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# Background and recent developments in the growth of commercial branch banking in Virginia

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BACKGROUND AND RECENT DEVELOPMENTS  
IN THE GROWTH OF COMMERCIAL BRANCH  
BANKING IN VIRGINIA



A Thesis

Presented to

the Faculty of the School of Business Administration

The University of Richmond



In Partial Fulfillment

of the Requirements for the Degree

Master of Science in Business Administration



by

Walter Everette Burnette, Jr.

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## CHAPTER I

### INTRODUCTION

Branch banking has been a part of the American system of banking since the incorporation of the first Bank of the United States in 1791. Included in its charter was the authority to establish branches, and at one time there were nine branches in operation.

The growth of branch banking has been slow and, in all areas, has been vigorously opposed as being un-American and against the American free-enterprise system. There are many restrictions, both federal and state, which have impeded and continue to impede the growth of branch banking. In spite of adverse regulations and sharp criticism, branch banks in the United States have doubled in number in the last decade, while the total number of banks has declined. Mergers and branch banks have had the most effect in reducing the number of banks.<sup>1</sup>

At the present time, sixteen states and the District of Columbia permit state-wide branch banking, twenty-one permit it on a limited basis, nine states prohibit it, and two states have no laws regarding branch banking. The new state of Alaska and the soon-to-be state of Hawaii allow it on a limited basis.<sup>2</sup>

On December 31, 1958, there were 13,501 commercial banks in the United States and 8,861 branches for a total number of banking offices of 22,362. On December 31, 1934, there were 15,404 commercial banks in

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<sup>1</sup>Business Week, October 11, 1958, p. 53.

<sup>2</sup>1957 Annual Report Comptroller of the Currency, p. 10.

the United States and 3,007 branches for a total number of banking offices of 18,491.<sup>3</sup> Thus, since 1934, there has been a decrease of 1,983, or 12.4%, in the number of commercial banks; an increase of 5,854, or 194%, in the number of branches, and an increase of 3,871, or 20.9%, in the total number of banking offices.

In the State of Virginia on December 31, 1958, there were 312 commercial banks with 234 branches for a total number of banking offices of 546.<sup>4</sup> The commercial banks of Virginia comprise only 2.4% of the commercial banks in the United States, 2.7% of branches and 2.4% of the total number of banking offices. Yet, it ranks eleventh among the states in the total number of branches maintained by its commercial banks.

In 1948, there were only 96 branch banks in Virginia. Thus, in the last decade, the number of branch banks in the State has more than doubled. This renewed interest in branch banking is due to several factors.

1. The rapid growth of the suburban areas resulting from the suburban movement of the population.
2. The congested traffic conditions and the lack of available parking prevalent in the larger cities and towns.
3. Inadequate banking quarters resulting from an increase in the volume of bank business.
4. The desire of bank management to maintain and increase their competitive position.
5. The need for better banking services.
6. The profit motive of the bankers.

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<sup>3</sup>Federal Reserve Bulletin, February, 1959, p. 210.

<sup>4</sup>Ibid., p. 211.



## PURPOSE OF THE STUDY

The interest in branch banking is again at a high level, as evidenced by the appearance of numerous articles on branch banking in various news media.

The October 11, 1958 issue of Business Week contains a discussion of the current active interest in branch banking in Missouri. Following are some excerpts from that article.

The rise of branch banking has been held down by the laws and policies of some states. Extension of branches has been stoutly opposed in many states, and branch banking is prohibited entirely in nine states. One of these is Missouri, which is going into the final rounds of a political fight to legalize limited branch banking...

Backers of the proposal went directly to the public to enact this law through initiative and referendum because they knew they didn't have a chance in the legislature. In the banking field, the small country banks wield majority influence in the legislature, and they are implacably opposed to any form of branch banking...

This year's drive to legalize branch banking didn't originate with the big St. Louis and Kansas City banks that could be expected to benefit most from it. The move was started by Missouri's big metropolitan newspapers, on the ground that banking facilities are inadequate in the changing and growing urban-suburban areas.<sup>5</sup>

The 1958 Report of the Committee on State Legislation of the Virginia Bankers Association made reference to branch banking.

Your Committee on State Legislation has had a very active year. This has come about naturally because the General Assembly of Virginia met in 1958. Also because of several inquiries regarding the current branch banking laws of Virginia, a number of special meetings have been held. Concerning this, action has been carried out according to specific direction by the President and Board of Directors. This matter will be presented to the Board of Directors at their June meeting and if directed, your chairman will present the results of

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<sup>5</sup>Business Week, October 11, 1958, p. 53.

this study to a forthcoming convention of the members of the Association.<sup>6</sup>

Appearing in the January 25, 1959 issue of the Richmond Times Dispatch was the following statement regarding branch banking in the Richmond area.

