with these built-in provisions that a certain number of states must pass reciprocity, etc., again, with substantial reciprocity, provide sufficient time and a sufficient market for us to enter and to be entered.

So, that is essentially -- in a very brief way -- what the interstate bill does. There is a companion piece which was written by the Banking Department and was worked with with the banking community, that gives the Banking Commissioner a certain degree of oversight over banks that would come into New Jersey, should the interstate bill be enacted. They are kind of companion pieces, even though they are not tied together officially. We understand the Governor probably would not sign one without the other. Again, from a public interest point of view, this represents a sufficient type of legislation to go along with the interstate measure.

So, at this particular point, wearing the New Jersey Bankers Association's hat, we would ask that the Committee release legislation that would provide for interstate banking, under the conditions as indicated in the legislation introduced by Senator O'Connor. However, should the Committee also choose to feel that for public reasons, or whatever, that as a preference to past legislation that is tied, such as that introduced by Senator Orechio, that that becomes the Committee's choice.

Questions were raised as to whether or not NJBA should have even put in an interstate bill in light of the fact that there was one bill introduced. The bill was introduced essentially as a continuation of last year's approved program. Second of all, I guess one would perceive that if NJBA had not moved forward to introduce legislation, if it is not tied, that it would appear as though it was taking sides, and that there would be only one bill on the interstate scene that would only be tied to one particular cap position. So that is essentially why Senator O'Connor was kind enough to introduce the legislation, at least as I asked him. His own motives may be beyond that, as well.

I think I have probably said too much, Mr. Chairman. I'll stop and try to answer any questions. I have Mike Spicer, our counsel, here if there are any specific legal questions you might have that I can't deal with.

SENATOR LESNIAK: Senator O'Connor?

SENATOR O'CONNOR: Al, do you have any comment with respect to the advisability of my two bills in light of what happened in the Assembly Banking Committee last week?

MR. GRIFFITH: Well, the Committee just released the cap bill, and I don't believe they have made a decision one way or the other yet on whether or not the interstate and oversight bills should be released, capped or not. So, I really can't say. I don't know what the Committee will do, so I really probably can't comment one way or the other. Again, like it will be here, it will be a call on the part of the legislators as to whether or not you want to release them tied or untied.

SENATOR LESNIAK: Senator Cardinale?

SENATOR CARDINALE: I just wanted to question one point. The prior witness made a point that Arizona, Rhode Island, and Nevada had a slight concentration of banking in a few institutions. I noticed they are also on your list as having an active nationwide bank-holding company reciprocity. Is there a tie-in between those two factors? Is that -- you know -- once they intend to go into reciprocity that you are going to necessarily have high concentration?

MR. GRIFFITH: Well I guess it's going to depend upon, first of all, whether or not there is legislation in the State that establishes some kind of concentration limit, such as a cap, which we already presently have, and may possibly react to again.

SENATOR CARDINALE: The question really is, do these things go hand in hand? Once you get into this reciprocity situation, must you necessarily have high concentration?

MR. GRIFFITH: I don't know, Senator. I'd say it's a state-by-state call. There may be a number of states that are anxious to engage in interstate banking, principally as a way of bringing capital in because there are banks of insufficient size in that state.

It may not be in their interest to have a cap in that particular state because every one is so small. So, I don't know. It is a relative state-by-state call, I'd say, and I really can't be more specific than that, I guess. And, I'm not really too well aware, to be honest with you, as to what the cap situation is in the states that are mentioned.

SENATOR CARDINALE: Given the region that we're considering, were our two larger banks not to grow, do you think that they would be likely targets to take over by banks already in existence in those other regions, and the other states within that region?

MR. GRIFFITH: It's hard for me to say on that, as well. I don't know. I don't know what the game plan is of out-of-state banks, and whether or not the two largest banks would be in their interest to be acquired or not -- whether they have systems' compatability. I really don't know.

I know there is obviously-- There is always a lot of talk among bankers about acquisitions and future acquisitions, etc., but the Trade Association-- We are really pretty much not too well aware of those particular things. I think we read about them in newspapers, probably as you folks do. So, I really don't know on that either.

SENATOR JACKMAN: Do you think if there were just two banks in the whole State that the consumer would be getting what would be considered a fair shake?

SENATOR LESNIAK: We're not considering that there is going to be just two banks in the whole State.

SENATOR O'CONNOR: That's a good question. (laughter)

MR. GRIFFITH: Even if there--

SENATOR JACKMAN: I just was wondering.

SENATOR LESNIAK: If there are no banks in the whole State-- Why don't you ask that question, too? Why don't you ask if there are no banks in the State?

MR. GRIFFITH: Even if they are working on the thing, they are only--

SENATOR LESNIAK: It is equally as relevant a question.

MR. GRIFFITH: I guess, even if there are only two, and that probably wouldn't happen-- No matter what, there would always be a

number of small banks. Again, percentage-wise, who knows? Even if there were two, you still have two competing. So, the consumer still has the potential of benefits of the competition.

Also, however, if interstate banking is enacted, conceivably there would probably be more than two anyway.

SENATOR JACKMAN: Right. Okay.

MR. GRIFFITH: You have that possibility as well.

SENATOR LESNIAK: Okay. Thank you, Al.

MR. GRIFFITH: Thank you very much.

SENATOR LESNIAK: Our last witness will be Sam Damiano, President of the New Jersey Council of Savings Institutions.

SAM DAMIANO: Well, we-- Excuse me. Mr. Chairman, members of the Committee, I'm Sam Damiano, President of the New Jersey Council of Savings Institutions, an organization of savings banks. We thought we'd give the Committee an opportunity, should there be any questions, to direct them to the savings banks within the State, since we are brought into the question of the deposit limitation issue.

As it relates to the interstate banking bill before you, you'll note that we are specifically excluded, and that is by choice of the industry. As it relates to the oversight legislation with respect to bank-holding companies, it doesn't relate to us, and we have no position on it.

You have a very brief statement before you as it relates to the deposit limitation issue, and we've simply said that, in effect, the legislation before you brings the savings bank deposits into the aggregate. And, as such, it would be our hope that if there are bills, or if there is legislation ultimately enacted, that the savings bank deposits be included in the so-called numerator, as well as the denominator, if that is the wish of the Legislature.

SENATOR LESNIAK: Questions?

SENATOR O'CONNOR: What's the effect of that, Sam, on your institutions? I mean, what does that mean?

MR. DAMIANO: What it does, in effect, is-- Interestingly enough, Senator, we operate without a cap at this time. There has never been a cap for thrift deposits. We've chosen to include

ourselves in a cap limitation because there's a concern -- whether it be justified, founded, real, or unreal -- that without the protection, if you will, in our instance of a cap, the attractiveness of the savings bank as an acquired institution is enhanced. Frankly, we prefer not to be in that type of a position.

We feel that if deposits are counted toward the cap that we enjoy some degree of protection from that standpoint.

SENATOR CARDINALE: Without the cap, what is the concentration of that?

MR. DAMIANO: Well, to give the magnitude of the whole issue, the savings bank deposits right now, as it is represented by the constituents within the Council, total somewhere around \$12 billion, which is the equivalent of one holding company's--

SENATOR LESNIAK: One fairly large--

MR. DAMIANO: One substantially large. The ultimate result is that if all of the institutions were to merge among themselves, they would still not be any larger than the largest national holding company in the State of New Jersey at this time, which is unlikely to occur. But, nevertheless, to answer your question--

SENATOR CARDINALE: You've operated without the cap. You still have maintained a relatively competitive situation from one savings institution to another, haven't you?

MR. DAMIANO: Yes. Yes, we have.

SENATOR JACKMAN: How many savings institutions are in the State?

MR. DAMIANO: With respect to savings banks?

SENATOR JACKMAN: Banks.

MR. DAMIANO: You've read that there have been recent conversions from savings and loan associations to what is now being referred to as a Federal savings bank. If you were to include all of those -- conversions, new charters, the traditional State-chartered savings bank -- there would currently be 23.

SENATOR JACKMAN: Twenty-three.

MR. DAMIANO: In the State of New Jersey.

SENATOR LESNIAK: And, the size would be substantially larger, as well.

MR. DAMIANO: The collective--

SENATOR LESNIAK: The \$12 billion would increase.

MR. DAMIANO: The collective deposits would increase substantially.

SENATOR O'CONNOR: You've lived without a cap, as Senator Cardinale has just pointed out, but what's the experience in the savings banks community with respect to acquisitions, mergers, and the like?

MR. DAMIANO: Up until a few years ago, there hadn't been a chartered savings bank in New Jersey beyond some 80, 90 years ago. Deregulation and interest rate fluctuations have created some changes in the industry. Competition has been good. We have small; we have medium. Our largest institution is under four billion. Nevertheless, the competition is good. I think we serve the public well. We continue to hope that we'll maintain that posture in the State's economy.

SENATOR LESNIAK: And that's without a cap.

SENATOR O'CONNOR: My questions is, though--

SENATOR LESNIAK: We'll close the testimony. (laughter)

SENATOR O'CONNOR: My question was-- I'll make a statement, and you tell me if I'm correct. Savings banks don't go around acquiring other savings banks, do they, as we've heard with respect to the commercial banks?

MR. DAMIANO: We've had a couple in recent years as a result of the need for other savings banks to acquire savings banks that have found themselves in a position that would require assistance. So, there have been mergers in that respect.

SENATOR O'CONNOR: Okay.

SENATOR LESNIAK: That will conclude our hearings. I'm sure that each Committee member is going to take into consideration all of the testimony presented to it, and we'll be in a position to vote on one of these bills, or all of these bills, at our next meeting.

(HEARING CONCLUDED)

APPENDIX

ATTACHMENTS TO THE
TESTIMONY OF RICHARD F. OBER, JR.
ON BEHALF OF UNITED JERSEY BANKS
BEFORE THE
SENATE LABOR, INDUSTRY AND
PROFESSIONS COMMITTEE
OF THE
NEW JERSEY LEGISLATURE

January 30, 1986

*First Fidelity
Lawyers*

ATTACHMENT A

*SEE
PAGE 4 of
LETTER
AND LAST
PAGE OF
ATTACH*

**METZGER, SHADYAC & SCHWARZ
ATTORNEYS AT LAW**

EUGENE J. METZGER*
RICHARD C. SHADYAC
CARL W. SCHWARZ*
RALPH B. LONG*
RUSSELL E. SHERMAN
MICHAEL E. FRIEDLANDER*
HENRY N. LIBBY*
ROBERT BLOOM*
DENNIS C. BRADY*
J. THOMAS FROMME, II**
SAMUEL SHEPARD JONES, JR.
WILLIAM H. BARRETT*
STEPHEN P. MURPHY*
WESLEY K. CAINE*
DENYSE SABAGH
JOSEPH H. LAHOUD, JR.
BRIAN D. ALPRIN*
PAUL J. PANTANO, JR.*
ELIZABETH WARNER*
RICHARD C. SHADYAC, JR.
CHARLES R. CORBIN, JR.***
ABRAHAM A. DASH
DONALD L. HARDISON
OF COUNSEL

1275 K STREET, N. W., WASHINGTON, D. C. 20005
TELEPHONE (202) 289-4520

CABLE ADDRESS: "MASTERLAW WSH"

TWX: 710-822-0123
TELECOPY: 202-682-2128
TELEFAX: 202-682-2127

VIRGINIA OFFICE:

7540 LITTLE RIVER TURNPIKE, ANNANDALE, VIRGINIA 22003
TELEPHONE (703) 642-8100

*MEMBER D. C. BAR ONLY
**MEMBER VIRGINIA BAR ONLY
***MEMBER KENTUCKY BAR ONLY

WRITER'S DIRECT DIAL
(202) 289-

June 13, 1985

Mr. Steven J. Weiss
Director, Bank Organization and
Structure Division
Office of the Comptroller of the Currency
490 L'Enfant Plaza East, S.W.
Washington, D.C. 20219

Attention: Merger Section

Re: Application of First Fidelity Bank, National Association,
South Jersey, Burlington Township, New Jersey To Merge With
National Bank & Trust Company of Gloucester County, Wood-
bury, New Jersey

Dear Sirs:

Two of Washington's premier guardians of the privileges of Fortune's 500, Covington & Burling and Arnold & Porter have lent their voices to those competitors of First Fidelity Bancorporation who would block its acquisition of National Bank and Trust Company. After an initial expatiation on vegetable culture, the rhetoric grew heated. E.g.,

To permit [this merger] . . . would be to authorize a banking goliath that would dictate the terms of banking in Gloucester County without concern for competition [and] -- severely lessen competition to the detriment of the citizens of New Jersey who live and work there.

Hyperbole, soaring on the wings of a Hawke, rises in the sky, ever higher, until it is lost to the ken of mortal man.

2x

The conceptual predicate for these dire forebodings is the Antitrust Division's structural guidelines; a gloss on the Federal Reserve Board's product market musings; and a burst of private revelation on relevant geographic market. That neither the Department of Justice nor the Federal Reserve Board were privy to this received wisdom -- and found no consequent harm in the merger -- proves only the complexity of scriptural analysis.

The Comptroller is abjured that if he will only indulge and adopt protestants' impermissible reading of the Federal Reserve Board's position on product market 1/ and accept protestants' ipse dixit on geographic market, then he must deny the merger. Indeed? Protestants tell us that in their geographic market and giving no credit to any other type of depository institution, the merging banks would have 51.2% of commercial bank deposits or 39%

1/ The Board has never said it limits analysis to 50% of thrift deposits; what it has said on occasion is that if you were to limit them to 50% in specific fact situations you would make the effect more palatable on structural analysis. In many instances, the Board has approved acquisitions where, if you included one hundred percent of thrifts, the effect would still significantly exceed Justice guidelines. E.g., Sweetwater Valley Corporation 71 Fed. Res. Bul. 167 (1985); Midwest Financial Group 70 Fed. Res. Bul. 732 (1984); BT Financial Corp. 70 Fed. Res. Bul. 876 (1984); and Worthen Banking Corp. 71 Fed. Res. Bul. 110 (1985).

Indeed, the protestants themselves have represented in their applications that an appropriate product market includes all thrift deposits. See, e.g., Application of United Counties Bancorporation to Acquire Franklin Bancorp; New Jersey National Bank to Acquire Citizens United Bank, N.A. (using a Burlington, Camden and Gloucester relevant geographic market -- considerably broader than its Community Reinvestment Act "service" area); Application of National State Bank to purchase assets and assume liabilities of Elizabeth Savings Bank; Application of United Jersey Bank/Central to Merge with First National Bank of Princeton. Protestants apparently feel with Emerson that "A foolish consistency is the hobgoblin of small minds."

if you gave half weight to S&Ls or 33% if you gave them full weight. Arnold & Porter contends that in a product market of commercial banks only (given its geographic market) the resulting HHI would be 2936 -- a change of 808. In the Comptroller's brilliant analysis of the Oxford merger in Chenango County, N.Y., the comparable numbers were 5511 and 1046. Including thrifts, they would be (Gloucester) 1393, up 342 and (Oxford) 3490, up 606. Yet, the Comptroller approved Oxford and Justice, which had then opposed (unlike here), was forced to abandon prosecution in mid-suit in evidentiary disarray. As the Comptroller pointed out in Oxford, structural analysis is but a beginning point of inquiry. Thus, he found four competitors in the market larger than the institution to be acquired and a substantial number of others within thirty miles. These, he concluded, would preclude the development and exercise of market power as a consequence of the merger. Here, even in protestants' "market," there are 15 depository institutions remaining which are absolutely larger than NB&T. 2/ Within one mile (i.e., in Philadelphia and Camden) of the "market," there are scores more. A similar conclusion with respect to market power here would then seem a fortiori.

We need not, of course, reach non-structural analysis. Protestants' Asparagus curtain which we are to assume as effectively insulates Gloucester customers from escape across geographical lines as the Berlin Wall precludes leakage from Socialist Paradise, has no more substance than a Soviet agricultural forecast. Both the Department of Justice and the Federal Reserve Board as to this particular merger have utilized geographic markets considerably broader in scope. (Opinions included in first attachment.)

2/ By comparing power (i.e., deposits from wherever drawn) we find an HHI change in protestants' "market" of 28 (Table attached). See Landes & Posner, Market Power in Antitrust Cases, 94 Harv. L. Rev. 937, 963-67 (1981); 2 P. Areeda & D. Turner, Antitrust Law ¶ 522, 523a, at 357, 358-59 (1978); Decision of the Comptroller on the Application to Merge Farmers Community Bank, State College, Pennsylvania (Nov. 5, 1984).

