

X-4068

A GLANCE AT BRANCH BANKING BY STATES

SHOWING NUMBER OF INSTITUTIONS CONDUCTING BRANCHES IN EACH STATE THAT ARE MEMBERS OF THE FEDERAL RESERVE SYSTEM AND THE NUMBER THAT ARE OUTSIDE THE RESERVE SYSTEM.

The following brief statements with regard to branch banking in each of the states where branch banking is permitted (omitting the states where branch banking is confined to city limits) have been compiled for the purpose of showing that Section 9 of the McFadden bill will not accomplish what is expected of it, viz: the prevention of the spread of branch banking by state banks.

The figures submitted will show that there are four times as many non-member state banks engaged in operating branches as there are member state banks, 236 non-members and 58 members. The member state banks maintaining branches are, generally speaking, larger than the non-members, many of the latter being simply country banks extending banking facilities to smaller neighboring communities by means of branches. In some cases these non-member institutions are groups of country banks united together under a common management with a common board of directors.

The development of most of these country branch banking systems has been very gradual and along conservative lines. Some of them have been in existence for a considerable term of years - the Bank of Grenada (Mississippi) for example, for thirty years. Only occasionally do they add branches, but those that are outside of the Federal Reserve System will certainly not be induced to join by the prohibition contained in Section 9. If that section should become law its natural result would be to repel these banks and keep them outside of the System, and to drive some that are now members - and very desirable members - to withdraw.

The figures do not include city branch banking in New York, Massachusetts, Ohio and Michigan, where branch banking is confined to city limits, (in Ohio to city limits and contiguous territory). City branch banking is chiefly a matter of convenience to customers. Country branch banking is a matter of safety and service to customers.

It has been impossible in all cases to obtain the capital and surplus of the non-member banks operating branches, but this is given for enough of the states to be of some value for purposes of comparison.

SUMMARY OF MEMBER AND NON-MEMBER BANKS MAINTAINING BRANCHES BY STATES.  
(Omitting States where branches are permitted only within city limits.)

|                | <u>Member</u> | <u>Non-member</u> |
|----------------|---------------|-------------------|
| Alabama        | 1             | 4                 |
| California     | 19            | 69                |
| Delaware       | 1             | 4                 |
| Florida        | 0             | 1                 |
| Georgia        | 8             | 9                 |
| Louisiana      | 8             | 25                |
| Maine          | 3             | 20                |
| Maryland       | 3             | 16                |
| Mississippi    | 1             | 8                 |
| North Carolina | 5             | 33                |
| Rhode Island   | 3             | 4                 |
| South Carolina | 2             | 5                 |
| Tennessee      | 2             | 16                |
| Virginia       | <u>2</u>      | <u>22</u>         |
|                | 58            | 236               |

ALABAMA

Alabama has 1 member bank (capital and surplus \$65,000) with 1 branch; and 4 non-member banks (capital and surplus \$643,000) with 18 branches.

FLORIDA

Florida has 1 non-member bank with 2 branches.

GEORGIA

Georgia has 8 member banks (capital and surplus \$6,698,000) with 14 branches; and 9 non-member banks with 29 branches.

LOUISIANA

Louisiana has 8 member banks with 41 branches, and 25 non-member banks with 43 branches.

MISSISSIPPI

Mississippi has 1 member bank (The Bank of Grenada, capital and surplus \$550,000) with 12 branches, and 8 non-member banks with 11 branches. Capital and surplus of non-members \$1,135,000.

NORTH CAROLINA

North Carolina has 5 members with 13 branches and 33 non-members with 49 branches. These figures are as of June 30, 1923. (Since January 1, 1924, one member bank has withdrawn from the Federal Reserve System and has established three branches, so that present figures would show 34 non-members with 52 branches.) The 13 members have a capital and surplus of \$3,624,000 and the 33 non-members \$6,175,000.

TENNESSEE

Tennessee has 2 member banks with 5 branches, and 16 non-members with 41 branches.

MARYLAND

Maryland has 3 members with 11 branches (nearly all in Baltimore) and 16 non-members with 52 branches. The capital and surplus of the 3 members is \$6,900,000, and of the 16 non-members \$7,112,000.

VIRGINIA

Virginia has 2 member banks with 3 branches, and 22 non-members with 29 branches, nearly all of them country banks in comparatively small towns. The capital and surplus of the 2 members is \$3,400,000, and of the 22 non-members \$6,298,000.

SOUTH CAROLINA

South Carolina has 2 member banks with 3 branches, and 5 non-members with 13 branches. The 2 members have capital and surplus of \$700,000, and the 5 non-members \$1,240,000.

DELAWARE

Delaware has one member bank maintaining one branch, the Wilmington Trust Company, capital and surplus \$3,110,000, deposits \$14,221,236, and 4 non-member banks operating 13 branches. One of these, the Delaware Trust Company of Wilmington, has 11 branches, only one of which is in Wilmington. The capital and surplus of the non-member banks operating branches is \$4,120,000, and their combined deposits \$24,000,000.

MAINE

Maine has 3 member state banks (trust companies) maintaining branches and 20 non-members. The law permits a trust company to have branches in its own and "an adjoining county." The 3 member banks have 8 branches, and the 20 non-members 39 branches. No bank has more than 4 branches at present.

The capital and surplus of the 3 members is \$1,250,000 and their deposits \$12,882,178. The capital and surplus of the 20 non-members is \$4,272,000 and their deposits \$56,934,013. One of the non-members has a capital (\$25,000) and surplus (\$25,000) of only \$50,000. The others run from \$75,000 up to \$725,000. An even half of them have a capital less than \$100,000.

RHODE ISLAND

Rhode Island has 3 member banks maintaining branches (state-wide law) and 4 non-members, the members (all in Providence) being very much larger banks than the non-members. The 3 members maintain 14 branches, and one of them (now maintaining only 1 branch) has been authorized to open several more. The non-members maintain 5 branches. Three of them are in comparatively small towns, Wakefield, Westerly and Woonsocket. The 3 members have capital \$8,000,000, surplus \$11,000,000 and deposits \$190,478,710. The 4 non-members have capital \$600,000, surplus \$635,000 and deposits \$13,806,471.

CALIFORNIA

In California, where the laws have provided for branch banking since 1909, there are (December 31, 1923) 19 member banks maintaining branches, and 69 non-member banks. Most of the latter are country banks, but they include several large institutions in Los Angeles. The 19 member banks have 264 branches and the 69 non-members 202. Of the 264 member bank branches 100 are located in the city of the parent bank and 164 outside. Of the 202 non-member branches 102 are located in the city of the parent bank and 100 outside.

California is the leading branch banking state, and the only one in which branches have been extended to any considerable distance from the parent banks. Branch banking appears to be popular, and to be rendering good service especially to the large agricultural interests and to the cooperative marketing associations.

The largest branch banking institution, in number of branches, is the Pacific Southwest Trust and Savings of Los Angeles, but the largest bank in Los Angeles in resources is the Los Angeles Savings and Trust Company, which has only about 12 branches outside of the city limits. The branches of the

Bank of Italy of San Francisco covers the widest extent of territory.

Branches are obtained by purchase of or consolidation with existing institutions, and "de novo" branches are not permitted outside of the cities, except rarely and where adequate banking accommodation does not exist. It does not appear that unit banks have in any case been driven out of existence, or forced into consolidations by the competition of branches. As a rule the branches outside the cities are managed by the same man who managed them before they became branches, and they generally have full discretion, except for large loans and investments.