In Richmond, there could be an all-out rush for branches if a report made public Friday is adopted. The Public Administration Service of Chicago suggested that Richmond and Henrico county should consolidate.<sup>7</sup>

The March 19, 1959 issue of the newsletter of the Virginia Bankers Association contained a summary of the report of the Committee on State Legislation of the Virginia Bankers Association on their recent investigation of branch banking in Virginia. The conclusion was that no change in the present law is needed and that no action should be initiated in the 1960 session of the Virginia General Assembly.<sup>8</sup>

On page 1 of the May 28, 1959 issue of The Wall Street Journal appeared the following:

Branch banking suffers another setback. A bill to permit Chicago banks to establish branches was withdrawn this week in the Illinois legislature because of "the emotion-charged atmosphere." Boosters for the bill were Chicago's two largest banks--the First National and the Continental Illinois--while the Illinois Bankers Association was opposed.<sup>9</sup>

Miss Patricia S. Garth, in her thesis written in 1948 and entitled Branch Banking in Virginia, stated:

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<sup>6</sup>Report of Committee on State Legislation, "Virginia Bankers Association Year Book, 1958, p. 106.

<sup>7</sup>Richmond Times Dispatch, January 25, 1959, p. B-7.

<sup>8</sup>Banking News, March 19, 1959, p. 1.

<sup>9</sup>The Wall Street Journal, May 28, 1959, p. 1.

There is a group working for the extension of branch banking in Virginia at the present time, but it is a very small one compared with that of its opponent. This latter group consists of a majority of the unit bankers, who have a powerful political backing. This group is so large that it would seem that there is no future to branch banking in the State of Virginia.<sup>10</sup>

Although she did not name the Virginia Bankers Association as the opposing group, this group is the largest organized bankers association in Virginia and a great majority of its members are small unit banks, who, in general, are opposed to branch banking. There are current rumors that the branch banking question will be brought up for discussion in the 1960 General Assembly. If the branch banking question is brought up, this will again be a fight between big and little banks through the Virginia Bankers Association.

Interviews with representatives of top management of two of Richmond's largest banks indicate that their management is very much interested in branch banking and its current legal status in Virginia.

As shown on page 2 of this study, conditions will continue to exist in the foreseeable future which will help keep branch banking in the limelight. Competition to serve new residential areas, new industrial sites, cost reduction through centralization of certain services coupled with the ability to reach and serve customers, all of these will serve to keep interest high in branch banking.

With all of the interest in branch banking as shown in the previous discussions, this study was undertaken to evaluate the present position of commercial branch banking in the State of Virginia.

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<sup>10</sup>Patricia S. Garth, Branch Banking in Virginia, A Thesis presented to the Graduate Faculty of the University of Virginia in candidacy for the degree of Master of Arts, 1948, p. 87.

In order to do this, it is necessary to review the history of branch banking, the arguments for and against branch banking, the reasons for commercial banks establishing branches, the problems and procedures involved, and the legal requirements, both state and federal, relating to the establishment of branch banks.

#### DEFINITIONS OF TERMS USED

Commercial Bank. A commercial bank has as its primary functions the receipt of deposits, the transfer of money and credit through the use of checks, and the making of loans.<sup>11</sup>

In addition to its primary functions, a commercial bank generally pays checks, collects sundry financial instruments, proves and packages official coin and currency, invests funds, and holds and administers property for others.<sup>12</sup>

Chain Banking. A commercial branch bank maintains a head office and one or more branch offices controlled by the head office. Thus, it differs from chain banking where the control of a number of banks is exercised through the entire or majority ownership of stock by a group of individuals, who in turn, take an active part in formulating the policies of the banks in the chain.

Group Banking. Branch banking also differs from group banking in that group banking is an arrangement by which a substantial proportion of the stock of each bank in the group is held by a holding company engaged in the business of banking.<sup>13</sup>

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<sup>11</sup>Fundamentals of Banking, The American Institute of Banking, (New York: 1954), p. 11.

<sup>12</sup>Ibid., p. 8.

<sup>13</sup>Ibid., p. 13.

Commercial Branch Bank. Section 5155 of the United States Revised Statutes defines a branch "to include any branch bank, branch office, branch agency, additional office, or any branch place of business located in any State or Territory of the United States or in the District of Columbia, at which deposits are received, or checks paid, or money lent."<sup>14</sup>

For the purpose of this thesis, branch banking will be considered as a type of multiple office banking under which a bank as a single legal entity operates more than one banking office with each office performing the functions of a commercial bank.<sup>15</sup>

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<sup>14</sup>Federal Banking Law Reports, Commerce Clearing House, January, 1952, p. 2201.