June 13, 1985

Page Four

About protestants' arguments as to the applicability of New Jersey law, little need be said. The arguments are ludicrous on their face and have already received more attention than they deserve in our motion to dismiss protestants' companion suit and for sanctions (copy attached).

This entire effort is a transparent attempt to use the Courts and the regulatory agencies as instruments of delay while protestants pursue a political agenda. We submit, however, that ~~no rejiggering of New Jersey cap laws, or the like, could have substantive effect. A cap law is, in terms, an antitrust standard, preempted by Federal antitrust standards addressing the same subject matter (see attached memorandum).~~

Protestants seek to misuse administrative process. The effort must be summarily rejected and its repetition discouraged in the severest terms.

Respectfully submitted,



Eugene J. Metzger

EJM:lc

Enclosures

THIRD ATTACHMENT

MEMORANDUM

RE: First Fidelity Bancorporation -- Preemption of N.J.S.A.
17:95A-345 by Paramount Federal Law

The objectors to the proposed merger of National Bank & Trust Company of Gloucester County into First Fidelity Bank, N.A., South Jersey, contend that the transaction is barred by Section 17:9A-345 of the New Jersey statutes. This local law purports to prohibit a New Jersey bank holding company from acquiring, directly or through a subsidiary, ownership of another New Jersey bank if, as a result, the holding company's banks will control more than 20 percent of the total deposits of all New Jersey banks. The statute relied upon, however, is completely inapplicable to the present proposed merger of two national banks. As shown below, the New Jersey statute has been preempted and superceded by federal law for two reasons: 1) Congress has now completely occupied the field of national bank mergers, and 2) the local statute is in irreconcilable conflict with paramount federal law embodied in the Bank Merger Act. See generally on the doctrine of federal preemption De Veau v. Braisted, 363 U.S. 144; Fidelity Federal Savings and Loan Association v. de la Cuesta, 458 U.S. 141.

First, there can be no doubt that Section 345 is an antitrust law purporting to regulate mergers and the concentration of national banking facilities within the state of New Jersey. The federal government, however, has now

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omprehensively occupied the field of national bank mergers by enactment of the Bank Merger Act of 1966, and state laws dealing with the same subject must yield to the paramount authority. See Washington Mutual Savings Bank v. Federal Deposit Insurance Corporation 1482 F.2d 459 (9th Cir. 1973); County National Bancorporation v. Board of Governor, 654 F.2d 1253 (8th Cir. 1981); Republic of Texas Corp. v. Board of Governors, 649 F.2d 1026 (5th Cir. 1981); Mercantile Texas Corp. v. Board of Governors, 638 F.2d 1255 (5th Cir. 1981); Southwest Mississippi Bank v. Federal Deposit Insurance Corp., 499 F. Supp. 1 (S.D. Miss. 1979), aff'd, 625 F.2d 1013 (5th Cir. 1980).

Nor can there be any doubt that Congress has acted comprehensively in the field. Consistent with the Congressional plan embodied in the 1966 Act, any alleged anticompetitive effect of the proposed merger will be subject to scrutiny by the Board of Governors of the Federal Reserve System, the United States Department of Justice, the Federal Deposit Insurance Corporation, the Comptroller of the Currency, and, upon appropriate judicial review, by the courts of the United States. Moreover, Congress has clearly directed that all of these agencies and instrumentalities of the federal government will utilize uniform federal standards in determining whether to approve a given merger between two national banks. See, e.g., House Report (Banking and Currency Committee) No. 1221, January 24, 1966. There simply is no room for the superimposition of another tier of analysis or more stringent standards under state law.

The New Jersey statute is preempted and superceded for the additional reason that it irreconcilably conflicts in a number of important respects with controlling federal law. For example, the Bank Merger Act condemns mergers which result in monopoly, further a conspiracy to monopolize or to attempt to monopolize or which might substantially lessen competition or restrain trade "unless [the responsible federal agency] finds that the anticompetitive effects . . . are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served." See 12 U.S.C. Section 1828(c)(5).

The New Jersey statute, by contrast, imposes a per se ban on mergers exceeding the arbitrary state-wide 20% "cap." This constitutes a direct and immediate conflict with express Congressional intent that some national bank mergers should be approved notwithstanding their facial tendency to run afoul of federal antitrust standards embodied in the Bank Merger Act and other federal antitrust laws.

The arbitrary 20% structural cap conflicts with settled federal antitrust law in other respects. Concentration ratios like the New Jersey cap are merely starting points and are of no significance if pertinent market and operational data demonstrate the unlikelihood or improbability of market power or control. The New Jersey statute makes concentration ratios the be-all and end-all of antitrust analysis -- an approach in sharp conflict with antitrust principles uniformly applied by federal regulatory agencies. Indeed, the arbitrary and

needless nature of the New Jersey cap is established by the fact that in some 19 states a single entity controls more than 20% of commercial bank deposits within the state, but there is not the slightest suggestion that competitive opportunities in those states have been or are likely to be impaired.

Moreover, for purposes of antitrust analysis, Section 345 establishes the entire state of New Jersey as the relevant market for measuring the effects of mergers. There is no such relevant market per se: federal law clearly establishes that the geographic market for banking services is usually local in nature and generally is restricted to a few counties at most. The test in delineating a geographic market under federal antitrust law (including the Bank Merger Act) is to determine that area in which sellers sell and to which buyers practicably can turn for sources of supply. See United States v. Phillipsburg National Bank & Trust Co., 399 U.S. 350; United States v. Philadelphia National Bank, 374 U.S. 321; Tampa Electric Co. v. Nashville Coal Co., 365 U.S. 320.

Thus, the entire state of New Jersey is a totally inappropriate and arbitrary geographic market within which to measure either the existence or effects of concentration in the banking industry. That two or more banks might jointly control 20% of the deposits in the state of New Jersey is entirely irrelevant to the question whether a merger between the two would be likely to produce anticompetitive effects in markets properly defined under the federal Bank Merger

Act.

The arbitrary 20% "cap" of Section 345, if given effect, could serve to ban pro-competitive mergers otherwise lawful and in the public interest under federal law. This New Jersey law hence conflicts with and is superceded by paramount federal law in the field and is invalid. See Northeast Bancorp. Inc. v. Board of Governors, ___ U.S. ___ (June 10, 1985)(Slip Opinion, p. 15)("To the extent that the state [banking] statutes might conflict in a particular situation with other federal statutes . . . they would be preempted by those statutes . . .").

In sum, the Congress, by pervasive regulation in this area, has preempted the states from applying local antitrust statutes to national bank mergers. Further, the New Jersey statute in issue is in direct conflict with paramount federal law in the field and is preempted and superceded by the federal Bank Merger Act. Thus, even if protestants could persuade the New Jersey Legislature to change State law so that this merger could fall within its ostensible reach -- as it does not now -- the effect would be fruitless since the standard -- whatever it might be -- has been preempted in its application by a different, comprehensive, federal mandate.

CUMULATIVE PERCENTAGE OF TOTAL COMMERCIAL DEPOSITS OF THE LARGEST COMMERCIAL BANKING ORGANIZATIONS IN EACH STATE, BASED ON FEDERAL RESERVE BOARD REPORT AS OF DECEMBER 31, 1984, REFLECTING MERGER OF HERITAGE INTO MIDLANTIC ranked by total of TWO largest organizations

state	largest	two largest	five largest	ten largest
RHODE ISLAND	49.2	82.8	94.3	99.0
HAWAII	41.1	72.7	90.2	98.8
NEVADA	49.7	71.8	93.9	98.7
OREGON	38.1	70.0	83.7	89.2
ARIZONA	40.1	65.4	91.2	96.0
IDAHO	36.6	62.4	85.6	93.8
DISTRICT OF COLUMBIA	33.2	58.7	86.1	96.2
CONNECTICUT	27.1	53.0	77.5	88.0
WASHINGTON STATE	27.6	49.5	74.3	87.3
MINNESOTA	26.2	49.4	57.0	60.5
UTAH	28.3	48.5	74.8	85.9
SOUTH DAKOTA	31.9	47.6	64.7	71.8
SOUTH CAROLINA	27.5	45.7	73.0	81.1
CALIFORNIA	31.8	44.5	69.4	78.5
NORTH CAROLINA	20.9	41.6	69.6	89.1
MAINE	21.9	41.2	82.4	92.4
ALASKA	23.4	37.3	70.7	95.1
MASSACHUSETTS	22.7	35.9	67.5	85.5
MONTANA	23.9	35.7	53.0	63.9
NEW JERSEY	19.4	35.7	53.0	67.7
VIRGINIA	20.4	35.1	63.0	81.4
NEW HAMPSHIRE	18.2	34.8	58.7	72.0
VERMONT	22.5	34.4	65.7	83.8
NEW MEXICO	24.4	34.1	57.2	69.3
GEORGIA	17.6	32.6	58.0	67.6
MARYLAND	18.8	31.1	62.1	83.5
ALABAMA	16.3	30.9	58.9	66.2
NORTH DAKOTA	16.1	30.0	42.2	50.5
MICHIGAN	16.4	30.0	56.9	70.9
OHIO	16.1	29.8	53.9	71.5
NEW YORK	15.9	29.8	58.9	78.3
DELAWARE	18.1	29.4	58.4	85.7
WYOMING	16.2	28.1	48.4	63.3
COLORADO	16.6	27.7	56.1	66.5
PENNSYLVANIA	17.6	27.6	44.6	58.1
FLORIDA	15.4	27.5	51.4	69.2
TENNESSEE	13.3	26.2	50.7	59.6
MISSISSIPPI	14.4	25.6	39.1	49.1
ILLINOIS	15.2	23.4	34.2	39.0
WISCONSIN	12.2	22.0	35.7	45.2
MISSOURI	11.8	21.7	44.6	59.7
KENTUCKY	11.2	20.4	31.1	36.4
ARKANSAS	13.4	19.4	27.7	36.7
TEXAS	9.60	18.8	43.0	57.9
NEBRASKA	8.90	15.5	27.9	32.8
OKLAHOMA	8.40	15.1	26.2	31.7
IOWA	7.50	14.3	28.5	36.6
INDIANA	6.80	13.6	22.2	31.0
LOUISIANA	5.70	10.5	21.7	33.2
KANSAS	7.40	10.2	14.8	21.1
WEST VIRGINIA	6.50	9.90	18.2	27.1

CUMULATIVE PERCENTAGE OF TOTAL COMMERCIAL DEPOSITS OF THE LARGEST COMMERCIAL BANKING ORGANIZATIONS IN EACH STATE, BASED ON FEDERAL RESERVE BOARD REPORT AS OF DECEMBER 31, 1984, REFLECTING MERGER OF HERITAGE INTO MIDLANTIC ranked by total of LARGEST organization

state	largest	two largest	five largest	ten largest
NEVADA	49.7	71.8	93.9	98.7
RHODE ISLAND	49.2	82.8	94.3	99.0
HAWAII	41.1	72.7	90.2	98.8
ARIZONA	40.1	65.4	91.2	96.0
OREGON	38.1	70.0	83.7	89.2
IDAHO	36.6	62.4	85.6	93.8
DISTRICT OF COLUMBIA	33.2	58.7	86.1	96.2
SOUTH DAKOTA	31.9	47.6	64.7	71.8
CALIFORNIA	31.8	44.5	69.4	78.5
UTAH	28.3	48.5	74.8	85.9
WASHINGTON STATE	27.6	49.5	74.3	87.3
SOUTH CAROLINA	27.5	45.7	73.0	81.1
CONNECTICUT	27.1	53.0	77.5	88.0
MINNESOTA	26.2	49.4	57.0	60.5
NEW MEXICO	24.4	34.1	57.2	69.3
MONTANA	23.9	35.7	53.0	63.9
ALASKA	23.4	37.3	70.7	95.1
MASSACHUSETTS	22.7	35.9	67.5	85.5
VERMONT	22.5	34.4	65.7	83.8
MAINE	21.9	41.2	82.4	92.4
NORTH CAROLINA	20.9	41.6	69.6	89.1
VIRGINIA	20.4	35.1	63.0	81.4
NEW JERSEY	19.4	35.7	53.0	67.7
MARYLAND	18.8	31.1	62.1	83.5
NEW HAMPSHIRE	18.2	34.8	58.7	72.0
DELAWARE	18.1	29.4	58.4	85.7
GEORGIA	17.6	32.6	58.0	67.6
PENNSYLVANIA	17.6	27.6	44.6	58.1
COLORADO	16.6	27.7	56.1	66.5
MICHIGAN	16.4	30.0	56.9	70.9
ALABAMA	16.3	30.9	58.9	66.2
WYOMING	16.2	28.1	48.4	63.3
OHIO	16.1	29.8	53.9	71.5
NORTH DAKOTA	16.1	30.0	42.2	50.5
NEW YORK	15.9	29.8	58.9	78.3
FLORIDA	15.4	27.5	51.4	69.2
ILLINOIS	15.2	23.4	34.2	39.0
MISSISSIPPI	14.4	25.6	39.1	49.1
ARKANSAS	13.4	19.4	27.7	36.7
TENNESSEE	13.3	26.2	50.7	59.6
WISCONSIN	12.2	22.0	35.7	45.2
MISSOURI	11.8	21.7	44.6	59.7
KENTUCKY	11.2	20.4	31.1	36.4
TEXAS	9.60	18.8	43.0	57.9
NEBRASKA	8.90	15.5	27.9	32.8
OKLAHOMA	8.40	15.1	26.2	31.7
IOWA	7.50	14.3	28.5	36.6
KANSAS	7.40	10.2	14.8	21.1
INDIANA	6.80	13.6	22.2	31.0
WEST VIRGINIA	6.50	9.90	18.2	27.1
LOUISIANA	5.70	10.5	21.7	33.2

CUMULATIVE PERCENTAGE OF TOTAL COMMERCIAL DEPOSITS OF THE LARGEST COMMERCIAL BANKING ORGANIZATIONS IN EACH STATE, BASED ON FEDERAL RESERVE BOARD REPORT AS OF DECEMBER 31, 1984, REFLECTING MERGER OF HERITAGE INTO MIDLANTIC ranked by total of five largest organizations

state	largest	two largest	five largest	ten largest
RHODE ISLAND	49.2	82.8	94.3	99.0
NEVADA	49.7	71.8	93.9	98.7
ARIZONA	40.1	65.4	91.2	96.0
HAWAII	41.1	72.7	90.2	98.8
DISTRICT OF COLUMBIA	33.2	58.7	86.1	96.2
IDAHO	36.6	62.4	85.6	93.8
OREGON	38.1	70.0	83.7	89.2
MAINE	21.9	41.2	82.4	92.4
CONNECTICUT	27.1	53.0	77.5	88.0
UTAH	28.3	48.5	74.8	85.9
WASHINGTON STATE	27.6	49.5	74.3	87.3
SOUTH CAROLINA	27.5	45.7	73.0	81.1
ALASKA	23.4	37.3	70.7	95.1
NORTH CAROLINA	20.9	41.6	69.6	89.1
CALIFORNIA	31.8	44.5	69.4	78.5
MASSACHUSETTS	22.7	35.9	67.5	85.5
VERMONT	22.5	34.4	65.7	83.8
SOUTH DAKOTA	31.9	47.6	64.7	71.8
VIRGINIA	20.4	35.1	63.0	81.4
MARYLAND	18.8	31.1	62.1	83.5
ALABAMA	16.3	30.9	58.9	66.2
NEW YORK	15.9	29.8	58.9	78.3
NEW HAMPSHIRE	18.2	34.8	58.7	72.0
DELAWARE	18.1	29.4	58.4	85.7
GEORGIA	17.6	32.6	58.0	67.6
NEW MEXICO	24.4	34.1	57.2	69.3
MINNESOTA	26.2	49.4	57.0	60.5
MICHIGAN	16.4	30.0	56.9	70.9
COLORADO	16.6	27.7	56.1	66.5
OHIO	16.1	29.8	53.9	71.5
MONTANA	23.9	35.7	53.0	63.9
NEW JERSEY	19.4	35.7	53.0	67.7
FLORIDA	15.4	27.5	51.4	69.2
TENNESSEE	13.3	26.2	50.7	59.6
WYOMING	16.2	28.1	48.4	63.3
MISSOURI	11.8	21.7	44.6	59.7
PENNSYLVANIA	17.6	27.6	44.6	58.1
TEXAS	9.60	18.8	43.0	57.9
NORTH DAKOTA	16.1	30.0	42.2	50.5
MISSISSIPPI	14.4	25.6	39.1	49.1
WISCONSIN	12.2	22.0	35.7	45.2
ILLINOIS	15.2	23.4	34.2	39.0
KENTUCKY	11.2	20.4	31.1	36.4
IOWA	7.50	14.3	28.5	36.6
NEBRASKA	8.90	15.5	27.9	32.8
ARKANSAS	13.4	19.4	27.7	36.7
OKLAHOMA	8.40	15.1	26.2	31.7
INDIANA	6.80	13.6	22.2	31.0
LOUISIANA	5.70	10.5	21.7	33.2
WEST VIRGINIA	6.50	9.90	18.2	27.1
KANSAS	7.40	10.2	14.8	21.1

