

Summary of Statement made by Howard J. Stoddard  
President of the Michigan National Bank, before  
the Private Corporations Committee of the House  
of Representatives, relative to Senate Bill No.  
97 (an anti-branch bank bill).

Lansing, Michigan  
March 7, 1945

## QUESTION

Has the state-wide branch banking law which was enacted by the legislature in 1933, following the bank troubles of that period, proven unsound and against public interest, so that it should be repealed?

## DEFINITIONS

Unit Bank - One bank doing all of its business in one office.

Branch Bank - One bank doing its business in several offices.

## HISTORY OF BRANCH BANKING IN MICHIGAN

Until the banking crisis of February 1933, the laws did not permit branch banking in Michigan except within the limits of one city. Following the banking troubles in June of 1933 the legislature changed the law to permit banks to have branches anywhere in the state. Almost as an immediate result of this progressive legislation, in August of 1933, a Detroit bank was able to take over two banks in Dearborn and two banks in Highland Park, and thus prevent their closing. If these banks, which had deposits in excess of \$25,000,000 had closed, it would have touched off a second wave of bank failures in Michigan, and done irreparable damage.

Careless and incorrect statements have been published many times regarding the Guardian Group banks as the collapse of a branch banking system. Nothing could be farther from the truth, as they were in most cases simply unit banks, and in no instance did they have branches beyond the boundaries of any one city, as the law did not permit such branch banking at that time.

During the 1935 sessions of the State Legislature, no changes were advocated or made in the law relative to branch banking. During the period 1933 to 1935 many banks with branches were organized, and existing banks were expanded.

During the 1937 session of the Legislature, a bill was passed known as the Michigan Financial Institutions Act. All laws relative to banking and other financial institutions were carefully revised by a Study Commission. The laws were recommended and approved by the Michigan Bankers Association.

Paradoxical as it may seem, the Michigan Bankers Association is now active in the move to bring about the change in the branch banking law.

The Michigan Financial Institutions Act of 1937 made one very constructive change in the law relative to branch banking. This was the provision that if a bank in one city established an office in another city, it would have to do so by taking over another bank, and could not do so by putting in a new branch as additional competition for the existing bank or banks. Furthermore, in order to take over and establish a branch in this manner, it was necessary to have the approval of the Banking Commissioner and an affirmative vote of 2/3 of the stockholders of the banks involved.

During the 1939 session of the legislature, no changes were advocated or recommended in the banking law relative to branch banking, and the same sound law is in effect at this time.

Since 1933, when branch banking was authorized on its present basis, there has not been one single instance of warranted criticism from any community, and the individuals now desirous of changing the law cannot bring forth one valid claim that it has operated to the detriment of any citizen, village or city in the state of Michigan. As a matter of fact, more than 75% of all banking customers in Michigan today are served by banks engaged in branch banking.

#### HISTORY OF BRANCH BANKING IN OTHER STATES

Branch banking has grown and developed in many other states besides Michigan. At the present time, state-wide branch banking is legal in 19 other states, and there is no movement or clamor in any other state for any legislation seeking to curtail the modern development of branch banking. It is as essential and important a part of our progressive development as are good highways, automobiles and air lines.

#### HISTORY OF THE MICHIGAN NATIONAL BANK

The Michigan National Bank was organized on January 1, 1941, through the consolidation into one bank of separate banks in six different Michigan cities. This forward looking enterprise and development immediately aroused a storm or protest from the banking fraternity, who apparently feared the competition of this new system. Strangely enough, there was no protest from the public, but on the other hand an enthusiastic response to the facilities made available through the new organization.

Some of our competitors even went so far as to exert pressure on the State Banking Commissioner, who brought proceedings before the Michigan Supreme Court, attempting to nullify our consolidation. The Supreme Court, by a unanimous decision, upheld the consolidation as being in full compliance with Michigan banking laws.

Despite the charges and criticisms leveled against the bank by its competitors - attacks which have never been made against any other financial institution in the history of the state - the bank has enjoyed an almost unparalleled growth. Beginning with total resources of some 57 million dollars in 1941, the bank now has resources in excess of 165 million dollars.

During the past four years, it has probably rendered more public service in the form of loans made to individuals of moderate means, than any other bank in Michigan, regardless of size. In one phase of its work alone, namely the Personal Loan Department, the bank has made more than 125,000 separate loans of less than \$1,000 each, and at rates of interest less than 1/4 that being charged by most personal finance companies.