<sup>15</sup>C. E. Oagle, "Branch, Group and Chain Banking," Banking Studies, Federal Reserve Board, March, 1947, p. 116.

## CHAPTER II

### HISTORY OF BRANCH BANKING

Branch banking had its inception in Scotland as early as the last quarter of the 18th century. During the same period branch banking was suggested as a remedy for England's recurring monetary and banking crises. Scottish immigrants undoubtedly brought the idea of branch banking to this country.

#### FIRST BANK OF THE UNITED STATES

Branch banking in the United States had its beginning with the chartering of the First Bank of the United States in 1791. In its charter was included a provision for the establishment of branches.

"...it shall be lawful for the directors aforesaid to establish offices wheresoever they shall think fit, within the United States, for the purposes of discount and deposit..."<sup>1</sup>

Although Alexander Hamilton had opposed the inclusion of this provision in the charter of the bank, eight branches were soon established. These branches were located in New York, Boston, Baltimore, Charleston, Norfolk, Savannah, Washington, and New Orleans.

The bank was a financial success. However, when its charter came up for renewal in 1811, the renewal, for political reasons, was not granted. Thomas Jefferson was one of its main opponents; he condemned the monopoly of a single bank. Thus, the opposition to branch banking as being contrary

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<sup>1</sup>John T. Holdsworth, The First Bank of the United States, Senate document 571, (Washington: Government Printing Office, 1910), p. 130.

to the principle of the American system of free enterprise had an early beginning.

#### SECOND BANK OF THE UNITED STATES

In 1816, the Second Bank of the United States was chartered, and again a provision was included for the establishment of branches. The conditions for establishing a branch were twofold: (1) 2,000 shares of the bank's stock had to be held in the state, and (2) the state legislature had to apply for a branch. Under these conditions twenty-six branches were established. However, only twenty-five were ever in operation at the same time.<sup>2</sup>

Because of the poor transportation and communication facilities of the times, the twenty-five branches proved to be too many for economical operation and effective control. The selection of places for branches was made for Treasury Department convenience rather than commercial needs. Some of the branches were established in newly settled regions where control was difficult and sound business practice had not yet developed. The losses at such branches were heavy due to unwise methods of administration and through the inability of the branches to adapt to local conditions.<sup>3</sup>

Although the bank had its high and low points, from a financial point of view it was highly successful.<sup>4</sup>

When the charter of the bank came up for renewal, President Jackson vetoed the bill, and the bank was closed in 1836. In the later stages of

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<sup>2</sup>John M. Chapman and Ray B. Westerfield, Branch Banking, (New York: Harper and Brothers, 1942), p. 31.

<sup>3</sup>Ibid., p. 31.

<sup>4</sup>Shirley Donald Southworth, Branch Banking in the United States, (New York: McGraw-Hill Book Company, Inc., 1928), p. 4.

its short existence the bank became a major political issue. The strong opposition it received from state banks, who feared monopoly and competition, was one of the chief reasons for the charter not being renewed.

#### STATE BANKS

With the Federal Government no longer chartering banks, banking and branch banking were left entirely in the hands of the states. Branch banking enjoyed considerable success in the South and West, with the greatest successes being in the states of Indiana, Ohio, Missouri, Kentucky, Virginia, and North Carolina. This was due to the scarcity of banking capital. Branch banks were the most economical, surest and safest method of extending or attracting capital to such localities. Capital was plentiful in the Northeastern states so independent banks could be established as needed.<sup>5</sup>

#### THE NATIONAL BANK ACT

The Federal Government again entered the banking field with the passage of the National Bank Act of 1863. The Act was passed for two main purposes; to secure a uniform bank note currency and to create a market for government bonds to finance the War Between the States.

Since branch banking did not enter the discussion on the new law, no provisions were included for the establishment of branches. However, an amendment was passed in 1865 which provided for the conversion of state banks into national banks and allowed the banks to retain previously

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<sup>5</sup>Ibid., p. 46.



established branches. For more than fifty years the Act was construed to prohibit national banks from having branches.<sup>6</sup>

Chapman and Westerfield considered that branch banking was eliminated from the National Banking Act by the following five factors:

1. The spread of free banking legislation, both state and national. Free banking is a system where unit banks could be chartered freely under a general banking law, and its great evil lay in the opportunity it gave for favoritism and corruption in the granting of charters.
2. The spread of a bond secured note scheme.
3. The prohibitory tax on state bank notes which was levied by the Act of July 1, 1866. It imposed a 10 per cent tax on all notes of state banks paid out and it had the effect of forcing state banks either to stop issuing circulating notes or to convert to national banks.
4. The decline in the importance of state banks and a rise in national banks.
5. The collapse of the South during and after the War Between the States, that being the section of the country where branch banking was most prominent.<sup>7</sup>

In 1896, a survey of state laws regarding branch banking was made by the Comptroller of the Currency. The survey revealed that twenty states permitted branches, ten states had no law prohibiting them nor providing for their establishment, and thirteen states prohibited them.<sup>8</sup>

In the year 1900, the Gold Standard Act was passed. This Act lowered the capital requirement for the establishment of a bank from \$50,000 to

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<sup>6</sup>C. E. Cagle, "Branch, Group and Chain Banking," Banking Studies, Federal Reserve Board, March, 1947, p. 116.