CUMULATIVE PERCENTAGE OF TOTAL COMMERCIAL DEPOSITS OF THE LARGEST COMMERCIAL BANKING ORGANIZATIONS IN EACH STATE, BASED ON FEDERAL RESERVE BOARD REPORT AS OF DECEMBER 31, 1984, REFLECTING MERGER OF HERITAGE INTO MIDLANTIC ranked by total of TEN largest organizations

state	largest	two largest	five largest	ten largest
RHODE ISLAND	49.2	82.8	94.3	99.0
HAWAII	41.1	72.7	90.2	98.8
NEVADA	49.7	71.8	93.9	98.7
DISTRICT OF COLUMBIA	33.2	58.7	86.1	96.2
ARIZONA	40.1	65.4	91.2	96.0
ALASKA	23.4	37.3	70.7	95.1
IDAHO	36.6	62.4	85.6	93.8
MAINE	21.9	41.2	82.4	92.4
OREGON	38.1	70.0	83.7	89.2
NORTH CAROLINA	20.9	41.6	69.6	89.1
CONNECTICUT	27.1	53.0	77.5	88.0
WASHINGTON STATE	27.6	49.5	74.3	87.3
UTAH	28.3	48.5	74.8	85.9
DELAWARE	18.1	29.4	58.4	85.7
MASSACHUSETTS	22.7	35.9	67.5	85.5
VERMONT	22.5	34.4	65.7	83.8
MARYLAND	18.8	31.1	62.1	83.5
VIRGINIA	20.4	35.1	63.0	81.4
SOUTH CAROLINA	27.5	45.7	73.0	81.1
CALIFORNIA	31.8	44.5	69.4	78.5
NEW YORK	15.9	29.8	58.9	78.3
NEW HAMPSHIRE	18.2	34.8	58.7	72.0
SOUTH DAKOTA	31.9	47.6	64.7	71.8
OHIO	16.1	29.8	53.9	71.5
MICHIGAN	16.4	30.0	56.9	70.9
NEW MEXICO	24.4	34.1	57.2	69.3
FLORIDA	15.4	27.5	51.4	69.2
NEW JERSEY	19.4	35.7	53.0	67.7
GEORGIA	17.6	32.6	58.0	67.6
COLORADO	16.6	27.7	56.1	66.5
ALABAMA	16.3	30.9	58.9	66.2
MONTANA	23.9	35.7	53.0	63.9
WYOMING	16.2	28.1	48.4	63.3
MINNESOTA	26.2	49.4	57.0	60.5
MISSOURI	11.8	21.7	44.6	59.7
TENNESSEE	13.3	26.2	50.7	59.6
PENNSYLVANIA	17.6	27.6	44.6	58.1
TEXAS	9.60	18.8	43.0	57.9
NORTH DAKOTA	16.1	30.0	42.2	50.5
MISSISSIPPI	14.4	25.6	39.1	49.1
WISCONSIN	12.2	22.0	35.7	45.2
ILLINOIS	15.2	23.4	34.2	39.0
ARKANSAS	13.4	19.4	27.7	36.7
IOWA	7.50	14.3	28.5	36.6
KENTUCKY	11.2	20.4	31.1	36.4
LOUISIANA	5.70	10.5	21.7	33.2
NEBRASKA	8.90	15.5	27.9	32.8
OKLAHOMA	8.40	15.1	26.2	31.7
INDIANA	6.80	13.6	22.2	31.0
WEST VIRGINIA	6.50	9.90	18.2	27.1
KANSAS	7.40	10.2	14.8	21.1

Cumulative Percentage of Total Deposits of the Ten Largest Commercial Banking Organizations in each State, based on Federal Reserve Board Report as of December 31, 1984, Modified to Reflect Merger of Heritage into Midlantic

state	1	2	3	4	5	6	7	8	9	10
ALABAMA	16.3	30.9	43.9	54.2	58.9	61.1	62.6	64.0	65.2	66.2
ALASKA	23.4	37.3	50.5	60.8	70.7	79.7	86.3	90.5	93.5	95.1
ARIZONA	40.1	65.4	80.7	88.4	91.2	93.2	94.1	95.1	95.7	96.0
ARKANSAS	13.4	19.4	22.4	25.2	27.7	29.7	31.6	33.4	35.1	36.7
CALIFORNIA	31.8	44.5	54.6	62.0	69.4	72.4	74.7	76.0	77.3	78.5
COLORADO	16.6	27.7	38.1	47.8	56.1	61.0	63.8	64.8	65.7	66.5
CONNECTICUT	27.1	53.0	62.9	70.3	77.5	83.2	84.7	85.8	87.0	88.0
DELAWARE	18.1	29.4	40.5	49.6	58.4	66.9	74.9	79.3	83.0	85.7
DISTRICT OF COL	33.2	58.7	69.1	78.6	86.1	89.3	92.1	94.5	95.4	96.2
FLORIDA	15.4	27.5	38.6	45.3	51.4	56.3	61.1	65.6	67.7	69.2
GEORGIA	17.6	32.6	46.3	52.4	58.0	61.2	64.1	65.4	66.6	67.6
HAWAII	41.1	72.7	79.3	85.6	90.2	93.1	95.3	96.8	98.1	98.8
IDAHO	36.6	62.4	74.5	81.8	85.6	87.9	89.6	91.2	92.7	93.8
ILLINOIS	15.2	23.4	28.4	32.4	34.2	35.4	36.4	37.4	38.3	39.0
INDIANA	6.80	13.6	18.0	20.1	22.2	24.1	26.0	27.8	29.4	31.0
IOWA	7.50	14.3	20.9	24.8	28.5	30.9	32.8	34.4	35.5	36.6
KANSAS	7.40	10.2	11.8	13.3	14.8	16.2	17.5	18.9	20.0	21.1
KENTUCKY	11.2	20.4	25.9	29.2	31.1	32.3	33.4	34.4	35.4	36.4
LOUISIANA	5.70	10.5	15.1	18.4	21.7	24.7	27.2	29.5	31.4	33.2
MAINE	21.9	41.2	55.8	69.2	82.4	84.7	86.9	88.8	90.6	92.4
MARYLAND	18.8	31.1	42.4	52.7	62.1	68.7	75.0	79.5	82.1	83.5
MASSACHUSETTS	22.7	35.9	48.4	60.2	67.5	72.6	77.0	81.1	83.3	85.5
MICHIGAN	16.4	30.0	41.1	49.9	56.9	63.2	65.4	67.4	69.3	70.9
MINNESOTA	26.2	49.4	53.0	55.2	57.0	58.0	58.8	59.4	60.1	60.5
MISSISSIPPI	14.4	25.6	31.5	35.4	39.1	41.5	43.8	45.8	47.6	49.1
MISSOURI	11.8	21.7	30.7	38.1	44.6	50.0	52.7	55.3	57.7	59.7
MONTANA	23.9	35.7	41.9	48.0	53.0	57.3	59.6	61.3	62.6	63.9
NEBRASKA	8.90	15.5	20.7	25.0	27.9	29.1	30.2	31.2	32.0	32.8
NEVADA	49.7	71.8	82.6	90.4	93.9	96.2	97.2	97.9	98.3	98.7
NEW HAMPSHIRE	18.2	34.8	46.8	53.9	58.7	63.4	66.1	68.6	70.2	72.0
NEW JERSEY	19.4	35.7	42.9	48.2	53.0	56.4	59.6	62.6	65.2	67.7
NEW MEXICO	24.4	34.1	43.2	51.6	57.2	60.9	63.9	65.7	67.5	69.3
NEW YORK	15.9	29.8	41.4	52.1	58.9	63.8	68.3	72.0	75.4	78.3
NORTH CAROLINA	20.9	41.6	54.5	62.3	69.6	76.0	80.1	84.2	87.1	89.1
NORTH DAKOTA	16.1	30.0	36.5	39.3	42.2	44.3	46.3	48.0	49.3	50.5
OHIO	16.1	29.8	38.2	46.6	53.9	58.1	62.1	65.5	68.5	71.5
OKLAHOMA	8.40	15.1	21.0	24.5	26.2	27.5	28.6	29.7	30.7	31.7
OREGON	38.1	70.0	76.8	81.4	83.7	85.4	86.6	87.7	88.5	89.2
PENNSYLVANIA	17.6	27.6	35.0	40.3	44.6	48.2	50.8	53.4	55.8	58.1
RHODE ISLAND	49.2	82.8	88.4	92.2	94.3	96.0	97.0	97.9	98.5	99.0
SOUTH CAROLINA	27.5	45.7	59.4	68.0	73.0	75.2	76.8	78.3	79.8	81.1
SOUTH DAKOTA	31.9	47.6	59.6	62.2	64.7	66.7	68.3	69.6	70.7	71.8
TENNESSEE	13.3	26.2	37.7	45.5	50.7	53.9	55.7	57.2	58.5	59.6
TEXAS	9.60	18.8	26.9	35.0	43.0	48.4	51.7	54.4	56.3	57.9
UTAH	28.3	48.5	58.8	67.0	74.8	78.1	81.3	83.3	84.8	85.9
VERMONT	22.5	34.4	45.9	57.0	65.7	71.2	75.8	79.2	81.8	83.8
VIRGINIA	20.4	35.1	45.6	55.1	63.0	70.7	76.5	79.5	80.5	81.4
WASHINGTON STAT	27.6	49.5	59.8	67.9	74.3	80.0	82.6	84.7	86.2	87.3
WEST VIRGINIA	6.50	9.90	13.3	15.8	18.2	20.2	22.1	23.9	25.5	27.1
WISCONSIN	12.2	22.0	29.5	33.0	35.7	38.1	40.1	41.8	43.5	45.2
WYOMING	16.2	28.1	39.3	44.0	48.4	52.2	55.9	59.1	61.2	63.3

PERCENTAGE OF TOTAL ASSETS AND TOTAL DEPOSITS
 BY THE TEN LARGEST BANKING ORGANIZATIONS WITHIN STATES
 (ALL COMMERCIAL BANKS AND TRUST COMPANIES)
 (NUMBER IN PARENTHESES IS TOTAL OF BANKING ORGANIZATIONS IN STATE)
 (* = INDEPENDENT BANK)

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STATE AND ITEM	DECEMBER 1984									
	1	2	3	4	5	6	7	8	9	10
ALABAMA (211)										
ASSETS										
PER ORGANIZATION	17.2	14.1	14.1	12.3	4.4	2.0 *	1.6	1.3	1.0	.9
CUMULATIVE	17.2	31.4	45.5	57.9	62.3	64.4	66.1	67.4	68.5	69.5
DEPOSITS										
PER ORGANIZATION	16.3	14.6	12.9	10.3	4.6	2.1	1.5	1.3	1.2	1.0
CUMULATIVE	16.3	30.9	43.9	54.2	58.9	61.1	62.6	64.0	65.2	66.2
ALASKA (14)										
ASSETS										
PER ORGANIZATION	23.4	14.4 *	14.2	10.0 *	9.1	8.6 *	6.7	4.1 *	2.6 *	1.4
CUMULATIVE	23.4	37.9	52.2	62.2	71.3	80.0	86.8	90.9	93.5	95.0
DEPOSITS										
PER ORGANIZATION	23.4	13.9	13.2	10.2	9.9	8.9	6.6	4.2	2.9	1.6
CUMULATIVE	23.4	37.3	50.5	60.8	70.7	79.7	86.3	90.5	93.5	95.1
ARIZONA (47)										
ASSETS										
PER ORGANIZATION	39.6	26.4	15.1	7.6	2.6	1.9	.9 *	.8 *	.5 *	.3
CUMULATIVE	39.6	66.0	81.1	88.8	91.5	93.4	94.4	95.2	95.8	96.1
DEPOSITS										
PER ORGANIZATION	40.1	25.3	15.2	7.7	2.7	2.0	.9	.9	.6	.3
CUMULATIVE	40.1	65.4	80.7	88.4	91.2	93.2	94.1	95.1	95.7	96.0
ARKANSAS (232)										
ASSETS										
PER ORGANIZATION	14.0	6.8	3.1	2.8	2.8 *	1.9	2.0	1.7	1.6	1.7
CUMULATIVE	14.0	20.8	24.0	26.8	29.7	31.6	33.6	35.4	37.0	38.8
DEPOSITS										
PER ORGANIZATION	13.4	6.0	2.9	2.8	2.5	1.9	1.9	1.7	1.7	1.6
CUMULATIVE	13.4	19.4	22.4	25.2	27.7	29.7	31.6	33.4	35.1	36.7
CALIFORNIA (438)										
ASSETS										
PER ORGANIZATION	31.0	13.9	9.7	7.8	7.7	3.4	2.0	1.6	1.2	1.1
CUMULATIVE	31.0	44.9	54.7	62.6	70.3	73.8	75.8	77.4	78.6	79.7
DEPOSITS										
PER ORGANIZATION	31.8	12.7	10.0	7.4	7.3	3.0	2.2	1.3	1.2	1.2
CUMULATIVE	31.8	44.5	54.6	62.0	69.4	72.4	74.7	76.0	77.3	78.5
COLORADO (263)										
ASSETS										
PER ORGANIZATION	17.7	10.4	10.9	11.1	8.5	4.5	2.7 *	.9	.8	.7
CUMULATIVE	17.7	28.1	39.1	50.2	58.7	63.3	66.0	66.9	67.7	68.5
DEPOSITS										
PER ORGANIZATION	16.6	11.0	10.4	9.6	8.3	4.9	2.8	1.0	.8	.8
CUMULATIVE	16.6	27.7	38.1	47.8	56.1	61.0	63.8	64.8	65.7	66.5

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(NUMBER IN PARENTHESES IS TOTAL OF BANKING ORGANIZATIONS IN STATE)
 (* = INDEPENDENT BANK)

STATE AND ITEM	DECEMBER 1984									
	1	2	3	4	5	6	7	8	9	10
CONNECTICUT (45)										
ASSETS										
PER ORGANIZATION CUMULATIVE	27.4	28.7	9.1	6.9	7.0	5.4 *	1.3 *	1.0	1.0 *	.9
DEPOSITS	27.4	56.1	65.3	72.3	79.4	84.8	86.2	87.2	88.3	89.2
PER ORGANIZATION CUMULATIVE	27.1	25.9	9.8	7.3	7.2	5.6	1.5	1.1	1.1	1.0
DELAWARE (32)	27.1	53.0	62.9	70.3	77.5	83.2	84.7	85.8	87.0	88.0
DELAWARE (32)										
ASSETS										
PER ORGANIZATION CUMULATIVE	* 11.1	13.7	6.4	10.7	8.5 *	4.7	10.5	2.8	5.0 *	1.4
DEPOSITS	11.1	24.9	31.3	42.0	50.6	55.3	65.9	68.8	73.8	75.2
PER ORGANIZATION CUMULATIVE	18.1	11.2	11.1	9.1	8.8	8.4	8.0	4.3	3.7	2.7
DIST. OF COL. (19)	18.1	29.4	40.5	49.6	58.4	66.9	74.9	79.3	83.0	85.7
DIST. OF COL. (19)										
ASSETS										
PER ORGANIZATION CUMULATIVE	32.6	27.6	10.0	9.1	7.9	2.8	2.5	2.1 *	.8 *	.6
DEPOSITS	32.6	60.2	70.3	79.5	87.5	90.3	92.8	94.9	95.8	96.4
PER ORGANIZATION CUMULATIVE	33.2	25.4	10.4	9.5	7.5	3.1	2.8	2.4	.9	.7
FLORIDA (291)	33.2	58.7	69.1	78.6	86.1	89.3	92.1	94.5	95.4	96.2
FLORIDA (291)										
ASSETS										
PER ORGANIZATION CUMULATIVE	14.6	11.9	12.0	6.9	6.0	4.8	5.0	4.9	2.1	1.5
DEPOSITS	14.6	26.5	38.6	45.5	51.5	56.3	61.4	66.3	68.5	70.0
PER ORGANIZATION CUMULATIVE	15.4	12.1	11.0	6.6	6.1	4.8	4.8	4.5	2.1	1.5
GEORGIA (313)	15.4	27.5	38.6	45.3	51.4	56.3	61.1	65.6	67.7	69.2
GEORGIA (313)										
ASSETS										
PER ORGANIZATION CUMULATIVE	19.1	16.1	15.5	5.5	5.8	3.2	2.5	1.1 *	1.1	.9
DEPOSITS	19.1	35.2	50.8	56.3	62.2	65.5	68.1	69.2	70.4	71.3
PER ORGANIZATION CUMULATIVE	17.6	14.9	13.6	6.1	5.6	3.2	2.8	1.2	1.2	.9
HAWAII (19)	17.6	32.6	46.3	52.4	58.0	61.2	64.1	65.4	66.6	67.6
HAWAII (19)										
ASSETS										
PER ORGANIZATION CUMULATIVE	39.7	32.2 *	6.1	5.8	4.3 *	2.7 *	2.0 *	3.4 *	1.5 *	.6
DEPOSITS	39.7	71.9	78.0	83.9	88.3	91.0	93.1	96.5	98.1	98.8
PER ORGANIZATION CUMULATIVE	41.1	31.6	6.5	6.2	4.6	2.8	2.1	1.5	1.3	.7
MAHAWI (19)	41.1	72.7	79.3	85.6	90.2	93.1	95.3	96.8	98.1	98.8