The bank, through its officers and directors, has entered into the very life and activity of every community which we serve. Its common stock is wholly owned by Michigan residents, and operated by Michigan men. No worthy loan or service request has ever been made that did not receive the most careful attention. It has as its motto the simple statement, "Banking That is Building Michigan."

## WHY THE PRESENT BRANCH BANKING LAW SHOULD NOT BE CHANGED

If one looks at a map of Michigan and draws a line from Bay City west to Lake Michigan, and one from Toledo west to Lake Michigan, he will have enclosed within these lines probably the richest and certainly the finest area in United States. At present this area is indeed "The Arsenal of Democracy."

Within this rectangular area of 150 miles by 200 miles, and counting the metropolitan area of Detroit as one city, are 12 cities with a population of over 25,000 each. The total present population for the entire area is probably no less than 4 million people; half of this number, however, within a 25 mile radius of Detroit.

Large financial interests develop in large centers of population. It was only natural, therefore, that Detroit on the east and Chicago on the west of this great section of Michigan, should become the leading financial and trading centers for this rich area. New York banks, Chicago banks and Detroit banks all developed "out-of-town" or "out-state" departments designated to serve this territory. The local banks in the other 11 mentioned cities were of insufficient size to take care of the deposit and loan requirements of many large industries located within their borders or contiguous to their communities, so most business of this type, involving millions of dollars, naturally went to New York, Chicago and Detroit.

The consolidation into one bank of the six units of the Michigan National Bank immediately created a bank of metropolitan size, with capital funds and deposits of an amount sufficient to compete with the banks in New York, Chicago and Detroit for business. In other words, certain industries in Lansing, for example, formerly doing their banking business in New York, Chicago or Detroit, discovered that they could for the first time do their business at home with an office of the Michigan National Bank. Duplicate this example by many others, both existing and potential, and one of the major reasons for the pressure being exerted to limit the size and growth of the Michigan National Bank by legislation is not difficult to discover.

## FALLACY OF RESTRICTING BRANCH BANKING ON A MILEAGE BASIS

A glance at the map of Michigan again shows the utter absurdity of the proposed law, which has as its purpose restricting branch banking to a circle of 50 miles diameter. Why branch banking should be sound for 50 miles and not for 51 miles is difficult for an intelligent person to understand. Service, not distance, is the measure of sound banking.

The sponsors of Senate Bill No. 97 state that its purpose is to protect the small unit banks. That is clearly in error, as in order to accomplish such a purpose, all branch banking would have to be prohibited. Under the proposed law, banks in the larger cities throughout the area mentioned can still reach out over a circle of 50 miles in diameter, and thus take over approximately 80% of the

state's small banks and operate them as branches.

For example, a bank situated in Lansing could reach north as far as Owosso and St. Johns, and south as far as Charlotte and Eaton Rapids, and take over and make these banks branches of a Lansing institution. A bank in Saginaw could reach into Midland, Bay City, Vassar, Frankenmuth, and likewise make these branches of a Saginaw bank. Small cities can thus be covered all over the state, so if the legislators representing the rural districts feel the enactment of the proposed law would protect small town banks from being absorbed by larger institutions, they are utterly misinformed.

In this connection, it is interesting to note that almost one-half of the state's population live in the area having a 50 mile diameter and centering in Detroit. Even if the law were changed, this whole area could be covered by one or two banking institutions with branches.

We defend branch banking, and believe it to be sound. However, if in the opinion of the majority of the legislators changes should be made, then the sensible thing to do is make the change on a population basis - that is, not permit branch banking in communities with say under 30,000 population. This will accomplish their purpose, but the proposed mileage restriction will not accomplish their objective.

#### CONCLUSION

The words uttered several years ago by Senator Carter Glass of Virginia, Father of the Federal Reserve System, describe the present controversy most accurately:

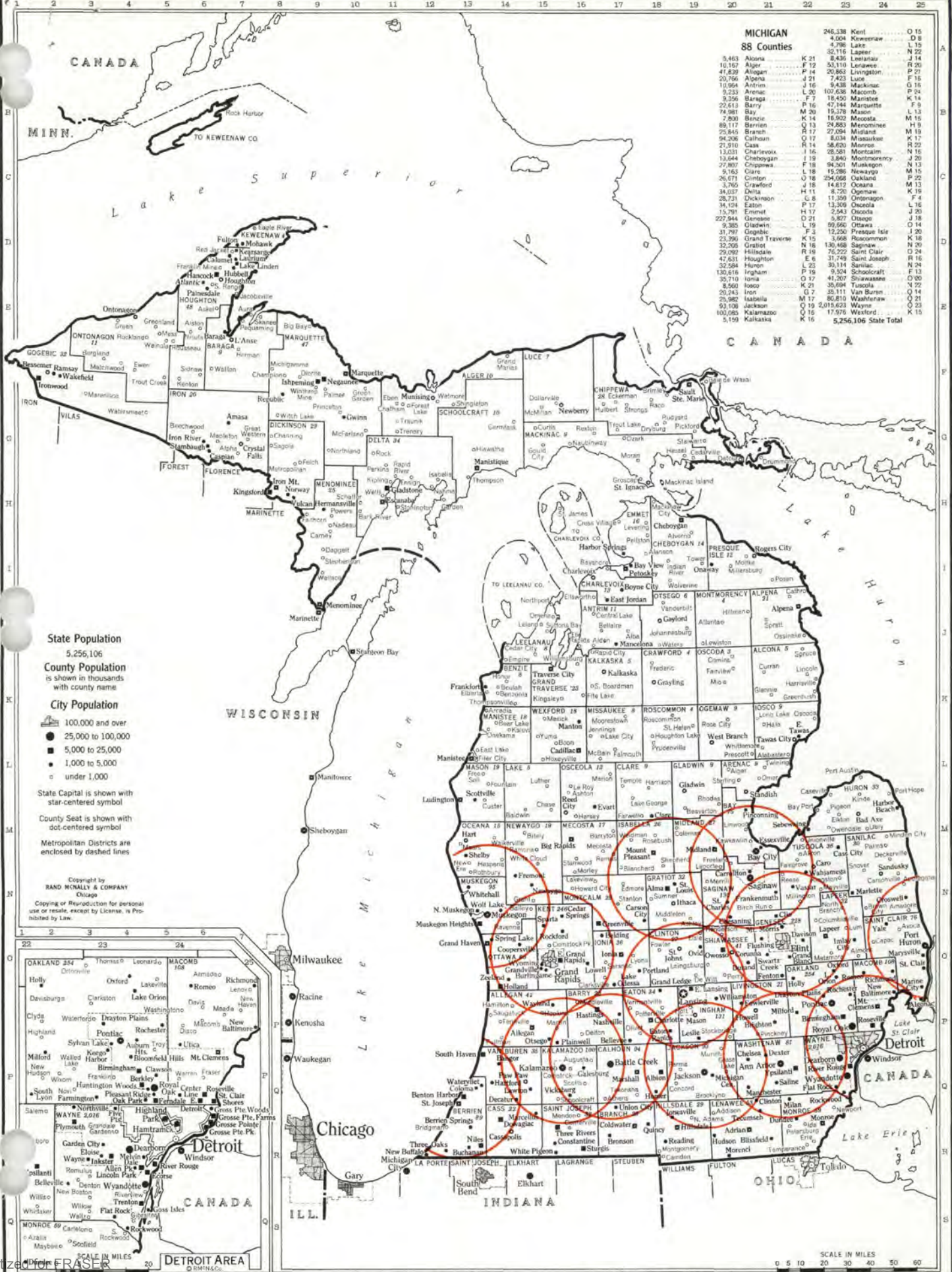
"The plea against branch banking comes from bankers and not from the people who transact business with them; not from the people who want to borrow money, not from the people who want to buy credit or service. It comes from bankers who want to exclude from their particular communities anyone else who wants to sell credit and banking service."

LIST OF MICHIGAN BANKS HAVING BRANCHES

(Asterisk denotes where bank has branches in other cities)