<sup>7</sup>Chapman and Westerfield, op. cit., p. 61.

<sup>8</sup>1896 Annual Report of the Comptroller of the Currency, Volume I,  
p. 40.

\$25,000. This automatically encouraged the establishment of small unit banks to the detriment of branch banks.<sup>9</sup>

A survey by the Board of Governors of the Federal Reserve System in 1943 revealed that in the year 1900, eighty-seven commercial banks in the United States were operating a total of 119 branches.<sup>10</sup>

In 1909, California passed a law permitting state-wide branch banking. This action was soon repeated in many other states and by 1915, state commercial banks had in operation ~~759~~ branches, as compared with a total of 26 branches of national banks.<sup>11</sup>

#### FEDERAL RESERVE ACT

The Federal Reserve Act was passed in 1913. Although it extended the privilege of membership in the system to the state banks and allowed them to continue to operate existing branches and permitted the organization of foreign branches by American banks, it did not provide for an extension of domestic branch banking.

#### BANK CONSOLIDATION ACT

Agitation for relief was continued by the national banks and in 1918 the Bank Consolidation Act was passed. This Act permitted "state banks to obtain national charters or to join the Federal Reserve System while retaining any branches in operation, but such banks could not thereafter

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<sup>9</sup>Benjamin H. Beckhart, Banking Systems, (New York: Columbia University Press, 1954), p. 852.

<sup>10</sup>Raymond P. Kent, Money and Banking, (New York: Rinehart and Company, Inc., 1949), p. 149.

<sup>11</sup>Ibid., p. 149.

establish new branches; likewise, in absorbing state banks, national banks could continue in operation any branches already founded by the state institutions.<sup>12</sup>

A further breach in the restrictions of federal law was made by a ruling of the Comptroller of the Currency, D. R. Crissinger, in 1922. The ruling, which had no specific legislative sanction, permitted national banks to open additional offices (tellers' windows, agencies) within their home city provided that state law did not explicitly forbid such action. These offices were merely to receive deposits, cash checks, and take applications for loans.

This action created a storm of controversy which was somewhat alleviated by the appointment of Henry M. Daves as Comptroller in 1923. Mr. Daves, who was unfriendly toward branch banking, applied to the Attorney-General for an opinion on the legality of the ninety-odd additional offices which had been established under this ruling. The Attorney-General stated that it was legal for banks to establish in-city branches to handle routine services such as receiving deposits and cashing checks.<sup>13</sup>

Prior to November, 1923, the Federal Reserve Board required that all member banks must have permission from it before establishing any branches, and the application for the branch had to be approved by the State banking department before being sent to the Board. In passing on the application, the Board considered the following: (1) the condition

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<sup>12</sup>Ibid., p. 149.

<sup>13</sup>Chapman and Westerfield, op. cit., pp. 97-98.

of the present bank, (2) the rate of expansion of a given branch system, (3) the coordination of the branches already acquired, (4) the character of the management, (5) the local conditions, and (6) the public convenience and advantage.

In 1924, the Federal Reserve Board adopted another resolution for the purpose of limiting the establishment of branches by state member banks. The following procedure was set for the securing of permits to operate branches:

1. No state member bank may establish a branch except upon application to and approval by the Board.
2. The state banking authorities must make regular and simultaneous examinations of the head office and all branches.
3. The parent bank must maintain a certain ratio between capital and total liabilities and an adequate percentage of liquidity in its total investments.
4. The state authorities must first approve an application of a bank for a branch before the Board will consider it.
5. If a branch is not opened within six months from the date of approval by the Board, the permit becomes void, unless the time is extended by the Board for some reason.
6. The Board has the right to cancel any permit for cause.<sup>14</sup>

#### McFADDEN ACT

Doubts as to whether the Comptroller of the Currency had acted within his powers in his branch banks ruling in 1922 opened the door for further Congressional investigation of the branch bank operations engaged in by national and state banks. The result was the passage of the McFadden Act of 1927. The provisions of that Act were:

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<sup>14</sup>Charles W. Collins, The Branch Banking Question, (New York: Macmillan Company, 1926), pp. 79-80.