PERCENTAGE OF TOTAL ASSETS AND TOTAL DEPOSITS
 BY THE TEN LARGEST BANKING ORGANIZATIONS WITHIN STATES
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 (* = INDEPENDENT BANK)

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		DECEMBER 1984									
STATE AND ITEM		1	2	3	4	5	6	7	8	9	10
IDAHO (24)											
ASSETS											
PER ORGANIZATION		38.0	25.8	12.0	6.8	3.6 *	2.3 *	1.6 *	1.4	1.3	1.0
CUMULATIVE		38.0	63.8	75.8	82.7	86.3	88.6	90.2	91.7	93.0	94.0
DEPOSITS											
PER ORGANIZATION		36.6	25.7	12.0	7.3	3.8	2.3	1.7	1.5	1.4	1.1
CUMULATIVE		36.6	62.4	74.5	81.8	85.6	87.9	89.6	91.2	92.7	93.8
ILLINOIS (1,048)											
ASSETS											
PER ORGANIZATION		18.8	15.5	5.3	4.7	1.5	1.0	.8	1.0	.6	.6
CUMULATIVE		18.8	34.3	39.6	44.4	45.9	47.0	47.8	48.9	49.6	50.2
DEPOSITS											
PER ORGANIZATION		15.2	8.1	5.0	4.0	1.7	1.2	1.0	1.0	.8	.7
CUMULATIVE		15.2	23.4	28.4	32.4	34.2	35.4	36.4	37.4	38.3	39.0
INDIANA (375)											
ASSETS											
PER ORGANIZATION		7.8	7.9	5.2 *	2.1	2.0	2.1	1.9	1.8	1.7	1.5
CUMULATIVE		7.8	15.7	20.9	23.0	25.1	27.3	29.2	31.0	32.7	34.2
DEPOSITS											
PER ORGANIZATION		6.8	6.7	4.4	2.1	2.0	1.9	1.9	1.7	1.6	1.5
CUMULATIVE		6.8	13.6	18.0	20.1	22.2	24.1	26.0	27.8	29.4	31.0
IOWA (517)											
ASSETS											
PER ORGANIZATION		8.1	6.4	6.8	3.8	3.5 *	3.1	2.1	1.5	1.1	1.0
CUMULATIVE		8.1	14.5	21.4	25.3	28.8	32.0	34.2	35.7	36.9	37.9
DEPOSITS											
PER ORGANIZATION		7.5	6.7	6.6	3.8	3.7	2.4	1.9	1.5	1.1	1.0
CUMULATIVE		7.5	14.3	20.9	24.8	28.5	30.9	32.8	34.4	35.5	36.6
KANSAS (614)											
ASSETS											
PER ORGANIZATION		7.9	3.0	1.8	1.5	1.5	1.3	1.4	1.3	1.2	1.1
CUMULATIVE		7.9	11.0	12.8	14.3	15.8	17.2	18.6	19.9	21.2	22.3
DEPOSITS											
PER ORGANIZATION		7.4	2.7	1.6	1.5	1.4	1.4	1.3	1.3	1.1	1.1
CUMULATIVE		7.4	10.2	11.8	13.3	14.8	16.2	17.5	18.9	20.0	21.1
KENTUCKY (329)											
ASSETS											
PER ORGANIZATION		12.6	10.8	5.8	3.9	2.3	1.1	1.0 *	1.0	.9	.9
CUMULATIVE		12.6	23.5	29.3	33.2	35.6	36.8	37.8	38.8	39.7	40.6
DEPOSITS											
PER ORGANIZATION		11.2	9.1	5.5	3.2	1.9	1.2	1.0	1.0	1.0	1.0
CUMULATIVE		11.2	20.4	25.9	29.2	31.1	32.3	33.4	34.4	35.4	36.4

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(NUMBER IN PARENTHESES IS TOTAL OF BANKING ORGANIZATIONS IN STATE)
(* = INDEPENDENT BANK)

DECEMBER 1984

STATE AND ITEM	1	2	3	4	5	6	7	8	9	10
LOUISIANA (304)										
ASSETS										
PER ORGANIZATION	6.2	5.5	4.8	3.4	3.3	3.2	2.3	2.2	1.8	1.9
CUMULATIVE	6.2	11.8	16.6	20.1	23.4	26.7	29.1	31.3	33.2	35.2
DEPOSITS										
PER ORGANIZATION	5.7	4.8	4.5	3.3	3.2	3.0	2.5	2.2	1.8	1.8
CUMULATIVE	5.7	10.5	15.1	18.4	21.7	24.7	27.2	29.5	31.4	33.2
MAINE (22)										
ASSETS										
PER ORGANIZATION	22.0	18.3	14.9	14.9	12.8	2.2 *	2.0	1.8	1.8 *	1.6
CUMULATIVE	22.0	40.3	55.3	70.3	83.1	85.3	87.4	89.2	91.0	92.7
DEPOSITS										
PER ORGANIZATION	21.9	19.2	14.6	13.4	13.1	2.2	2.1	1.9	1.8	1.7
CUMULATIVE	21.9	41.2	55.8	69.2	82.4	84.7	86.9	88.8	90.6	92.4
MARYLAND (69)										
ASSETS										
PER ORGANIZATION	22.0	12.4	11.4	10.3	8.4	7.1	6.0	3.9	2.1	1.2
CUMULATIVE	22.0	34.5	45.9	56.2	64.7	71.8	77.8	81.8	84.0	85.2
DEPOSITS										
PER ORGANIZATION	18.8	12.2	11.3	10.2	9.4	6.6	6.3	4.4	2.5	1.4
CUMULATIVE	18.8	31.1	42.4	52.7	62.1	68.7	75.0	79.5	82.1	83.5
MASSACHUSETTS (73)										
ASSETS										
PER ORGANIZATION	25.7	13.1	12.9	10.6 *	8.5	4.4 *	4.0	3.5	1.9	1.9
CUMULATIVE	25.7	38.9	51.9	62.5	71.1	75.6	79.6	83.1	85.1	87.1
DEPOSITS										
PER ORGANIZATION	22.7	13.2	12.5	11.7	7.3	5.1	4.3	4.0	2.2	2.1
CUMULATIVE	22.7	35.9	48.4	60.2	67.5	72.6	77.0	81.1	83.3	85.5
MICHIGAN (194)										
ASSETS										
PER ORGANIZATION	19.3	14.0	10.6	8.9	6.5	6.5	2.0	1.8	1.8	1.5
CUMULATIVE	19.3	33.3	44.0	52.9	59.4	65.9	68.0	69.9	71.7	73.2
DEPOSITS										
PER ORGANIZATION	16.4	13.5	11.1	8.7	7.0	6.2	2.2	2.0	1.8	1.6
CUMULATIVE	16.4	30.0	41.1	49.9	56.9	63.2	65.4	67.4	69.3	70.9
MINNESOTA (592)										
ASSETS										
PER ORGANIZATION	34.4	21.7	3.4	1.9	1.8	.9	.6	.5 *	.5	.3
CUMULATIVE	34.4	56.2	59.6	61.6	63.4	64.4	65.0	65.6	66.2	66.6
DEPOSITS										
PER ORGANIZATION	26.2	23.2	3.5	2.2	1.7	1.0	.7	.6	.6	.4
CUMULATIVE	26.2	49.4	53.0	55.2	57.0	58.0	58.8	59.4	60.1	60.5

PERCENTAGE OF TOTAL ASSETS AND TOTAL DEPOSITS
 BY THE TEN LARGEST BANKING ORGANIZATIONS WITHIN STATES
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 (NUMBER IN PARENTHESES IS TOTAL OF BANKING ORGANIZATIONS IN STATE)
 (* = INDEPENDENT BANK)

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		DECEMBER 1984									
STATE AND ITEM		1	2	3	4	5	6	7	8	9	10
MISSISSIPPI (154)											
ASSETS											
PER ORGANIZATION		16.3	11.8 *	5.8	3.6	3.6	2.3	2.2	1.9	1.7	1.4
CUMULATIVE		16.3	28.2	34.0	37.7	41.3	43.6	45.8	47.7	49.5	50.9
DEPOSITS											
PER ORGANIZATION		14.4	11.2	5.9	3.8	3.7	2.4	2.3	2.0	1.7	1.4
CUMULATIVE		14.4	25.6	31.5	35.4	39.1	41.5	43.8	45.8	47.6	49.1
MISSOURI (448)											
ASSETS											
PER ORGANIZATION		13.2	11.0	9.3	7.7	6.4	5.0	2.9	2.4	2.2	1.9
CUMULATIVE		13.2	24.3	33.6	41.4	47.8	52.9	55.8	58.2	60.5	62.4
DEPOSITS											
PER ORGANIZATION		11.8	9.8	9.0	7.3	6.5	5.3	2.7	2.5	2.4	2.0
CUMULATIVE		11.8	21.7	30.7	38.1	44.6	50.0	52.7	55.3	57.7	59.7
MONTANA (107)											
ASSETS											
PER ORGANIZATION		24.7	11.9	6.1	6.8	4.8	4.1	2.3	1.6	1.2	1.2
CUMULATIVE		24.7	36.6	42.8	49.7	54.6	58.7	61.1	62.7	64.0	65.3
DEPOSITS											
PER ORGANIZATION		23.9	11.7	6.2	6.1	4.9	4.3	2.2	1.7	1.3	1.2
CUMULATIVE		23.9	35.7	41.9	48.0	53.0	57.3	59.6	61.3	62.6	63.9
NEBRASKA (448)											
ASSETS											
PER ORGANIZATION		9.6	7.2 *	6.2	4.2	3.1	1.2	1.0	.9	.8	.7
CUMULATIVE		9.6	16.8	23.1	27.4	30.5	31.7	32.7	33.7	34.5	35.3
DEPOSITS											
PER ORGANIZATION		8.9	6.5	5.2	4.2	2.9	1.2	1.0	1.0	.8	.7
CUMULATIVE		8.9	15.5	20.7	25.0	27.9	29.1	30.2	31.2	32.0	32.8
NEVADA (15)											
ASSETS											
PER ORGANIZATION		49.6	22.5	11.1 *	7.6 *	3.3 *	2.1	.9 *	.6 *	.4 *	.3
CUMULATIVE		49.6	72.1	83.2	90.9	94.2	96.3	97.3	98.0	98.4	98.7
DEPOSITS											
PER ORGANIZATION		49.7	22.0	10.8	7.7	3.4	2.3	1.0	.6	.4	.3
CUMULATIVE		49.7	71.8	82.6	90.4	93.9	96.2	97.2	97.9	98.3	98.7
NEW HAMPSHIRE (49)											
ASSETS											
PER ORGANIZATION		19.1	17.2	11.6	7.3	4.8	4.3	2.6 *	2.1	1.9 *	1.7
CUMULATIVE		19.1	36.3	47.9	55.3	60.2	64.6	67.2	69.4	71.3	73.0
DEPOSITS											
PER ORGANIZATION		18.2	16.5	12.0	7.0	4.8	4.6	2.7	2.2	1.8	1.8
CUMULATIVE		18.2	34.7	46.7	53.7	58.5	63.1	65.8	68.0	70.2	72.0

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(NUMBER IN PARENTHESES IS TOTAL OF BANKING ORGANIZATIONS IN STATE)
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STATE AND ITEM	1	2	3	4	5	6	7	8	9	10
NEW JERSEY (97)										
ASSETS										
PER ORGANIZATION	20.3	12.7	7.6	5.1	5.0	3.8	3.1 *	3.2	2.8	2.5
CUMULATIVE	20.3	33.0	40.7	45.8	50.8	54.7	57.9	61.1	64.0	66.6
DEPOSITS										
PER ORGANIZATION	19.4	12.3	7.2	5.2	4.7	3.9	3.4	3.1	3.0	2.6
CUMULATIVE	19.4	31.8	39.0	44.3	49.0	53.0	56.4	59.6	62.6	65.2
NEW MEXICO (62)										
ASSETS										
PER ORGANIZATION	24.3	9.8 *	10.3	8.1	5.4	3.6	2.7	2.2	1.7	1.6
CUMULATIVE	24.3	34.2	44.5	52.6	58.1	61.8	64.5	66.8	68.5	70.2
DEPOSITS										
PER ORGANIZATION	24.4	9.7	9.0	8.3	5.5	3.7	2.7	2.0	1.7	1.7
CUMULATIVE	24.4	34.1	43.2	51.6	57.2	60.9	63.6	65.7	67.5	69.3
NEW YORK (167)										
ASSETS										
PER ORGANIZATION	18.8	13.5	10.8	10.0	9.7	4.4	6.9	3.5	3.1	1.9
CUMULATIVE	18.8	32.3	43.2	53.2	63.0	67.4	74.3	77.8	80.9	82.9
DEPOSITS										
PER ORGANIZATION	15.9	13.9	11.5	10.7	6.8	4.9	4.5	3.6	3.4	2.9
CUMULATIVE	15.9	29.8	41.4	52.1	58.9	63.8	68.3	72.0	75.4	78.3
NORTH CAROLINA (63)										
ASSETS										
PER ORGANIZATION	21.0	22.9	17.0	7.0	6.1	5.5	3.3	3.3	2.4	1.6
CUMULATIVE	21.0	43.9	61.0	68.1	74.3	79.8	83.2	86.6	89.0	90.7
DEPOSITS										
PER ORGANIZATION	20.9	20.7	12.8	7.8	7.2	6.4	4.0	4.0	2.9	1.9
CUMULATIVE	20.9	41.6	54.5	62.3	69.6	76.0	80.1	84.2	87.1	89.1
NORTH DAKOTA (142)										
ASSETS										
PER ORGANIZATION	16.8	13.8	6.3	2.9	2.8	2.2	2.0 *	1.8	1.2 *	1.2
CUMULATIVE	16.8	30.7	37.0	39.9	42.8	45.0	47.0	48.9	50.2	51.4
DEPOSITS										
PER ORGANIZATION	16.1	13.8	6.4	2.8	2.8	2.0	2.0	1.6	1.3	1.2
CUMULATIVE	16.1	30.0	36.5	39.3	42.2	44.3	46.3	48.0	49.3	50.5
OHIO (239)										
ASSETS										
PER ORGANIZATION	17.6	12.9	9.0	8.0	7.4	4.2	4.4	3.7	3.4	3.2
CUMULATIVE	17.6	30.5	39.5	47.5	55.0	59.2	63.7	67.4	70.9	74.1
DEPOSITS										
PER ORGANIZATION	16.1	13.6	8.4	8.4	7.2	4.2	3.9	3.3	3.0	3.0
CUMULATIVE	16.1	29.8	38.2	46.6	53.9	58.1	62.1	65.5	68.5	71.5

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PERCENTAGE OF TOTAL ASSETS AND TOTAL DEPOSITS
 BY THE TEN LARGEST BANKING ORGANIZATIONS WITHIN STATES
 (ALL COMMERCIAL BANKS AND TRUST COMPANIES)
 (NUMBER IN PARENTHESES IS TOTAL OF BANKING ORGANIZATIONS IN STATE)
 (* = INDEPENDENT BANK)

