

### III. Structural Changes in the National Banking System

National banks increased in number from 4,708 to 4,744 during 1974. Of that number, 2,683 were unit banks and 2,061 operated 16,269 branches. That is a grand total of 21,013 offices, up from 20,273 the prior year. During the year, the number of branches increased 4.5 percent, and the total number of offices increased 3.7 percent. Three unit banking states, Texas, Illinois and Florida, led in total number of National banks, with 584, 421 and 295, respectively. California had the largest number of branches, 2,647, down 0.6 percent from the prior year. New York, with 1,631, up 5.6 percent for the year, and Pennsylvania with 1,354, up 2.6 percent, were second and third in number of branches.

The National Banking System gained 750 *de novo* branches in 1975. Mergers and conversions led to the entry of 155 additional branches while 203 branches were closed. Of the 750 *de novo* branches, 520, or

over 69 percent, were opened in communities with populations of less than 100,000 persons. Banks with total resources of less than \$100 million established 368, or 49 percent, of the *de novo* branches. At the same time, 175, or about 23 percent, of those branches were opened by banks with over \$1 billion in total resources. New York led the states with 78 *de novo* branches; California, with 59, and Michigan, with 53, ranked second and third. It is interesting to note that in California, 85 existing branches were discontinued or consolidated.

During 1975, 76 National banks were chartered. That compares with 92 charters issued in 1974. Texas, with 15, and Florida, with 11, account for 34 percent of the total. An additional 37 banks were chartered for the purpose of effecting corporate reorganizations, and 12 State banks converted to National bank status.

### III. Structural Changes in the National Banking System

The National Banking System consisted of 4,737 banks as of year-end 1976. Of that number, 2,643 were unit banks and 2,094 operated 16,640 domestic branches. The total number of banking offices of national banks in the U.S. was 21,377, an increase of 364 for the year. During the year the number of branches increased 2.3 percent and the number of banking offices increased 1.7 percent. Both of those rates are less than the previous year's growth rates. The three large unit banking states, Texas, Illinois and Florida, continued to lead in total number of banks; at year-end 1976, there were 596, 425 and 306 banks in those states, respectively. California remained the state with the largest number of banking offices, with 2,766, up from 2,704 at year-end 1975. New York and Pennsylvania continue to rank second and third with 1,643 and 1,606 offices, respectively. New York experienced a decrease of 138 offices, 117 of which were branch offices. That shows the effect of the change in that state's branching law which became effective in 1976.

During 1976, 536 *de novo* branches entered the National Banking System. Mergers and conversions added

235 branches, while subtracting 394. The vast majority of the new branches (*de novo*) were in cities with populations of less than 100,000 persons. The percentage of new branches in cities of that size was 69 percent in 1975, and increased to 75 percent in 1976. Banks with total resources of less than \$100 million established 238, or 44 percent of the *de novo* branches. The large banks, those with over \$1 billion in total resources, opened 142 branches, or about 26 percent of all new branches. California led all states with 77 new branches, followed by Michigan and Pennsylvania with 42 and 38, respectively.

Again, in 1976, the number of charters issued was below the previous year's. There were 65 national banks chartered in 1976 compared to 76 in 1975 and 92 in 1974. Only 34 applications were approved in 1976, compared to 72 the previous year. Texas led the states in charters issued with 19, followed by Florida with 8. Additionally, 14 banks were chartered for the purpose of effecting corporate reorganizations and 9 state-chartered banks converted to national bank status.

### III. Structural Changes in the National Banking System

The National Banking System consisted of 4,655 banks at year-end 1977. Of that number, 2,183, or 46.9 percent operated 17,066 traditional branches. In addition to those 21,721 offices, banking services were provided at 527 customer-bank communications terminal (CBCT) locations.

During 1977, the number of banks operating with national charters declined by 82. It was the second consecutive year to show a decline in total number of national banks. There are several reasons for that trend. Two of the most important are the expense of Federal Reserve System membership and the liberalization of state branching laws. All national banks must be members of the Federal Reserve System, and that expense is inducing banks to convert out of the National Banking System as well as encouraging new banks to seek state rather than national charters. When states liberalize their branching laws, the result is often a decline in number of banks as existing banks merge to form branching systems.