1. National banks located in states which permitted branch banking could engage in city-wide branch banking with the following limitations -
  - (a) in cities of less than 25,000 no branches were permitted.
  - (b) in cities of 25,000 to 50,000 population one branch could be established.
  - (c) in those of 50,000 to 100,000 population two branches.
  - (d) in cities of more than 100,000 population, any number approved by the Comptroller of the Currency.
2. State banks, when converting into national banks and national banks when merging with one another could retain all branches in operation as of the date of the approval of the Act.
3. State banks could join the Federal Reserve System and retain all branches which were in operation on February 25, 1927 but all branches established after that date outside their home office cities would have to be relinquished by state banks desiring to join.
4. State banks which were already members would be required to forfeit their membership were they to establish new branches outside their home cities.
5. National banks were permitted to retain branches already in "lawful operation," as well as single branches operated with or without official sanction for twenty-five years or more.<sup>15</sup>

The McFadden Act thus attempted to restrict branch banking operations of state as well as national banks.

After the passage of the McFadden Act, nothing further was done to amend the federal laws regarding branch bank operation until after the banking crisis of the early 1930's.

#### BANKING ACT OF 1933

The collapse of thousands of unit banks during this crisis once again suggested the comparison of the safety records of unit and branch banking systems. The result was the Banking Act of 1933 which created the framework for a more extensive development of branch banking.

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<sup>15</sup>Raymond p. Kent, op. cit., pp. 149-150.

The provisions of this Act were as follows:

1. The states were to decide whether to allow or encourage branch banking. If a state allows its chartered banks to establish state-wide branches, then a national bank operating in the state could do likewise; if a state permits only city-wide branch banking, then the national banks are similarly restricted; and if a state limits branch banking to some other unit of territory, as the county, then national banks are similarly limited.
2. In establishing branches, national and state member banks must satisfy certain capital requirements. The general rule is that a bank must have \$500,000 of capital to establish any branches whatsoever outside its head office city; but in a state of less than 1,000,000 population, the minimum is cut to \$250,000; and in a state of less than 500,000 population the minimum is only \$100,000. In total a national or state member bank and its out of town branches must have capital equal to what would be required if each were an independent unit bank.
3. National banks are permitted to open seasonal agencies in resort communities for the receipt and payment of deposits without regard to the capital requirements applying to branch operations. This authority may be exercised only if the branches are located in the head office counties of the national banks concerned, if the state governments permit county-wide branch banking, and if the resort communities are not served by other banks.<sup>16</sup>

#### BANKING ACT OF 1935

The Banking Act of 1935 made no important changes in branch bank legislation. The provisions relating to branches were:

1. The Board of Governors of the Federal Reserve System had to approve the establishment of new branches by state member banks outside their home cities.
2. The Board had to approve the retention of branches established by newly admitted state member banks prior to February 25, 1927.
3. The Board had to approve the relocation of state member bank branches.

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<sup>16</sup>Ibid., pp. 150-151.

4. The banks that are members of the Federal Deposit Insurance Corporation but not of the Federal Reserve System had to obtain the consent of the Corporation to change the location of branches and to open new ones.<sup>17</sup>

#### FEDERAL RESERVE ACT AMENDED

The high capital requirements of national and member state banks for the establishment of branches continued to hamper the growth of branches. On July 15, 1952, the Federal Reserve Act was amended. The capital requirement was amended so as to require national and state member banks to have only the capital required by the law of the state in which the bank was located.<sup>18</sup>

The result of this Amendment has been to equalize the competition between national and state member banks with non-member banks in the establishment of branch banks.

#### STATE LEGISLATION

The states have many different laws regarding branch banking. They can be broken down into four main categories: (1) states permitting state-wide branch banking; (2) states permitting branch banking within limited areas; (3) states prohibiting branch banking, and (4) states with no laws regarding branch banking.

Table I on page 18 gives some insight into the trend of feeling toward branch banking since 1910.

Table II on page 19 shows the status of state laws governing the establishing of branches at the end of 1957.

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<sup>17</sup>Ibid., p. 151.

<sup>18</sup>Paragraph 178, Branches of National Banks, Amendments to the Federal Reserve Act, July 15, 1952, p. 17.

TABLE I

## STATES PERMITTING AND PROHIBITING BRANCH BANKING

Year	States Permitting State-wide Branch Banking	States Permitting it in Limited Areas	States Prohibit- ing Branch Bank- ing	States with no laws on Branch Banking
1910	12	0	9	27
1924	12	6	18	12
1929	9	10	22	7
1932	9	14	18	7
1936	18(a)	17	9	5
1939	19(a)	17	9	4
1954	17(a)	18	10	4
1956	17(a)	21	9	2

(a) Includes District of Columbia.

Source: Annual Report of the Comptroller of the Currency for the years given.