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STATE AND ITEM	DECEMBER 1984									
	1	2	3	4	5	6	7	8	9	10
OKLAHOMA (516)										
ASSETS										
PER ORGANIZATION CUMULATIVE	8.9	7.3	7.7	3.8	1.5	1.5	1.0	1.0	1.0	.9
DEPOSITS	8.9	16.3	24.0	27.9	29.4	31.0	32.1	33.1	34.1	35.1
PER ORGANIZATION CUMULATIVE	8.4	6.7	5.9	3.5	1.6	1.3	1.0	1.0	1.0	.9
DEPOSITS CUMULATIVE	8.4	15.1	21.0	24.5	26.2	27.5	28.6	29.7	30.7	31.7
OREGON (66)										
ASSETS										
PER ORGANIZATION CUMULATIVE	40.3	32.9	6.5	4.0 *	1.9	1.6	.9	.9	.7	.5
DEPOSITS	40.3	73.2	79.7	83.8	85.7	87.3	88.3	89.2	90.0	90.6
PER ORGANIZATION CUMULATIVE	38.1	31.9	6.8	4.5	2.3	1.7	1.1	1.1	.8	.6
DEPOSITS CUMULATIVE	38.1	70.0	76.8	81.4	83.7	85.4	86.6	87.7	88.5	89.2
PENNSYLVANIA (301)										
ASSETS										
PER ORGANIZATION CUMULATIVE	22.4	12.4	7.7	4.7	4.2	3.9	2.2	2.2	2.0	1.9
DEPOSITS	22.4	34.9	42.6	47.4	51.6	55.5	57.7	60.0	62.0	64.0
PER ORGANIZATION CUMULATIVE	17.6	10.0	7.4	5.2	4.3	3.5	2.6	2.6	2.4	2.2
DEPOSITS CUMULATIVE	17.6	27.6	35.0	40.3	44.6	48.2	50.8	53.4	55.8	58.1
RHODE ISLAND (14)										
ASSETS										
PER ORGANIZATION CUMULATIVE	56.9	29.6	4.3	2.8	1.6	1.3	.8	.7	.5 *	.4
DEPOSITS	56.9	86.5	90.8	93.7	95.4	96.7	97.5	98.3	98.8	99.2
PER ORGANIZATION CUMULATIVE	49.2	33.6	5.5	3.7	2.1	1.6	1.0	.8	.6	.4
DEPOSITS CUMULATIVE	49.2	82.8	88.4	92.2	94.3	96.0	97.0	97.9	98.5	99.0
SOUTH CAROLINA (73)										
ASSETS										
PER ORGANIZATION CUMULATIVE	29.9	18.2 *	14.7	7.5	4.5	2.1	1.4 *	1.3 *	1.3	1.1
DEPOSITS	29.9	48.2	63.0	70.5	75.1	77.2	78.7	80.0	81.4	82.6
PER ORGANIZATION CUMULATIVE	27.5	18.1	13.7	8.6	5.0	2.1	1.6	1.5	1.4	1.2
DEPOSITS CUMULATIVE	27.5	45.7	59.4	68.0	73.0	75.2	76.8	78.3	79.8	81.1
SOUTH DAKOTA (124)										
ASSETS										
PER ORGANIZATION CUMULATIVE	49.8	11.3	9.0	1.9	1.7	1.4	1.1	.9	.8	.7
DEPOSITS	49.8	61.2	70.2	72.2	73.9	75.4	76.6	77.5	78.4	79.2
PER ORGANIZATION CUMULATIVE	31.9	15.7	12.0	2.5	2.4	2.0	1.6	1.3	1.1	1.0
DEPOSITS CUMULATIVE	31.9	47.4	59.4	62.2	64.7	66.7	68.3	69.6	70.7	71.8

(NUMBER IN PARENTHESES IS TOTAL OF BANKING ORGANIZATIONS IN STATE)
 (* = INDEPENDENT BANK)

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(NUMBER IN PARENTHESES IS TOTAL OF BANKING ORGANIZATIONS IN STATE)
 (* = INDEPENDENT BANK)

DECEMBER 1984

STATE AND ITEM	1	2	3	4	5	6	7	8	9	10
TENNESSEE (261)										
ASSETS										
PER ORGANIZATION	13.7	13.0	12.0	8.3	5.8	3.5 *	1.6	1.3	1.2	1.0
CUMULATIVE	13.7	26.8	38.8	47.2	53.0	56.6	58.2	59.6	60.9	61.9
DEPOSITS										
PER ORGANIZATION	13.3	12.8	11.4	7.8	5.1	3.2	1.7	1.4	1.2	1.1
CUMULATIVE	13.3	26.2	37.7	45.5	50.7	53.9	55.7	57.2	58.5	59.6
TEXAS (1,239)										
ASSETS										
PER ORGANIZATION	11.8	10.3	8.6	8.3	9.7	5.0	3.2	2.3	1.8	1.4
CUMULATIVE	11.8	22.1	30.8	39.2	48.9	53.9	57.2	59.5	61.3	62.8
DEPOSITS										
PER ORGANIZATION	9.6	9.2	8.1	8.0	8.0	5.3	3.2	2.6	1.9	1.6
CUMULATIVE	9.6	18.8	26.9	35.0	43.0	48.4	51.7	54.4	56.3	57.9
UTAH (53)										
ASSETS										
PER ORGANIZATION	27.8	23.7	9.9	7.7	7.3	2.8 *	3.7	1.8	1.3	1.0
CUMULATIVE	27.8	51.6	61.5	69.2	76.6	79.5	83.2	85.1	86.4	87.4
DEPOSITS										
PER ORGANIZATION	28.3	20.1	10.3	8.2	7.7	3.2	3.2	2.0	1.5	1.1
CUMULATIVE	28.3	48.5	58.8	67.0	74.8	78.1	81.3	83.3	84.8	85.9
VERMONT (24)										
ASSETS										
PER ORGANIZATION	22.2	12.3	11.3	11.0	8.8	5.4	4.7	3.3	2.6 *	1.8
CUMULATIVE	22.2	34.6	45.9	57.0	65.8	71.3	76.0	79.4	82.0	83.9
DEPOSITS										
PER ORGANIZATION	22.5	11.9	11.4	11.1	8.7	5.4	4.6	3.3	2.6	1.9
CUMULATIVE	22.5	34.4	45.9	57.0	65.7	71.2	75.8	79.2	81.8	83.8
VIRGINIA (142)										
ASSETS										
PER ORGANIZATION	21.5	15.5	11.2	9.9	6.9	7.9	5.3	2.7	.9	.8
CUMULATIVE	21.5	37.1	48.3	58.2	65.2	73.2	78.5	81.3	82.2	83.0
DEPOSITS										
PER ORGANIZATION	20.4	14.6	10.5	9.5	7.9	7.7	5.7	2.9	.9	.9
CUMULATIVE	20.4	35.1	45.6	55.1	63.0	70.7	76.5	79.5	80.5	81.4
WASHINGTON (94)										
ASSETS										
PER ORGANIZATION	29.9	23.2	9.8	7.7	5.9	5.1 *	2.3	1.9 *	1.3 *	1.0
CUMULATIVE	29.9	53.2	63.1	70.9	76.8	81.9	84.3	86.3	87.6	88.7
DEPOSITS										
PER ORGANIZATION	27.6	21.8	10.3	8.0	6.3	5.7	2.5	2.1	1.4	1.1
CUMULATIVE	27.6	49.5	59.8	67.9	74.3	80.0	82.6	84.7	86.2	87.3

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PERCENTAGE OF TOTAL ASSETS AND TOTAL DEPOSITS
 BY THE TEN LARGEST BANKING ORGANIZATIONS WITHIN STATES
 (ALL COMMERCIAL BANKS AND TRUST COMPANIES)
 (NUMBER IN PARENTHESES IS TOTAL OF BANKING ORGANIZATIONS IN STATE)
 (* = INDEPENDENT BANK)

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STATE AND ITEM	DECEMBER 1984									
	1	2	3	4	5	6	7	8	9	10
WEST VIRGINIA (203)										
ASSETS										
PER ORGANIZATION	6.7	3.8	3.4	2.4	2.9	1.9	1.9	1.9	1.6	1.4
CUMULATIVE	6.7	10.6	14.0	16.5	19.5	21.4	23.3	25.3	27.0	28.4
DEPOSITS										
PER ORGANIZATION	6.5	3.4	3.3	2.5	2.3	2.0	1.8	1.8	1.5	1.5
CUMULATIVE	6.5	9.9	13.3	15.8	18.2	20.2	22.1	23.9	25.5	27.1
WISCONSIN (440)										
ASSETS										
PER ORGANIZATION	13.6	11.0	7.6	3.2	2.8	2.3	2.2	1.7	1.6	1.6
CUMULATIVE	13.6	24.7	32.3	35.6	38.4	40.7	43.0	44.7	46.4	48.0
DEPOSITS										
PER ORGANIZATION	12.2	9.8	7.4	3.4	2.7	2.3	2.0	1.7	1.6	1.6
CUMULATIVE	12.2	22.0	29.5	33.0	35.7	38.1	40.1	41.8	43.5	45.2
WYOMING (65)										
ASSETS										
PER ORGANIZATION	16.3	11.8	11.5	4.9	4.2	3.8	3.6 *	3.1	2.0	2.0
CUMULATIVE	16.3	28.2	39.7	44.7	48.9	52.7	56.4	59.5	61.6	63.6
DEPOSITS										
PER ORGANIZATION	16.2	11.9	11.1	4.7	4.3	3.8	3.7	3.1	2.1	2.0
CUMULATIVE	16.2	28.1	39.3	44.0	48.4	52.2	55.9	59.1	61.2	63.3

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ATTACHMENT D

Summary of Enclosures

- A. Antitrust Policy, Kaysen & Turner (1959). This seminal text on antitrust policy suggest the following statutory benchmarks for the federal anti-trust law, at page 133, that, with regard to horizontal mergers:

"(a) Any acquisition of a competitor by a firm with 20 percent or more of its market is prima facie illegal. (b) Any merger of competitors who together constitute 20 percent or more of a market is prima facie illegal."

- B. United States v. Philadelphia National Bank, 374 U.S. 321 (1963), at page 364, notes that the proposed merger would have resulted in a single bank's controlling at least 30% of the commercial banking business in the market. "Without attempting to specify the smallest market share which would still be considered to threaten undue concentration, we are clear that 30% presents that threat", citing in a footnote Kaysen and Turner and another proponent of 20%, as well as a proponent of 25%.
- C. "Does Antitrust Law Preclude the Need for Geographic Constraints on Banking"; Donald I. Baker, 93 Banking Law Journal 1005 (1976). Professor of Law at Cornell Baker, who subsequently became Assistant Attorney General, Antitrust Division, U.S. Department of Justice, concludes at pp. 1016-1017:

I tend to believe that a reasonable degree of pluralism is worthwhile - to avoid creation of what are essentially statewide oligopolies. Since antitrust now does not provide it, some legislative restrictions on acquisition of leading local banks is necessary. This can be done in ways that are far less restrictive than most of the geographic restraints have been in banking. To start with, no restriction on de novo expansion - either with manned facilities or automated ones - is necessary or desirable. Essentially, all that is required is that Congress amend the Bank Merger Act and the Bank Holding Company Act to provide that no banking organization may make an acquisition which increases its share of statewide deposits above a set figure. That percentage figure should, in my judgment, be not higher than 20 percent - since that figure would assure that there are potentially at least five strong banking organizations in a state.
[Footnotes omitted]

- D. "Potential Acquisition Partners for Large U.S. Banks: The Discriminatory Effects of Law and Policy", Smith and Weiss (Comptroller of the Currency Staff Paper No. 1980-5). At pages 17-18, the authors apply an antitrust assumption that any transactions would be disapproved if the transaction would result in control of over 20 percent of bank deposits in a given

market, basing their assumption on the landmark case of United States v. Phillipsburg National Bank and Trust Company et al., 399 U.S. 350 (1970), in which the Supreme Court rejected as anticompetitive a transaction which resulted in a 23 percent market share.

- E. "Merger Guidelines", Board of Governors of the Federal Reserve System Staff Memorandum dated January 22, 1982. On page 2 the staff proposes that "If a merger would yield a firm with over 20 percent of the state's banking deposits it is likely to receive close scrutiny."
- F. Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System before the Subcommittee on Financial Institutions, Supervision, and Regulation of the Committee on Banking, Finance and Urban Affairs, House of Representatives, April 24, 1985:

"Two kinds of limitations, in our judgment, might be taken to forestall any substantial risk of excessive concentration. The approaches are not mutually exclusive and would be complementary. Both would, at the margin, involve essentially arbitrary judgments, for they would envisage a simple quantitative measure of relative size. But, by responding directly and logically to the concerns about concentration, I believe they would provide a more coherent approach than the present "system" of implicitly relying on an almost total prohibition on interstate acquisition as an indirect means of controlling concentration levels.

The first approach would envisage limitations on the largest banking institutions acquiring other banks. For instance, the very largest holding companies in terms of domestic banking assets (or depository institution assets) -- say the top twenty-five -- might be prohibited from merging with each other. In addition, banks could be prohibited from obtaining through acquisition more than some fixed shares of the nationwide total of such assets, although de novo or relatively small acquisitions in other states could be permitted.

The second approach would permit, or even encourage, states to set limitations on the proportion of banking assets (or depository institution assets) within their own borders that could be acquired through acquisitions or mergers of institutions of significant size. Specifically, such acquisitions could be denied if the resultant institution would hold more than, for example, 15 or 20 percent of a state's banking assets. Any such rule should be nondiscriminatory between in-state and out-of-state banking organizations.

MAXIMUM DEPOSITS IN COMMERCIAL BANK SUBSIDIARIES OF BANK HOLDING COMPANY

6/30/86

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total state deposits	comm'l bank deposits	20% cap	total deposits equiv	dwarves 10.5%	comm'l bank equiv	FFB 12.00%	comm'l bank equiv	FFB \$11,500 equals	comm'l bank equiv
4yr avg \$110,768	\$51,196	\$10,239	9.24%	\$11,631	22.72%	\$13,292	25.96%	10.38%	22.46%
4yr comp \$110,635	\$51,131	\$10,226	9.24%	\$11,617	22.72%	\$13,276	25.97%	10.39%	22.49%
3yr comp \$112,744	\$52,096	\$10,419	9.24%	\$11,838	22.72%	\$13,529	25.97%	10.20%	22.07%
2yr comp \$112,235	\$51,053	\$10,211	9.10%	\$11,785	23.08%	\$13,468	26.38%	10.25%	22.53%

6/30/87

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total state deposits	comm'l bank deposits	dwarves 11.00%	comm'l bank equiv	FFB 13.00%	comm'l bank equiv	FFB \$13,296 equals	comm'l bank equiv
4yr avg \$125,357	\$57,022	\$13,789	24.18%	\$16,296	28.58%	10.61%	23.32%
4yr comp \$125,063	\$56,878	\$13,757	24.19%	\$16,258	28.58%	10.63%	23.38%
3yr comp \$129,883	\$59,045	\$14,287	24.20%	\$16,885	28.60%	10.24%	22.52%
2yr comp \$128,751	\$56,705	\$14,163	24.98%	\$16,738	29.52%	10.33%	23.45%

6/30/88

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total state deposits	comm'l bank deposits	dwarves 12.00%	comm'l bank equiv	FFB 13.5%	comm'l bank equiv	FFB \$13,767 equals	comm'l bank equiv
4yr avg \$141,947	\$63,511	\$17,034	26.82%	\$19,163	30.17%	9.70%	21.68%
4yr comp \$141,459	\$63,270	\$16,975	26.83%	\$19,097	30.18%	9.73%	21.76%
3yr comp \$149,724	\$66,921	\$17,967	26.85%	\$20,213	30.20%	9.19%	20.57%
2yr comp \$147,840	\$62,982	\$17,741	28.17%	\$19,958	31.69%	9.31%	21.86%