The number of new national banks chartered declined for the fifth consecutive year. The total of 35 newly organized banks entering the system was the lowest since 1969, when only 16 new national banks were chartered. Texas, a large unit banking state, accounted for the most of any state, with 9 new banks and a total of 604 national banks in operation at year-end 1977. Illinois, also a large unit banking state, continued to be second in the number of operating national banks, with 423 at year-end.

Florida, which had been a unit banking state, moved to limited area branching in 1977. Because the McFadden Act permits national banks to branch only to the same extent as state banks are permitted by state law, the change in Florida's statute had a definite impact on national banks in that state. Although Florida was second in number of newly organized national banks, with four for the year, that increase was more than offset by a large number of mergers changing existing banks to branches. The result was a 14 percent decline for the year in national banks in operation; there were 263 national banks in Florida at year-end 1977.

The decline in new national banks chartered follows from a decrease of 29 percent in applications received and from an increase in the proportion of disapprovals.

Of the 78 applications concluded during 1977, almost 54 percent were rejected. That is the highest rejection rate in at least 10 years, and compares with 47 percent in 1976, 44 percent in 1975, 41 percent in 1974 and 33 percent in 1973.

The reduction in new banks starting operations under national charters is matched by a decline in existing banks switching to national charters. Only six state-chartered banks converted into the National Banking System in 1977. That is the lowest number since 1960, when there were also only six conversions to national status. The inflow from conversions was more than offset by the 44 national banks that chose to convert to state charters during 1977.

Although the number of national banks declined, national banking services were available at more locations because of the continuing growth of branch banking. During 1977, 608 *de novo* branches were opened by national banks. Florida led with 97 new branches, again the result of the changed branching statutes. Over the year, 342 branches left the system. With the 154 branches that entered the system through mergers and conversions, there was a net gain of 420 national bank branches during the year.

The *de novo* branches opened during the year were concentrated in smaller communities. Nearly 60 percent were opened in places with populations of less than 25,000 and only 19 percent were in cities with populations of over 100,000. Almost 55 percent of the new branches were established by banks with less than \$100 million in assets, compared to 44 percent in 1976. The largest national banks, those with \$1 billion or more in assets, accounted for 112, or about 18 percent of openings.

CBCT's have been used by banks for several years. However, a court ruling that those terminals are subject to the state limitations on locations made it necessary for the Office to set up certification procedures for such operations. 1977 was the first full year under those procedures, so the dramatic increase in number of CBCT branches in part represents the recognition of facilities that were in operation before the ruling. Only 12 CBCT's were certificated at the beginning of the year; however, 564 were certificated during the year. After 49 discontinued operations, 527 were left in operation at year-end 1977.

### III. Structural Changes in the National Banking System

At year-end 1978, there were 4,564 national banks, 2,313 of which were unit banks. The remaining 2,251 national banks operated a total of 17,439 branches. In addition to those 22,003 traditional banking offices, national banks operated 765 CBCT branches (electronic banking facilities).

The total number of national banks declined for the third consecutive year. At year-end 1978, there were 91 fewer national banks than a year earlier, although the number of national bank offices had increased by 286. All national banks must be members of the Federal Reserve System, and a principal reason for the reduction in number of national banks continues to be the costs associated with that membership. During 1978, 68 national banks converted to state charters and 25 national banks merged or consolidated with state banks. Only 39 new national banks were chartered and only three state chartered banks converted into national banks during the year. When state branching laws are liberalized, as they were in Florida during 1977, there is a tendency for banks to merge to create branch systems. That tendency has contributed to the reduction in number of national banks; for example, in Florida alone, in 1978, mergers where the resulting bank was a national bank accounted for a reduction of eight banks.

During 1978, the Comptroller granted preliminary approval to organize 42 new national banks. As in recent years, the largest number of applications approved was for locations in Texas, a state that does not allow branching, but does permit multibank holding companies. Thirteen new bank applications were approved for Texas; no more than four were approved for any other state.