TABLE II

SUMMARY OF STATE BRANCH BANKING LAWS  
AS OF DECEMBER 31, 1957

States Permitting State-wide Branch Banking	States Permitting Branch Banking with- in limited areas	States Prohibit- ing Branch Bank- ing	States with no laws regarding Branch Banking
Arizona	Alabama <sup>1</sup>	Colorado	New Hampshire
California	Alaska <sup>2</sup>	Florida	Wyoming
Connecticut	Arkansas <sup>4</sup>	Illinois	
Delaware	Georgia <sup>3</sup>	Minnesota	
District of Columbia	Indiana <sup>1</sup>	Missouri	
Idaho	Iowa <sup>4</sup>	Montana	
Louisiana	Kansas <sup>4</sup>	Nebraska	
Maine	Kentucky <sup>1</sup>	Texas	
Maryland	Massachusetts <sup>1</sup>	West Virginia	
Nevada	Michigan <sup>6</sup>		
North Carolina	Mississippi <sup>5,8</sup>		
Oregon	New Jersey <sup>1</sup>		
Rhode Island	New Mexico <sup>6</sup>		
South Carolina	New York <sup>7</sup>		
Utah	North Dakota <sup>4</sup>		
Vermont	Ohio <sup>2</sup>		
Washington	Oklahoma <sup>4</sup>		
Virgin Islands <sup>10</sup>	Pennsylvania <sup>11</sup>		
	South Dakota <sup>4</sup>		
	Tennessee <sup>1</sup>		
	Virginia <sup>1</sup>		
	Wisconsin <sup>4</sup>		
	Hawaii <sup>9</sup>		

<sup>1</sup>Permits branches within the city and/or county of head office.

<sup>2</sup>Permits branches within limits of county.

<sup>3</sup>Permits banks in certain classes of cities to establish branches within limits of city of head office.

<sup>4</sup>Permits only "offices," "agencies," "stations," "windows," or "branches" for limited purposes.

<sup>5</sup>Permits branches in 100-mile radius of head office.

TABLE II (continued)

<sup>6</sup>Permits banks to establish branches within the county or county contiguous to the county in which the head office is located, or within a certain distance of the head office, or city in which the head office is located.

<sup>7</sup>Permits banks to establish branches within the limits of the banking district in which the head office is situated.

<sup>8</sup>Permits banks to establish only a limited number of branches.

<sup>9</sup>Permits branches within certain geographical zones.

<sup>10</sup>There are no provisions as to branches of local banks, but banks not organized in the Virgin Islands "may do business and establish offices in the Virgin Islands...".

<sup>11</sup>Permits banks to establish branches within the county or county contiguous to the county in which the head office is located.

Source: 1957 Annual Report of the Comptroller of the Currency,  
p. 19.

On December 31, 1957, there were 13,566 commercial banks in this country, of which 1,893 maintained branches numbering 7,968. Of these banks maintaining branches, 677 were national banks; 340 state member banks, 856 non-member insured banks; and 20 were non-member, non-insured banks. The national banks maintained 3,993 branches; the state member banks, 2,173; non-member insured, 1,763; and non-member, non-insured, 37.<sup>19</sup>

These branches were divided among the various states as illustrated in Table III on page 22.

Now that the national law restrictions covering branch banking compare favorably with those of the states, the next big move for branch banking is for the states to make their laws regarding branch banking more lenient.

#### BRANCH BANKING IN VIRGINIA

In establishing its banking system, the State of Virginia closely followed that used in Scotland. Heavy capitalization was featured as well as the system of branch banks. Prior to 1851, when independent banks became common, large banks with many branches constituted the only type of bank legally permitted to do business in Virginia.

The adoption of this Scottish system was due, in part, to the lack of sufficient capital at any one place for the establishment of a bank. As a result of this shortage of capital, branch banking was regarded as the best solution. In this type system, the surplus capital of many different areas could be brought together at one central point

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<sup>19</sup>Federal Reserve Bulletin, April, 1958, pp. 492-493.

TABLE III

NUMBER OF BANKS AND BRANCHES IN OPERATION ON DECEMBER 31, 1957

Name of State	Total No. Banks State and Nat'l	No. of Banks having Branches	Number of Branches
Alabama	239	18	54
Arizona	7	5	125
Arkansas	237	25	28
California	128	54	1,348
Colorado	173	1	1
Connecticut	158	33	139
Delaware	29	7	41
District of Columbia	16	14	52
Florida	270	0	0
Georgia	412	19	62
Idaho	28	8	77
Illinois	939	0	0
Indiana	468	94	219
Iowa	670	120	161
Kansas	595	2	2
Kentucky	364	52	105
Louisiana	182	59	137
Maine	89	29	107
Maryland	155	48	180
Massachusetts	357	75	294
Michigan	358	100	445
Minnesota	684	2	6
Mississippi	195	57	112
Missouri	608	2	2
Montana	115	0	0
Nebraska	421	1	1
Nevada	6	5	31
New Hampshire	108	2	2
New Jersey	294	110	328
New Mexico	52	21	34
New York	588	152	1,164
North Carolina	210	91	383
North Dakota	154	18	26
Ohio	614	144	488
Oklahoma	387	1	1
Oregon	56	14	157
Pennsylvania	778	160	589
Rhode Island	18	7	76