CALCULATION OF COMPOUND ANNUAL RATE OF GROWTH OF NEW JERSEY DEPOSITS

COMMERCIAL BANKS				SAVINGS BANKS			
date	deposits (000,000)	increase from prev date	annualized percentage increase	date	deposits (000,000)	increase from prev date	annualized percentage increase
06/30/81	\$30,019			06/30/81	\$9,345		
06/30/82	\$31,571	\$1,552	5.17%	06/30/82	\$9,691	\$346	3.70%
06/30/83	\$37,259	\$5,688	18.02%	06/30/83	\$10,072	\$381	3.93%
06/30/84	\$39,728	\$2,469	6.63%	06/30/84	\$10,345	\$273	2.71%
06/30/85	\$45,965	\$6,237	15.70%	06/30/85	\$13,275	\$2,930	28.32%
4 year average growth rate			11.38%	4 year average growth rate			9.67%
4 year compound growth rate			11.24%	4 year compound growth rate			9.17%
3 year compound growth rate			13.34%	3 year compound growth rate			11.06%
2 year compound growth rate			11.07%	2 year compound growth rate			14.81%

SAVINGS & LOAN ASSOCIATIONS				ALL DEPOSITORY INSTITUTIONS		
date	deposits (000,000)	increase from prev date	annualized percentage increase	total deposits (000,000)	increase from prev date	annualized percentage increase
09/30/81	\$21,939					
09/30/82	\$24,178	\$2,239	10.21%			
09/30/83	\$28,647	\$4,469	18.48%			
06/30/84	\$32,239	\$3,592	16.68%	\$82,312		
06/30/85	\$38,691	\$6,452	20.01%	\$97,931	\$15,619	18.98%
4 year average growth rate			16.34%			
3.75 year compound growth rate			16.33%			
2.75 year compound growth rate			18.65%			
1.75 year compound growth rate			18.74%			

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PROJECTED DEPOSIT GROWTH-AVERAGE RATE

Using 4 Year Average Growth Rate

COMMERCIAL BANKS				SAVINGS BANKS		
date	deposits (000,000)	increase from prev date	annualized percentage increase	deposits (000,000)	increase from prev date	annualized percentage increase
06/30/86	\$51,196	\$5,231	11.38%	\$14,559	\$1,284	9.67%
06/30/87	\$57,022	\$5,826	11.38%	\$15,967	\$1,408	9.67%
06/30/88	\$63,511	\$6,489	11.38%	\$17,510	\$1,544	9.67%
06/30/89	\$70,739	\$7,228	11.38%	\$19,204	\$1,693	9.67%
06/30/90	\$78,789	\$8,050	11.38%	\$21,061	\$1,857	9.67%

SAVINGS & LOAN ASSOCIATIONS				ALL DEPOSITORY INSTITUTIONS		
date	deposits (000,000)	increase from prev date	annualized percentage increase	total deposits (000,000)	increase from prev date	annualized percentage increase
06/30/86	\$45,013	\$6,322	16.34%	\$110,768	\$12,837	13.11%
06/30/87	\$52,368	\$7,355	16.34%	\$125,357	\$14,589	13.17%
06/30/88	\$60,925	\$8,557	16.34%	\$141,947	\$16,590	13.23%
06/30/89	\$70,880	\$9,955	16.34%	\$160,823	\$18,876	13.30%
06/30/90	\$82,462	\$11,582	16.34%	\$182,312	\$21,489	13.36%

PROJECTED DEPOSIT GROWTH-COMPOUND RATES

Using 4 Year Compound Growth Rate

COMMERCIAL BANKS				SAVINGS BANKS		
date	deposits (000,000)	increase from prev date	annualized percentage increase	deposits (000,000)	increase from prev date	annualized percentage increase
06/30/86	\$51,131	\$5,166	11.24%	\$14,493	\$1,218	9.17%
06/30/87	\$56,878	\$5,747	11.24%	\$15,822	\$1,329	9.17%
06/30/88	\$63,270	\$6,392	11.24%	\$17,273	\$1,451	9.17%
06/30/89	\$70,381	\$7,111	11.24%	\$18,858	\$1,584	9.17%
06/30/90	\$78,291	\$7,910	11.24%	\$20,588	\$1,730	9.17%

SAVINGS & LOAN ASSOCIATIONS				ALL DEPOSITORY INSTITUTIONS		
date	deposits (000,000)	increase from prev date	annualized percentage increase	total deposits (000,000)	increase from prev date	annualized percentage increase
06/30/86	\$45,011	\$6,320	16.33%	\$110,635	\$12,704	12.97%
06/30/87	\$52,363	\$7,352	16.33%	\$125,063	\$14,428	13.04%
06/30/88	\$60,916	\$8,553	16.33%	\$141,459	\$16,397	13.11%
06/30/89	\$70,866	\$9,950	16.33%	\$160,105	\$18,645	13.18%
06/30/90	\$82,441	\$11,575	16.33%	\$181,320	\$21,215	13.25%

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Using 3 Year Compound Growth Rate

COMMERCIAL BANKS				SAVINGS BANKS		
date	deposits (000,000)	increase from prev date	annualized percentage increase	deposits (000,000)	increase from prev date	annualized percentage increase
06/30/86	\$52,096	\$6,131	13.34%	\$14,743	\$1,468	11.06%
06/30/87	\$59,045	\$6,949	13.34%	\$16,374	\$1,630	11.06%
06/30/88	\$66,921	\$7,876	13.34%	\$18,184	\$1,811	11.06%
06/30/89	\$75,848	\$8,927	13.34%	\$20,195	\$2,011	11.06%
06/30/90	\$85,965	\$10,117	13.34%	\$22,429	\$2,233	11.06%

SAVINGS & LOAN ASSOCIATIONS				ALL DEPOSITORY INSTITUTIONS		
date	deposits (000,000)	increase from prev date	annualized percentage increase	total deposits (000,000)	increase from prev date	annualized percentage increase
06/30/86	\$45,905	\$7,214	18.65%	\$112,744	\$14,813	15.13%
06/30/87	\$54,464	\$8,559	18.65%	\$129,883	\$17,139	15.20%
06/30/88	\$64,619	\$10,155	18.64%	\$149,724	\$19,842	15.28%
06/30/89	\$76,667	\$12,048	18.64%	\$172,710	\$22,986	15.35%
06/30/90	\$90,961	\$14,295	18.65%	\$199,356	\$26,645	15.43%

Using 2 Year Compound Growth Rate

COMMERCIAL BANKS				SAVINGS BANKS		
date	deposits (000,000)	increase from prev date	annualized percentage increase	deposits (000,000)	increase from prev date	annualized percentage increase
06/30/86	\$51,053	\$5,088	11.07%	\$15,240	\$1,965	14.81%
06/30/87	\$56,705	\$5,652	11.07%	\$17,497	\$2,256	14.80%
06/30/88	\$62,982	\$6,277	11.07%	\$20,087	\$2,590	14.81%
06/30/89	\$69,954	\$6,972	11.07%	\$23,061	\$2,974	14.81%
06/30/90	\$77,698	\$7,744	11.07%	\$26,475	\$3,414	14.81%

SAVINGS & LOAN ASSOCIATIONS				ALL DEPOSITORY INSTITUTIONS		
date	deposits (000,000)	increase from prev date	annualized percentage increase	total deposits (000,000)	increase from prev date	annualized percentage increase
06/30/86	\$45,941	\$7,250	18.74%	\$112,235	\$14,304	14.61%
06/30/87	\$54,549	\$8,608	18.74%	\$128,751	\$16,516	14.72%
06/30/88	\$64,771	\$10,221	18.74%	\$147,840	\$19,089	14.83%
06/30/89	\$76,908	\$12,137	18.74%	\$169,923	\$22,083	14.94%
06/30/90	\$91,318	\$14,411	18.74%	\$195,492	\$25,569	15.05%

The Bank Deposit Cap
Comparative Analysis of the Lesniak and Stockman Bills

Section 2:

(a) S 1466 uses the definition of banks as the numerator in the deposit cap. It defines bank as excluding the so-called non-bank banks, which do not both accept demand deposits and make commercial loans, and also excludes savings and loans. S 1444 defines bank as any institution with a state or federal bank charter, and thus includes the non-bank banks. This is a critical difference, as it would be quite feasible for a New Jersey bank holding company with multiple bank subsidiaries to locate all of its commercial lending activities under a single charter with multiple loan production offices located at its other banks, convert its other banks to non-bank banks, and exclude a substantial portion of its deposits from the cap.

S 1466 defines location of a bank with respect to its principal office; S 1444 defines location with respect to the state in which the largest proportion of its deposits are located, copying language from the regional banking bill. This difference is significant because there are already thrifts with offices in multiple states, and the location of a principal office is a mere legal formality which would offer the opportunity to change the cap calculation merely by a formal legal move which would not relate to the realities of the competitive environment in New Jersey.

(b) As a bank may legally own a bank holding company which, in turn, may own additional banks, S 1444 clarifies the definition of company to insure that all banks within a single organization are considered as a single entity for competitive purposes. S 1466 does not.

(g) Own is generally used interchangeably with control throughout both bills; S 1444 revises the definition to include indirect ownership which may occur even though techniques such as nonvoting stock are employed. S 1466 does not.

(l) S 1466 here uses a definition of bank which includes non-bank banks, as this definition is used in S 1466 as the denominator in the cap calculation, in order to make the denominator as large as possible. The S 1466 definition of depository institution will both include the deposits of an institution with its principal office in New Jersey and the bulk of its deposits in other states, and the New Jersey offices of a thrift with its principal office in another state. The definition excludes the New Jersey deposits of a bank located in another state, as this might be interpreted as requiring those deposits to be included in the numerator as well, which would be disadvantageous to those large institutions with extensive out-of-state activities.

(m) S 1444 defines control, which is used in both bills, in the same manner as the interstate bill and the federal Bank Holding Company Act; S 1466 defines control in and only for the purpose of Section 4, and once again limits control to voting power.

Section 3:

(a) S 1466 includes the deposits of banks (excluding non-bank banks) and savings banks (but not savings and loan associations), whose principal office is located in New Jersey in the numerator; S 1444 includes the deposits of banks (including non-bank banks), savings banks, and savings and loan associations, the greatest portion of whose deposits are located in New Jersey. S 1466 has caps of 12%, 13%, and 13½%; S 1444 has caps of 10.5%, 11%, and 12%. At the present time, 1% amounts to approximately \$1,000,000,000. S 1444 defines assumption of deposits to be 10% or more of the deposits of the acquired bank, to allow for modest branch purchases, which are common in New Jersey. S 1466 does not define what portion of an assumption would result in application of the cap law; this ambiguity might permit a holding company to acquire all but one of the branches of a bank and still avoided the cap law. A bank in South Jersey sold all but one of its branches recently as part of a restructuring.

S 1466 includes in the denominator both the New Jersey deposits of thrifts with their principal office located outside of New Jersey, and the out-of-state deposits of all New Jersey institutions with head offices located in New Jersey. S 1444 includes in the denominator all deposits of offices located in New Jersey of all institutions, a standard more directly relevant to the competitive situation in New Jersey. S 1466 includes non-bank bank deposits in the denominator. S 1444 excludes these deposits because non-bank banks chartered in New Jersey owned by brokerage houses and insurance companies may garner large amounts of deposits by mail from out-of-state, which deposits are unlikely to be invested in New Jersey to any significant degree and are thus not relevant to the competitive situation in New Jersey. S 1444 was drafted in this manner in part because of a concern on this point expressed by the Governor's Counsel.

(b) "Person" should be inserted in S 1444 where it is inserted in S 1466.

(c) S 1444 includes assumption of deposits in the triggering mechanism for the cap law, and includes all indirectly owned depository institutions, rather than just banks.

(d) S 1444 permits supervisory mergers and acquisitions under the circumstances and in accordance with the standards set forth in the New Jersey law empowering the Commissioner of Banking to approve such transactions. S 1466 includes no specific standards, allowing for varying interpretation and possible abuse by a future administration.

Section 4:

S 1444 deletes the definition of control, having inserted a revised definition in the definitions section. S 1466 does not.

Section 5 and 6:

S 1444 utilizes depository institution rather than bank in these two sections. S 1466 does not.

Sections 8 and 9 of S 1466:

S 1466 provides for the disappearance of the cap law at the end of three and one-half years if the legislature does not act; S 1444 provides that the cap will continue until amended. Since New Jersey will probably be in the first stage of interstate banking at that time, and New Jersey financial institutions will be subject to acquisition by out-of-state institutions, the dangerous possibility exists under S 1466 that one or two out-of-state institutions could gain control of 60%, 70% or even more, of New Jersey commercial bank deposits should the legislature fail to meet the deadline due to other legislative priorities.

NJPIRG

204 West State St.
Trenton, NJ
08608
(609) 393-7474

NEW JERSEY SENATE

LABOR, INDUSTRY AND PROFESSIONS COMMITTEE

THE ADDITION OF CONSUMER AMENDMENTS TO THE
INTERSTATE BANKING LEGISLATION

Statement of

Marlen Dooley, Esq.

Consumer Advocate

NEW JERSEY PUBLIC INTEREST RESEARCH GROUP

February 10, 1986

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New Jersey Public Interest Research Group

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My name is Marlen Dooley. I am a Consumer Advocate and attorney for the New Jersey Public Interest Research Group (NJPIRG), a statewide non-profit, non-partisan public interest group that works in areas of environmental conservation, consumer protection, and corporate and governmental accountability on behalf of its 63,000 members.

NJPIRG is testifying today to urge the committee to add four consumer amendments to the Interstate Banking bill, S-1467. The four amendments are a Basic Consumer Checking Account, a Truth in Depository Information Act, an Expedited Funds Availability Act and a Community Reinvestment Act.

BACKGROUND

In 1982, the federal government began lifting the interest rate ceiling on the amount that banks could pay depositors. This action was taken to allow banks to be competitive with other investment markets. Following deregulation, we have seen the tremendous escalation of basic bank service fees. According to a Wall Street Journal article, between 1978 and 1982, bank service charges more than doubled to 10.8 billion from 4.9 billion. The House Banking Committee has also estimated that between 1979 and 1983, the cost of basic banking services for the average United States household jumped 104%, from \$91.94 to \$187.59.

Fees for excessive withdrawals from savings accounts, for maintaining a small savings account, for cashing government checks, for using live tellers and for using automatic tellers are common. Large account holders obviously do not have trouble fulfilling minimum balance requirements. In addition, these "preferred" customers often receive banking packages that exclude any service charges. It is the moderate and low income consumer that is harmed by these increased charges. According to Federal Reserve Board data, 40% of all Americans have less than \$1,000 in financial assets of any type. Another 20% have \$1,000-\$5,000 in financial assets of any type. Not only do these consumers not reap the benefits of high interest accounts, but they may not be able to acquire essential banking services, because they cannot afford the fees.

NJPIRG is concerned that the moderate and low income consumer is being pushed out of the banking market. Again, data from the Federal Reserve Board shows that the number of families without checking accounts is greatly rising. In 1977, 44% of the poorest American families did not have checking accounts. In 1983, 56% did not have checking accounts.

Houston's Med Center Bank provides a good illustration of how many banks are "de-marketing" consumers. Houston Med increased its fees and chased away 8,000 to 12,000 customers. At the same time, the bank doubled its deposits by pursuing the wealthy. Average depositors at the Med maintain a balance of \$30,000.

It should also be noted that there is a wide disparity of fees among banks. This calls into question the relation of the fee to the service. Philadelphia's Mellon Bank East charges \$30 for each bounced check while others charge only \$10 - \$15.

New York State in 1982 asked banks to submit data on the actual cost of processing a bounced check. The banks could only justify \$5 to \$6 an item. The state then set a maximum fee of \$7.

Fees are not the only way in which consumers are discouraged from banking. Requiring a high minimum balance, ownership of credit cards or sponsors in order to open accounts are other tactics.

We state these examples and statistics to show that the problems exist. It is important that while the legislature considers restructuring the banking system, that it also include safeguards for the consumer. NJPIRG is neither supporting nor opposing interstate banking. We want to point out that these problems exist and will continue to grow unless action is taken. In fact, with interstate banking, service may get more complex and removed from the consumer, because the banks are less localized. In addition, the banking industry has taken no action to alleviate these problems, so before any further advantages are granted to that industry, consumer banking legislation must be developed. The ground rules for banks doing business in New Jersey must be set. Other states have recognized the difficulties facing low income consumers and have implemented legislation. Most recently, Illinois

enacted four consumer amendments to its interstate banking law- base line banking, checkhold, truth in depositing and community reinvestment.

BANKS HAVE A RESPONSIBILITY TO ALL CONSUMERS

The state of New Jersey has an obvious interest in assuring that all consumers are treated fairly. NJPIRG also believes that banks have a responsibility to the consumers of New Jersey. Although banks are not public utilities, they do receive substantial benefits from the federal government. Banks receive federal deposit insurance that is backed by the full faith and credit of the United States government. Despite situations like the collapse of the state insured Maryland Savings and Loans, consumers retain confidence in banks, because of the existence of the federal deposit insurance.