National banks continued to expand by branching during 1978. The Comptroller's Office received 792 branch applications during the year, compared to 741 in 1977. National banks opened 630 *de novo* branches in 1978 and 93 branches were added to the system through conversion or consolidation. In 1978, banks with total resources of less than \$100 million opened 48 percent of the new branches, compared to 55 percent in 1977. Banks with total resources of more than \$1 billion opened 23 percent of the new branches, compared to 18 percent in 1977. The number of CBCT branches increased by 238 during the year.

The Comptroller's Office approved 47 merger applications involving two or more operating banks in 1978 compared to 64 applications in 1977. Forty-four mergers were consummated during the year compared to 70 in 1977.

### III. Structural Changes in the National Banking System

During 1979, the structure of the national banking system, while continuing the trend of previous years toward concentration, was significantly affected by the full implementation of three new statutes previously enacted by Congress. The number of national banks decreased for the fourth consecutive year to 4,448 at year-end 1979. Of those, 2,153 were unit banks. The remaining 2,295 national banks operated a total of 18,285 branches. In addition to these 22,733 traditional banking offices, national banks operated 946 Customer-Bank Communications Terminal (CBCT) branches. The statutory requirement that all national banks belong to the Federal Reserve System and the liberalization of certain state branching laws, with a resulting increase in bank merger activity, remained the major causes for this decline in the number of national banks. During 1979, 51 national banks converted to state charters, while only one state bank converted to a national charter, and 39 national banks merged or consolidated with state banks. Forty-one new national banks were chartered during 1979. The Comptroller's Office approved 67 merger applications involving two or more operating banks in 1979, compared to 47 such applications in 1978. Seventy mergers were consummated during the year.

However, despite the trend toward concentration of the existing system, applications for new national bank charters again showed a marked increase, especially in Texas, a unit-bank, multibank holding company state. One hundred fifty-three new national bank charter applications were considered during 1979. In addition, increased competition, especially from nonbanks, had a two-fold effect on the national bank system, further intensifying bank merger activity and stimulating expansion through branches and CBCT's. National banks opened 659 *de novo* branches and acquired 203 new branches through merger or consolidation, while closing only 14. The number of CBCT's operated by national banks increased by 181 during 1979.

The previously enacted Community Reinvestment Act of 1977 (CRA), International Banking Act of 1978 (IBA) and Financial Institutions Regulatory and Interest Rate Control Act of 1978 (FIRA) all had a major impact on the national bank system during 1979. CRA, which became effective in November 1978, was fully implemented in early 1979; FIRA became effective March

10, 1979; the regulations implementing the Comptroller's responsibilities under the IBA were effective November 13, 1979.

The purpose of CRA is to encourage federally insured commercial banks (including national banks), mutual savings banks, and savings and loan associations to help meet the credit needs of their entire communities, including low and moderate income neighborhoods, while preserving the flexibility necessary to operate safely and soundly. The Comptroller is required to take the record of CRA performance into account in deciding virtually all types of corporate applications filed by national banks. Although only one application was disapproved during 1979 solely on CRA factors, several others were approved with conditions designed to assure satisfactory compliance with CRA.

FIRA contains the Depository Institutions Management Interlocks Act and the Change in Bank Control Act of 1978. The Interlocks Act generally prohibits management interlocks among nonaffiliated depository institutions, including national banks, in the same Standard Metropolitan Statistical Area or in the same or adjacent city or town. The Change in Bank Control Act requires persons who propose to acquire control of national banks to give the Comptroller 60 days notice prior to that acquisition. During that time, the Comptroller may disapprove the proposed acquisitions within the guidelines of established statutory criteria. During 1979, 52 prior notices of intent to acquire control of a national bank were received: no objection was made to 48, one was withdrawn, one was disapproved and two were pending at year-end.

The IBA, enacted to promote competitive equality between domestic and foreign banks operating in the United States, created a federal system of licensing branch and agency operations of foreign banks in the United States. The federal system, which will coexist with the already-established state licensing system, created an alternative choice of licensing for foreign banks which maintain offices in the United States. The Comptroller's implementing regulations became effective in November. Six applications for *de novo* federal branches and agencies were received during 1979: two of these were approved and four were still pending at year-end.