TABLE III (continued)

South Carolina	144	31	105
South Dakota	172	28	52
Tennessee	298	58	162
Texas	959	3	3
Utah	49	13	61
Vermont	59	11	18
Virginia	313	88	200
Washington	88	19	238
West Virginia	183	0	0
Wisconsin	551	91	151
Wyoming	53	0	0
<b>Total</b>	<b>13,564</b>	<b>1,892</b>	<b>7,967</b>

Source: Federal Reserve Bulletin, April, 1958, pp. 492-493.

and be distributed where it was most urgently needed. In addition, competition and operating expenses were less in a branch system.

These advantages were well illustrated during the resumption of specie payments in 1817 as not a single bank in the state failed.<sup>20</sup>

The first bank to be chartered under the system was The Bank of Virginia on January 30, 1804. The bank was established with its head office at Richmond and branches at Norfolk, Fredericksburg, and Petersburg. The charter included provisions for the location of the head office and branches, the capital needed, and the number of shares to be issued. From 1804 to 1812, the bank acquired great power and enjoyed a banking monopoly in the state except for a branch of The Bank of the United States in Norfolk.

In 1810, there was a need for additional banking services in the state. On February 13, 1812, another bank, The Farmers' Bank of Virginia, was chartered. The charter provided for branches to be established at Norfolk, Lynchburg, Winchester, Petersburg, and Fredericksburg.<sup>21</sup>

In 1817, two new banks were chartered and authorized to open branches. They were The Northwestern Bank and The Bank of the Valley. The banks enjoyed great success from 1817 to 1837. The need for additional banking service was again evident in 1835; however, nothing was done until passage of the general banking law by the General Assembly on March 22, 1837. This law contained two provisions regarding branches: (1) mother bank was to have nine directors and each branch seven, with

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<sup>20</sup>George T. Starnes, Sixty Years of Branch Banking in Virginia, (New York: Macmillan Company, 1931), pp. 28-29.

<sup>21</sup>Ibid., p. 43.

the General Assembly reserving the right to appoint four of the seven directors of each branch, and (2) all notes of branch banks had to be signed by the president and countersigned by the cashier of the mother bank.<sup>22</sup>

Soon after the passage of this law, The Exchange Bank of Virginia was established at Norfolk and was granted permission to establish branches in Richmond, Petersburg, and Charlottesville.

All the banks of the state survived the specie suspensions of 1837, 1839, and 1841. The industrial recovery after 1841 enabled the banks to be profitably operated but nothing was done to increase the banking capital.

By 1850, there were six large banking systems in Virginia. The parent banks and their branches are listed below:

<u>Bank of Virginia</u>	<u>Farmers' Bank</u>	<u>Exchange Bank</u>
Richmond, H.O.	Richmond, H.O.	Norfolk, H.O.
Norfolk	Norfolk	Petersburg
Portsmouth	Petersburg	Clarksville
Petersburg	Fredericksburg	Alexandria
Fredericksburg	Lynchburg	Abingdon
Lynchburg	Winchester	Salem
Duchanan	Danville	Weston
Danville	Farmville	Lynchburg
Charleston	Charlottesville	Richmond
Union	Wytheville	
	Alexandria	
	Louisburg	
	Blacksburg	
<u>Bank of the Valley</u>	<u>Northwestern Bank</u>	<u>Merchants &amp; Mechanics Bank</u>
Winchester, H.O.	Wheeling, H.O.	Wheeling, H.O.
Romney	Wellsburg	Morgantown
Charleston	Morgantown	Mount Pleasant <sup>23</sup>
Leesburg	Clarksburg	
Staunton	Parkersburg	
Christiansburg	Jeffersonville	
Moorefield		

<sup>22</sup>Ibid., pp. 85-86.

<sup>23</sup>Patricia S. Garth, Branch Banking in Virginia, A Thesis for Master's Degree from the University of Virginia, 1948, p. 41.

## FREE BANKING INTRODUCED

In 1851, Virginia adopted "free banking" similar to that adopted by New York in 1838. This was authorization of a system of independent banking leading to the establishing of many unit banks.