In addition, basic banking services have become essential in our modern world. Without access to checking and savings accounts, consumers are subject to high fees for check cashing and money orders. Consumers that choose to carry cash, may become targets of muggers.

AMENDMENTS

a.) BASIC CONSUMER CHECKING ACCOUNT

As mentioned earlier, one of the most prevalent problems facing low income consumers is the increase in banking fees since deregulation. The fees make essential banking services unobtainable by the low income consumer. In a nation-wide survey conducted by the Consumer Federation of America and the San Francisco Consumer Action, higher fees hiked charges on a typical checking account to more than \$100. At some banks the charges approached \$200. Other prerequisites to opening a new account, such as ownership of a credit card, create insurmountable obstacles for low income consumers.

Without checking or savings accounts, consumers must resort to check cashing outfits and liquor stores to cash checks. Cashing a check typically costs 1-2% of the face value of the check, sometimes as much as 10%. The consumer must then purchase money orders which are an added expense. In the alternative, consumers will be forced to carry or

keep at home large amounts of cash. These individuals may become the victims of theft. This is very likely with the elderly, students and others who receive government checks on the same day each month and are forced to cash the whole check. In addition, check cashing businesses are often located in poorer neighborhoods in which crime rates are higher. The poor are, statistically, more likely to be victims of street crime.

To meet these consumer problems, NJPIRG suggests that every depository institution offer a basic consumer checking account. These accounts would be subject to very specific limitations. These restrictions will serve to limit the number of consumers who will be attracted to the basic account.

Provisions of the Act

Every depository institution shall offer a basic consumer checking account at all offices where transaction accounts are offered. The account will contain atleast the following features:

- an initial deposit not in excess of \$25.00;
- no minimum balance of funds to maintain the account;
- 8 withdrawals per month by check and 5 other withdrawals without charges;
- maximum fee of \$1.00 per withdrawal in excess of 8 checks and five other withdrawals;
- maximum fee of \$5.00 for a check returned for insufficient funds;
- maximum fee of \$5.00 for a stop payment order;
- no fees may be charged for depositing funds;
- no fee may be charged for maintaining the account or account inactivity
- no fee may be charged for a balance inquiry;
- no fee may be charged for early closure of an account;
- fees not greater than the reasonable cost to the depository institution for any other account-related service, such as return of cancelled cancelled checks, check printing, etc. and
- a monthly statement that itemizes the account's debits and credits during the statement period and also indicates the

balance at the beginning and end of the statement period.

Restrictions

A consumer who owns a basic consumer checking account may be prohibited from opening any other transaction account.

Prohibition on Discrimination

All depository institutions are prohibited from requiring a consumer to have a credit card or any other requirement that would tend to discriminate against low income customers before opening a basic checking account.

Government Check Cashing

All depository institutions must allow any consumer to register for an identification card, which will entitle the cardholder to cash a United States, state or local government check made out to the person presenting it at the branch that issued the card. If the cardholder also presents identification with a picture, the cardholder may cash government checks at any branch of the institution issuing the card.

CONCLUSION

This amendment was developed to provide basic banking to consumers without creating undue hardship for the banking industry. Some banks presently offer these banking accounts. Security Pacific National Bank in Los Angeles has a "no frills" account which limits the number of times a customer may use a live teller per month without incurring fees. It should also be noted that several states, New York, California, Massachusetts and Illinois have required or are investigating life line accounts.

b) TRUTH IN DEPOSITING ACCOUNTS

The underlying theory of banking deregulation is that market forces will curtail abuses. This theory can not work, however, unless banking information is published and accessible.

NJPIRG has conducted banking surveys and found that obtaining information was difficult and at times impossible. If a professional research group has difficulty ascertaining banking policies during phone interviews or office visits, what chances does the average consumer have?

NJPIRG urges the commission to implement legislation that requires disclosure of all fees, charges, terms and conditions related to banking transactions.

Provisions of the Act

Schedule of Fees, Charges and Terms and Conditions

All depository institutions shall maintain a schedule of fees, charges, and terms and conditions applicable to each account offered by the institution that includes the following information:

- any minimum initial deposit required to open an account;
- any minimum balance necessary to avoid fees or charges and an example of how such minimum balance is calculated;
- any monthly maintenance or other periodic charge for maintaining the account and the conditions under which such charge will be assessed;
- any per transaction charge;
- any charge or penalty for early withdrawal or excess withdrawal;
- any charge for a check drawn on the account and dishonored upon presentment;
- any charge for a check deposited into the account and dishonored by a payor bank;
- any charge for a stop payment order;
- any charge for a balance inquiry;
- any charge for early closure of an account;
- the amount of any charge for an inactive account;
- interest payable on any account, including:
 - a. interest period during which the rate will be in effect;
 - b. the annual percentage yield as a standard measurement to facilitate comparison among different options;
 - c. any minimum balance necessary for the depositor to receive interest;
 - d. any time requirement that must be met for a depositor to receive interest;
 - e. if applicable, a statement that a depositor will lose interest that has accrued but not been credited if funds are withdrawn before the interest has been credited.

Advertisements

Every advertisement regarding an account offered by a depository

institution that refers to interest rates or percentage yield shall contain the following:

- the rate of simple interest and the basis of compounding;
- the period which the interest will be in effect;
- the annual percentage yield;
- any time or amount requirements necessary to earn the interest advertised, including time and amount requirements that will result in a higher or lower rate;
- any initial deposit required;
- if applicable, a statement that fees or other conditions could reduce the yield;
- if applicable, that a substantial interest penalty is required for early withdrawal;

Computation of Interest

The balance on which interest is computed in any account shall be the average daily balance during the period for which interest is to be calculated.

Disclosure to Customers

A. The schedule of fees and charges will be provided:

- in the first regular mailing to account holders occurring no more than 60 days after this Act takes effect;
- to any potential customer before an account is opened or a service is rendered; and
- to any person upon request;

B. If there is any change in the schedule, account holders who will be affected shall be notified and provided with a description of the change by mail at least 30 days prior to the effective date of the change.

Special Disclosure of Minimum Balance Requirements

If interest paid or service charges assessed on any account is affected by a minimum balance requirement, the periodic account statement must disclose:

- the actual balance amount used by the institution to compute the interest payable on the account;
- the method for computing such minimum balance or balances;
- a statement itemizing the total charges assessed, the reasons for such charges and the conditions under which a different set of charges would have been assessed.

General Prohibition Against Inaccurate or Misleading Advertisements

No depository institution shall make any advertisements relating

to a deposit account that is inaccurate or misleading or that misrepresents its deposit contracts.

c) EXPEDIATED FUNDS AVAILABILITY ACT

NJPIRG in its 1984 study "Held Up At the Bank," examined check clearing delays in New Jersey. Wide variations were found regarding length of hold on checks. 59% of the 156 banks surveyed placed holds of one week or more on local checks. Besides the obvious problem that consumers do not have quick access to their money, check clearing delays may also create financial difficulties if checks are written before the hold period is exhausted. Heavy fees assessed for returned checks may result in an account going below the minimum required balance. In addition, checks returned for insufficient funds may harm the consumer's credit rating.

The legislature did respond to this problem by proposing and passing S-1503 (P.L. 1985, Chapter 370) which required banks to give written notification of their checkhold policies to their customers. It was believed that with disclosure, consumers can shop around for the best deals and banks will therefore be forced to initiate competitive check hold policies. Disclosure alone may not result in uniform standards. According to our study, there is a large variance between statewide float policies. The policies in any given area, with few exceptions, are strikingly uniform. For example, in Newark, 6 out of 7 banks surveyed held local checks for at least one week and 5 out of 7 held out of state checks for periods of time ranging from 2-4 weeks. Most consumers shop for a local bank. If all local banks have excessive checkhold lengths, disclosure will not solve the problem.

The NJPIRG study also found that most banks get provisional credit for checks within 1-2 days. According to the Bank Administration Institute, only 1 in 5,245 checks must be written off and the checks lost are of a small amount. NJPIRG, therefore, still recommends that uniform checkhold legislation be implemented.

Provisions of the Act

Funds Availability Schedule

- (A) any federal, state, or local government check that is deposited by the person to whom it was issued shall be immediately available for withdrawal;
- (B) funds shall be available at the start of the next business day for deposit by:
- a check drawn on any branch of the receiving depository institution that is within the same Federal Reserve District;
 - checks under \$100; and
 - cashier's checks or certified checks issued by a depository institution.
- (C) funds shall be available at the start of the second business day after the day of deposit for a deposit by check drawn on a depository institution in the same Federal Reserve District as the institution of deposit unless a shorter period is required by (B) above;
- (D) funds shall be available at the start of the third business day following the day of deposit for any deposit by a check drawn on a depository institution outside the federal reserve district of the institution of deposit;

Checks deposited on Saturday, Sunday, legal holiday, after the close of business on any business day or at an electronic branch after the close of business of the nearest staffed branch of the depository institution involved shall be deemed to have been deposited on the next business day.

Exception

The availability of funds from checks;

- drawn on a depository institution located outside the United States;
- double-endorsed checks;
- checks deposited within 30 days of the opening of an account;

d) COMMUNITY REINVESTMENT ACT AMENDMENTS

As New Jersey moves to interstate banking, we need to be certain that our communities are not harmed by this restructuring. New Jersey needs to insure that out of state banks do not siphon funds from transactions in New Jersey without reinvesting any of those funds into the communities in which

the bank resides.

NJPIRG, therefore, urges the committee to improve upon the Federal Community Reinvestment Act. One method would be to develop a New Jersey Community Reinvestment Board that could review out of state banks' Community Reinvestment ratings.

NJPIRG would be willing to work with the committee to develop a state plan to supplement the Community Reinvestment Act.

CONCLUSION

At the present time, low income consumers do not receive adequate banking services. Although deregulation was expected to improve the banking market, it has only done so for consumers who can take advantage of high interest accounts. New Jersey needs to enact banking legislation that will assist low income consumers. There is no guarantee that interstate banking will alleviate the existing problems. NJPIRG, therefore, suggests that consumer protection amendments be tied to the "Interstate Banking bill." The consumer amendments should include baseline banking accounts, uniform disclosure standards, uniform checkhold policies, and community reinvestment provisions.

Check Fee Policies of New Jersey Banks
 Compiled By: New Jersey Public Interest Research Group
 Date: February, 1986

NAME OF INSTITUTION	MINIMUM DEPOSIT TO OPEN	MINIMUM BALANCE TO AVOID FEES	FEES PER MONTH/CHECK	BOUNCED CHECK FEE	RETURNED CHECK FEE	CASH GOV'T CHECKS W/O ACCOUNT	SPECIAL ACCOUNTS FOR SENIORS
<u>Atlantic County</u> First Federal Savings Hammonton	\$ 50	\$200	\$ 3/month	\$15	Depends on Type and Where From	No	Free 62 yrs +
First Jersey National Abescon	\$ 50	No Minimum	\$1.50/month .20/check .10/with. or transf.	\$15	\$2.50	No	Free 62 yrs. +
Howard Savings Bank Gloucester Township	\$100 (\$10 from bank pamph).	\$500	\$ 0-\$299=\$5 300- 499=\$3 per month	\$15	\$2.50	No	None
<u>Bergen County</u> Westwood Savings and Loan Association Westwood	\$100	\$100* *(if want checks back, min.=\$500)	\$7.50/month	\$12.50	\$12.50	No	Yes
Citizen First National Paramus	None	\$500	\$ 5/month	\$18	None	No	Free 62 yrs. +
Midland Bank and Trust Co. Paramus	\$ 50	\$500	Under \$200=\$5 \$200-\$300 =\$3 \$300-\$400 =\$2 \$400-\$500 =\$1	\$12.50	\$5	No	Free 60 yrs. +

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Check Fee Policies of New Jersey Banks
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NAME OF INSTITUTION	MINIMUM DEPOSIT TO OPEN	MINIMUM BALANCE TO AVOID FEES	FEES PER MONTH/CHECK	BOUNCED CHECK FEE	RETURNED CHECK FEE	CASH GOV'T CHECKS W/O ACCOUNT	SPECIAL ACCOUNTS FOR SENIORS
<u>Bergen County Cont'd</u> First National Bank In Fort Lee Fort Lee	\$300	\$300	9 checks free 10¢ ea. add'l check	\$15	\$1.25	Yes	Free 65 yrs. +
United Jersey Bank Hackensack	\$ 50	\$500	\$ 0-\$299=\$6 \$100-\$499=\$4	\$20	\$5	No	Free 62 yrs. +
<u>Burlington County</u> Eastern National Bank Cinnaminson	\$ 50	\$300	\$ 0-\$100=\$5 \$100-\$299=\$4* \$ 0-\$100=\$4 \$100-\$299=\$3 (in pamphlet)	\$22	\$4	No	Free 65 yrs. +
Farmers & Mechanics Savings and Loan Burlington	\$200	\$200	\$ 2/month	\$15	\$15	No	Yes, no monthly if over 55 yrs.
Mount Holly State Bank Mount Holly	\$ 25	None	None	\$20	\$3	No	No, / 20
<u>Camden County</u> Atco National Bank Atco	None	\$200	\$ 4/month	\$15	\$15	No	Free 62 yrs. +

* Discrepancy between phone call and pamphlet noted

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Check Fee Policies of New Jersey Banks
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 Date: February, 1986

NAME OF INSTITUTION	MINIMUM DEPOSIT TO OPEN	MINIMUM BALANCE TO AVOID FEES	FEES PER MONTH/CHECK	BOUNCED CHECK FEE	RETURNED CHECK FEE	CASH GOV'T CHECKS W/O ACCOUNT	SPECIAL ACCOUNTS FOR SENIORS
<u>Camden County Cont'd</u> City Federal Savings and Loan Camden	None	None	\$ 2/month \$.25/check	\$15	\$5	No	Free 62 yrs. +
Fidelity Bank and Trust of New Jersey Pennsauken	None	\$500	\$ 3/month \$.15/check \$.10/dep.tick. \$.10/item on deposit	\$25	\$4	Yes	Free 65 yrs. +
<u>Cape May County</u> Cape May County Savings and Loan Villas	\$200	\$200	\$ 3/month	\$ 9	None	No	None
<u>Cumberland County</u> First People's Bank Vineland	\$ 25	\$500	Under \$100=\$5 \$100- \$199=\$4 \$200- \$299=\$3 \$300- \$499=\$2	\$20	\$4	No	Free 62 yrs. +
Millville Savings and Loan Millville	\$100	\$100	\$2.50/month	\$10	None	No	Yes
<u>Essex County</u> People's Bank Belleville	\$100	\$500	\$.20/check \$ 0-\$ 99=\$5 \$100-\$300=\$4 \$300-\$400=\$3 \$400-\$500=\$2 /mo.	\$15	\$2	No	Free 62 yrs. +

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Check Fee Policies of New Jersey Banks
 Compiled By: New Jersey Public Interest Research Group
 Date: February, 1986

NAME OF INSTITUTION	MINIMUM DEPOSIT TO OPEN	MINIMUM BALANCE TO AVOID FEES	FEES PER MONTH/CHECK	BOUNCED CHECK FEE	RETURNED CHECK FEE	CASH GOV'T CHECKS W/O ACCOUNT	SPECIAL ACCOUNTS FOR SENIORS
Essex County Cont'd West Orange Savings and Loan Association West Orange	\$250*	\$750	\$ 5/month	\$12	\$12	No	No
	*NOW-Interest Over \$100						
Crestmont Federal Savings and Loan Maplewood	\$ 50	\$50	None/ No Interest	\$15	\$5	No	Yes
Fidelity Union Bank Newark	\$100	None	\$ 7/month \$.25/check	\$20	None	No	Free 62 yrs. +
Gibraltar Savings and Loan Newark	\$200	None	Under \$199=\$2 \$200 + = \$1 per month \$.10/check	\$15	\$7	No	Free 62 yrs. +
Gloucester County Lenape State Bank Lenape	\$ 25	\$300	Under \$100=\$5 \$100-\$199 =\$3 \$200-\$299 =\$2	\$15 (\$17 Chronic Bouncer)	\$2	No "	Free 62 yrs. + / / /
Heritage Bank Glassboro	\$ 50	\$500	\$ 5/month	\$20	\$4	No	Free 62 yrs. +

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Check Fee Policies of New Jersey Banks
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 Date: February, 1986