<u>Location</u> <u>Central Office</u>	<u>Name of Bank</u>	<u>No. of</u> <u>Branches</u>	<u>Resources</u> <u>12-31-44</u>
Ann Arbor	Ann Arbor Bank	1	32,195,400
*Bad Axe	Hubbard State Bank	1	4,558,700
Battle Creek	Central National Bank	2	16,007,600
Battle Creek	Security National Bank	2	16,484,200
Bay City	National Bank of Bay City	3	22,186,200
Bay City	Peoples Commercial & Savings Bank	1	25,549,400
*Big Rapids	Citizens State Bank	1	2,134,500
*Blissfield	The Jipson-Carter State Bank	1	2,781,000
*Buchanan	Union State Bank	1	3,877,000
Cadillac	Cadillac State Bank	2	6,497,600
*Calumet	Merchants' and Miners' Bank	1	9,227,900
*Caro	State Savings Bank	1	2,395,600
*Coldwater	Branch County Savings Bank	1	4,856,300
*Constantine	First-Commercial Savings Bank	1	1,685,200
*Detroit	Commonwealth Bank	21	191,765,800
Detroit	The Detroit Bank	31	470,795,100
Detroit	Industrial National Bank	7	62,381,300
*Detroit	Manufacturers National Bank	3	536,748,300
Detroit	The Michigan Bank	3	3,283,200
Detroit	National Bank of Detroit	29	1,295,919,300
*Detroit	Wabeek State Bank of Detroit	4	69,481,700
*Flint	Citizens Commercial & Savings Bank	5	64,288,500
Flint	Genesee County Savings Bank	1	24,617,700
Grand Rapids	Old Kent Bank	13	108,589,200
Grand Rapids	Peoples National Bank	5	24,668,400
Grand Rapids	Union Bank of Michigan	2	14,654,300
*Hartford	Van Buren State Bank	1	1,863,400
*Hudson	Hudson State Savings Bank	1	2,887,600
*Ionia	State Savings Bank	1	5,683,900
*Kalamazoo	First National Bank & Trust Co.	2	35,691,400
*Kinde	Kinde State Bank	1	1,532,100
*Lake City	Lake City State Bank	1	2,333,200
Lansing	American State Bank	1	26,032,600
Lansing	Bank of Lansing	1	19,981,100
*Lansing	<u>Michigan National Bank</u>	9	162,740,600
*Mendon	First State Bank	1	1,255,500
*Milford	Oakland County State Bank	1	2,400,600
Muskegon	Hackley Union National Bank	1	36,382,600
*Pontiac	Community National Bank	1	43,842,900
*Royal Oak	Wayne-Oakland Bank	1	23,171,800
Saginaw	Second National Bank & Trust Co.	1	71,526,500
*Sandusky	State Bank	1	5,781,800
*Scottsville	State Savings Bank	1	2,898,700
*Stambaugh	Commercial Bank	1	1,260,200
*Trenton	Peoples State Bank	1	3,508,700
*Warren	The Community Bank	1	6,110,000
Wyandotte	Wyandotte Savings Bank	2	7,160,700
		174	3,481,675,300

(These banks have more than 75% of total banking resources in the State.)



### MICHIGAN 88 Counties

246,538	Kent	O 15
4,004	Keweenaw	O 8
7,796	Lake	L 15
8,436	Lapeer	N 22
20,863	Leelanau	P 21
33,110	Leoni	R 20
7,423	Livingston	F 16
5,438	Macacaw	G 16
102,638	Macomb	P 24
18,450	Manistee	K 14
47,144	Marquette	F 9
16,376	Mason	L 13
16,902	Meosola	M 16
24,283	Meromine	M 19
27,024	Millard	M 19
8,034	Missaukee	K 17
58,620	Monroe	R 22
28,581	Montcalm	N 16
3,840	Montmorency	J 20
94,201	Macquigon	F 4
15,286	Newaygo	M 15
254,668	Oakland	J 22
14,812	Oceana	M 13
8,720	Ogemaw	K 19
3,668	Oshtemo	F 4
13,309	Oscoda	L 16
3,827	Ontonagon	J 18
99,660	Ottawa	O 14
12,250	Presque Isle	J 20
3,668	Racine	K 16
130,468	Saginaw	N 20
76,222	Saint Clair	O 24
31,749	Saint Ignace	R 16
30,114	Saranac	N 24
9,524	Schoolcraft	F 13
41,207	Shiawassee	O 20
36,694	Tuscola	N 22
35,111	Van Buren	O 14
80,810	Washtenaw	O 21
2,015,623	Wayne	O 23
97,676	Westland	K 15
5,256,106	State Total	

**State Population**  
5,256,106

**County Population**  
is shown in thousands  
with county name

**City Population**

- 100,000 and over
- 25,000 to 100,000
- 5,000 to 25,000
- 1,000 to 5,000
- under 1,000

State Capital is shown with star-centered symbol

County Seat is shown with dot-centered symbol

Metropolitan Districts are enclosed by dashed lines

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SCALE IN MILES 0 5 10 20 30 40 50 60