NAME OF INSTITUTION	MINIMUM DEPOSIT TO OPEN	MINIMUM BALANCE TO AVOID FEES	FEES PER MONTH/CHECK	BOUNCED CHECK FEE	RETURNED CHECK FEE	CASH GOV'T CHECKS W/O ACCOUNT	SPECIAL ACCOUNTS FOR SENIORS
<u>Gloucester County Cont'd</u> First People's Bank of New Jersey Pitman	\$ 25	\$500	Under \$100=\$5 \$100-\$200 =\$4 \$200-\$300 =\$3 \$300-\$400 =\$2 \$400-\$500 =\$1	\$20	\$4	No	Free 62 yrs. +
<u>Hudson County</u> Hudson United Bank Hoboken	\$ 60	\$1000	Under \$200=\$7 \$200-\$499 =\$5 \$500-\$999 =\$3	\$15	\$15	Yes	Yes
Commercial Trust Co. of New Jersey Jersey City	\$500	\$500	\$200-\$300=\$4 \$300-\$400=\$3 \$400-\$500=\$2 \$.30/check	\$20	\$5	No	Free 59 yrs. +
The Guttenberg Savings and Loan Guttenberg	\$ 15	\$500	\$ 5/month	N/A	\$2	No	Free 62 yrs +
National Community Bank Secaucus	\$ 25	\$600	Under \$100=\$4 \$100-\$400 =\$3 \$400-\$600 =\$2 Ck-Way Acct. \$1.25/mo no 20¢/ch. min.	\$18	None	No	Free 62 yrs. +
<u>Hunterdon County</u> Flemington National Bank and Trust Flemington	\$500	\$500	\$ 5/month	\$15	None	No	Free 62 yrs. +

X 25

Check Fee Policies of New Jersey Banks
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 Date: February, 1986

NAME OF INSTITUTION	MINIMUM DEPOSIT TO OPEN	MINIMUM BALANCE TO AVOID FEES	FEES PER MONTH/CHECK	BOUNCED CHECK FEE	RETURNED CHECK FEE	CASH GOV'T CHECKS w/o ACCOUNT	SPECIAL ACCOUNTS FOR SENIORS
<u>Hunterdon County Cont'd</u> Centennial Savings and Loan Lambertville	\$ 50	\$ 50	\$ 3/month	\$25	\$3	No	Free 65 yrs. +
<u>Mercer County</u> United Savings and Loan Lawrenceville	\$ 50	\$500	Under \$250=\$5 \$250-\$500 =\$3	\$20	\$5	No	Yes
Princeton Bank Princeton	\$ 50	\$600	\$ 5/month	\$20	\$5	No	Free 62 yrs. +
Franklin State Bank Trenton	\$ 50	\$500	\$ 3/month \$.20/check	\$22	\$5 \$3(in pamphlet)	No	Free 65 yrs. +
Yardville National Bank Trenton	None	None	\$ 2/month \$.10/check \$.15/Dep.Tic. \$.10/Dep.Item	\$20	\$4	No	Yes
<u>Middlesex</u> First Bank of Colonia Woodbridge	\$ 25	None	\$.50/month \$.10/check	\$15	\$3	No	Free 62 yrs. +

5/x

Check Fee Policies of New Jersey Banks
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Middlesex County Cont'd Axia Federal Savings Metuchen	\$100	None	None	\$15	None	No	Free 55 yrs. +
New Brunswick Savings Bank New Brunswick	\$ 50	\$50	\$ 5/month	\$15	\$5	No	None
Midlantic National Bank Cranbury*	\$500	\$500	Under \$299=\$6 \$300-\$499 =\$5 \$1.50/month \$.25/check no min.	\$22	\$4	No	Free 62 yrs. +
52X Monmouth County National State Bank Belmar	\$ 50	\$1000	\$ 5/month	\$20	\$4	No	N.A.#
Mainstay Federal Savings and Loan Red Bank	\$100	\$100	\$ 5/month	\$10	None	No	None
Shadow Lawn Savings Long Branch	\$500	\$500	Under \$200=\$7 \$200-\$300 =\$5 \$300-\$400 =\$3	\$20	\$7.50	No	Yes

*Phone and Pamphlet information in conflict. Used 10/85 pamphlet

#Information not available

NAME OF INSTITUTION	MINIMUM DEPOSIT TO OPEN	MINIMUM BALANCE TO AVOID FEES	FEES PER MONTH/CHECK	BOUNCED CHECK FEE	RETURNED CHECK FEE	CASH GOV'T CHECKS W/O ACCOUNT	SPECIAL ACCOUNTS FOR SENIORS
<u>Monmouth County Cont'd</u> Manasquan Savings and Loan Association Manasquan	\$100	\$100	\$ 4/month	\$12	None	No	No
<u>Morris County</u> The Morris County Savings Bank Morristown	\$ 50	\$1000	Under \$200=\$5 \$201-\$499 =\$3 \$500-\$999 =\$1	\$15	None	No	Free 60 yrs. +
Chathan Township Bank Morris	\$200	None	\$ 2/month	\$15	\$3	No	Yes
Kinnelon Banking Center of Broadway Bank and Trust Kinnelon	None	\$600	Under \$200=\$5 \$201-\$499 =\$4 \$401-\$599 =\$3 \$.15/check	\$20	\$3	No	Free 62 yrs. +
<u>Ocean County</u> First National Bank of Toms River Toms River	\$ 75	None 6% credit calc. on month.bal.	\$.50/month \$.15/check	\$15	\$1	No	Yes
Jersey Shore Savings and Loan Lakewood	\$ 50	\$500	\$7.50/month	\$15	\$5	No	Free 52 yrs. +

53x

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NAME OF INSTITUTION	MINIMUM DEPOSIT TO OPEN	MINIMUM BALANCE TO AVOID FEES	FEES PER MONTH/CHECK	BOUNCED CHECK FEE	RETURNED CHECK FEE	CASH GOV'T CHECKS W/O ACCOUNT	SPECIAL ACCOUNTS FOR SENIORS
<u>Ocean County Cont'd</u> Bay State Bank Beach Haven	\$ 50	None	\$ 2/month \$.10/check \$.50/credit*	\$15	None	No	Yes
<u>Passaic County</u> Clifton Savings and Loan Clifton	\$ 50	\$500	\$ 3/month	\$12	\$3	No	Yes
Ramapo Bank Wayne	\$500	\$500	\$ 5/month	\$18	\$5	No	None
<u>Lakeland State Bank</u> Wanaque	\$ 50	\$600	\$ 2/month \$.20/check	\$15	None	No	Yes
Horizon Bank Paterson	\$ 50	\$600	Under \$400=\$5 \$400-\$500 =\$4 \$500-\$600 =\$3	\$17	\$4	No	Free 62 yrs. +
<u>Salem County</u> First Fidelity National Bank Salem	\$100	\$500	\$ 6/month	\$20	\$4	No	Free 62 yrs. +

*Credit per \$100 Collected Balance

54 X

Check Fee Policies of New Jersey Banks
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NAME OF INSTITUTION	MINIMUM DEPOSIT TO OPEN	MINIMUM BALANCE TO AVOID FEES	FEES PER MONTH/CHECK	BOUNCED CHECK FEE	RETURNED CHECK FEE	CASH GOV'T CHECKS W/O ACCOUNT	SPECIAL ACCOUNTS FOR SENIORS
<u>Salem County Cont'd</u> Penns Grove National Bank and Trust Company Penns Grove	\$100	\$100	\$ 2/month \$.50/check	\$15	None	No	Yes
<u>Somerset County</u> Somerset Trust Company Somerville	None	\$500	\$ 5/month	\$15	\$3	No	Yes
<u>Sussex County</u> National Bank of Sussex County Sussex	\$100	\$600	\$7.50/month	\$20	\$3	Yes	Yes
<u>Lincoln Federal Savings and Loan</u> Hamburg	None	\$500	Under \$100=\$5 \$100-\$499 =\$3 5.25% Int. for \$100+	\$15	\$3	No	N.A.
<u>Newton Trust Company</u> Newton	N.A.	1.\$500 2.None	Under \$299= ^① \$5.50 \$300-\$500= \$4.50 \$1.25/mo ^② \$.20/check	\$16	None	Yes	Free 55 yrs. +
<u>Union County</u> National State Bank Elizabeth	\$ 50	\$1000	\$ 5/month	\$20	\$4	No	None

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NAME OF INSTITUTION	MINIMUM DEPOSIT TO OPEN	MINIMUM BALANCE TO AVOID FEES	FEES PER MONTH/CHECK	BOUNCED CHECK FEE	RETURNED CHECK FEE	CASH GOV'T CHECKS W/O ACCOUNT	SPECIAL ACCOUNTS FOR SENIORS
Union County Cont'd Statewide Savings And Loan Rahway	None	\$500	\$ 5/month and no interest	\$15	\$15	No	Free 62 yrs. +
Carteret Savings and Loan Association Hillside	\$100	\$500	\$ 5/month	\$20	\$5	No	Yes
The Union Center National Bank Union	\$ 25	\$500	Under \$299=\$3 \$300-\$499 =\$2	\$10	None	No	N.A.
Berkeley Federal Savings and Loan Garwood	\$ 50	None	None	\$15	None	No	Yes
First Atlantic Plainfield	\$200	\$200	\$ 5/month	\$12	\$5	No	Free 60 yrs. +
Warren County First Fidelity Bank Hackettstown	\$100	\$500	\$ 6/month	\$20	\$4	No	Free 65 yrs. +

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NAME OF INSTITUTION	MINIMUM DEPOSIT TO OPEN	MINIMUM BALANCE TO AVOID FEES	FEES PER MONTH/CHECK	BOUNCED CHECK FEE	RETURNED CHECK FEE	CASH GOV'T CHECKS W/O ACCOUNT	SPECIAL ACCOUNTS FOR SENIORS
Warren County Cont'd Phillipsburg National Bank and Trust Company Phillipsburg	\$100	\$500	\$ 5/month	\$17	\$1	Yes	Free 62 yrs. +

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% LIMITATION: 26.00% OF COMM'L DEPOSITS

BANK	DEPOSITS 12/31/84 (MIL)	PERCENTAGE OF TOTAL COMM'L DEP	PERCENTAGE OF TOTAL DEPOSITS
FIRST NAT'L STATE BANCORP (FIRST FIDELITY)(1)	9,079.6	20.42%	9.92%
MIDLANTIC BANKS (2)	7,514.8	16.90%	8.21%
UNITED JERSEY BANKS	3,207.7	7.21%	3.50%
FJNC (3)	2,411.7	5.42%	2.65%
HORIZON BANCORP	2,284.1	5.14%	2.45%
NEW JERSEY NATIONAL CORP	1,531.5	3.45%	1.67%
NAT'L COMMUNITY BANK OF N.J.	1,404.0	3.16%	1.53%
SUMMIT BANCORP	1,353.7	3.04%	1.48%
CITIZENS FIRST BANCORP	1,158.6	2.61%	1.27%
NATIONAL STATE (CONSTELLATION)	1,134.5	2.60%	1.26%
VALLEY NAT'L	1,142.7	2.57%	1.25%
COMMERCIAL BANKSHARES (4)	1,052.4	2.37%	1.15%
STATEWIDE BANCORP	964.4	2.17%	1.05%
TRUST CO OF N.J.	919.5	2.07%	1.00%
CENTRAL JERSEY B & T	747.2	1.68%	0.82%
UNITED COUNTIES BANCORP	715.6	1.61%	0.78%
ULTRA BANCORP	696.8	1.57%	0.76%
FIRST PEOPLES BANK OF N.J.	645.4	1.45%	0.70%
FRANKLIN BANCORP	644.2	1.45%	0.70%
UNITED NAT'L	552.2	1.25%	0.59%
HUBCO, INC	334.1	0.75%	0.37%
B.M.J. FINANCIAL CORP	276.2	0.63%	0.30%
SOMERSET BANCORP	245.0	0.56%	0.27%
BROAD NAT'L BANCORP	200.7	0.45%	0.22%
PEOPLES BANCORP	194.0	0.44%	0.21%
MIDLAND B & T	187.3	0.42%	0.20%
ANBOY-MADISON NAT'L BANK	182.2	0.41%	0.20%
BROADWAY FINANCIAL CORP	165.6	0.37%	0.18%
RAMAPO FINANCIAL CORP	160.8	0.36%	0.18%
COMMERCE BANCORP	157.4	0.35%	0.17%
YARDVILLE NATIONAL	154.0	0.34%	0.15%
SOUTHERN JERSEY	131.0	0.29%	0.14%
INTERCHANGE STATE BANK	118.0	0.27%	0.13%
PHILLIPSBURG NAT'L B & T	117.1	0.26%	0.13%
HIGH POINT FINANCIAL CORP	110.7	0.25%	0.12%
URBAN NAT'L	105.2	0.24%	0.12%
FLEMINGTON NAT'L B & T	104.3	0.23%	0.11%
FIRST BANK OF COLONIA	104.1	0.23%	0.11%
CENTER BANCORP INC	94.2	0.21%	0.10%
COUNTY BANCORP	93.0	0.21%	0.10%
GARDEN STATE BANK	92.0	0.21%	0.10%
CONTINENTAL BANK OF N.J.	85.0	0.19%	0.09%
NEWTON FINANCIAL CORP	85.5	0.19%	0.09%
EASTERN NAT'L BANK	84.4	0.19%	0.09%
FIRST NAT'L BANK IN FORT LEE	82.7	0.19%	0.09%
CITIZENS STATE BANK OF N.J.	80.9	0.18%	0.09%
FIRST STATE BANCORP	81.8	0.18%	0.09%
HINDOLA NAT'L	79.0	0.18%	0.09%
GLENDALE NATIONAL BANK OF N.J.	77.2	0.17%	0.08%
LAKELAND STATE	74.7	0.17%	0.08%
WOODSTOWN NAT'L B & T	74.0	0.17%	0.08%

INDEPENDENCE BANK	70.1	0.16%	0.08%
COMMUNITY BANK OF BERGEN COUNTY	70.0	0.16%	0.08%
SHREWSBURY STATE	66.4	0.15%	0.07%
PEARACK-GLADSTONE	63.0	0.14%	0.07%
VILLAGE BANK OF N.J.	61.8	0.14%	0.07%
BAY STATE BANK	58.9	0.13%	0.06%
FIRST MORRIS BANK	58.2	0.13%	0.06%
NORTH PLAINFIELD STATE	57.3	0.13%	0.06%
JEFFERSON NAT'L	56.2	0.13%	0.06%
INTER COMMUNITY BANK	55.2	0.12%	0.06%
MEADOWLANDS NAT'L	54.7	0.12%	0.06%
FIRST NAT'L BANK OF ABSECON	54.2	0.12%	0.06%
FIRST NAT'L BANK IN NEWFIELD	53.8	0.12%	0.06%
PENN'S GROVE NAT'L B & T	50.5	0.11%	0.06%
BRUNSWICK B & T CO	49.9	0.11%	0.05%
SECURITY NAT'L B & T OF N.J.	46.0	0.10%	0.05%
FIRST NAT'L BANK OF ELMER	45.7	0.10%	0.05%
SOUTHERN OCEAN STATE	40.1	0.09%	0.04%
MONTGOMERY NAT'L	39.2	0.09%	0.04%
PENNSVILLE NAT'L	38.8	0.09%	0.04%
FIRST NAT'L BANK OF HOPE	38.5	0.09%	0.04%
CITY NATIONAL BANKSHARES	37.7	0.08%	0.04%
SUSSEX COUNTY STATE	36.4	0.08%	0.04%
ATCO NAT'L BANK	30.9	0.07%	0.03%
FARMERS NATIONAL BANK OF MULICA HILL	28.7	0.06%	0.03%
FIRST NAT'L BANK OF BLAIRSTOWN	27.9	0.06%	0.03%
MOUNTAIN RIDGE STATE	27.8	0.06%	0.03%
CAPITOL STATE BANK	26.5	0.06%	0.03%
FIRST NAT'L BANK OF TUCKAHOE	18.0	0.04%	0.02%

COMM'L BANK DEPOSITS	44,465.4	100.00%	48.37%
S & L DEPOSITS	47,082.6		51.43%

TOTAL DEPOSITS 12/31/64	91,548.0		100.00%

(1) INCLUDES COMMUNITY BANKSHARES

(2) INCLUDES HERITAGE

(3) INCLUDES PEOPLES NATIONAL BANK AND BROAD STREET NATIONAL BANK

(4) INCLUDES EDGEWATER NATIONAL BANK AND LENAPE STATE