The new unit banks found that it was not easy to compete with the branch banks. Therefore, when the charters of the old banks came up for renewal in 1857, an effort was made to block the renewal of the charters and replace the old system with one of independent banks. This effort failed and the charters were renewed. By 1860, there were seven banks operating thirty-nine branches.<sup>24</sup>

In the renewed charters there was included a provision that the loans and discounts of any branch were not to exceed twice the capital of the same and that the circulation of each branch was not to exceed five times the coin in the bank.<sup>25</sup>

During the crisis of 1857, the banks in Virginia refused to accept notes of other branches in the same system. As a result, on April 2, 1858, a law was passed requiring each branch to redeem the notes of other branches in the same system.<sup>26</sup>

The banks of Virginia continued to enjoy profitable times, and prior to the War Between the States there were no bank failures in the state and no reduction of capital.

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<sup>24</sup>John M. Chapman, Concentration of Banking, (New York: Columbia University Press, 1934), p. 101.

<sup>25</sup>George T. Starnes, op. cit., pp. 48-53.

<sup>26</sup>Ibid., p. 112.



At the end of the War, the majority of the banks went out of existence either through voluntary liquidation or through forced settlement in the courts.

From the end of the War until 1910, there was little bank legislation activity. The banks of the state continued to operate under the provisions of the National Bank Act of 1863 and the general state law of 1838.

#### VIRGINIA BRANCH BANK LEGISLATION SINCE 1900

In 1910, an amendment to the banking laws was adopted. The State Corporation Commission was given the power to appoint a chief examiner and assistants, who were to examine the state banks and national banks acting as state depositories once a year.

The following provisions regarding branch banking were included in subsections 3 and 4:

3. No bank hereafter organized under the laws of this State shall be authorized to engage in business in more than one place, unless authorized by the corporation commission; provided, however, that such branch banks, when so authorized, shall be known by the name of the parent bank, and designated as a branch thereof.
4. For the purpose of local taxation, the location of every branch bank shall be considered to be in the county, city or town in which the banking house or offices of such bank are situated, and the shares of stock of every such bank shall be subject to local taxation in the county, city or town in which its banking house or offices are situated, in the manner and by the methods now provided by law for the assessment and taxation of bank stock; but, the shares of stock of the branch bank when so assessed and taxed at the situs of the branch bank shall not be subject to taxation in the county, city or town in which the parent bank is located. And in cases where a bank under one corporate organization has banking houses or offices and engages in business in more than one county, city or town, then each such county, city or town shall be entitled

to tax such a proportion of the total shares of stock of the said bank as the deposits in such county, city or town bear to the total deposits of the said bank. It shall be the duty of each branch to make such reports to the commissioner of the revenue of the county, city or town in which such branch is situated, as are now required by law to be made by banks; and in addition, a report of the total deposits of the said bank, and the amount of deposits at such branch thereof as of February first of each year. It shall be the duty of each such commissioner of the revenue to see that such reports are made, and to assess for taxation such a proportion of the shares of stock of the said bank as the deposits at such branch bear to the total deposits of the said bank. And it shall be the duty of such branch to pay to the said county, city or town the taxes so assessed. In the amount so paid, shall be included the taxes on any shares of stock owned by residents of such county, city or town, and assessed for taxation therein. The amount so paid for taxes at the situs of the branch shall be deducted from the amount that the parent bank would otherwise pay for local taxes at the location of the bank.<sup>27</sup>

The Act of 1910 was amended in 1912. Subsection 3 was altered to permit the State Corporation Commission to authorize the opening of branches only when the parent bank had a paid-up and unimpaired capital of \$25,000 and over. Any violation of this law was punishable by a fine of \$1,000.<sup>28</sup>

No change was made in the branch banking law until the passage of the Act of the General Assembly of 1928. It reads as follows:

Branches authorized--No bank or trust company heretofore or hereafter incorporated under the laws of this State shall be authorized to engage in business in more than one place, except that, in its discretion the State Corporation Commission may authorize banks having a paid-up and unimpaired capital and surplus of fifty thousand dollars or over to establish branches within the limits of the city, town, or village in which the parent bank is located or in other cities having a population of not less than fifty thousand inhabitants. This section, however, shall not apply to branch banks already established, and this section shall not be construed to prohibit the merger of two banks in the same or adjoining counties and the operation by the merged company of the two banks. But any branch bank heretofore or hereafter established shall not be operated or advertised under any other name than

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<sup>27</sup>Acts of the General Assembly of Virginia, 1910, p. 443.

<sup>28</sup>Acts of the General Assembly of Virginia, 1912, p. 402.

that of the identical name of the home bank, unless permission be first had an obtained from the State Corporation Commission, and unless such different name shall contain or have added thereto language clearly indicating that it is a branch bank and of what bank it is a branch. Any bank or trust company violating the provisions of this section shall be liable to a fine of one thousand dollars, to be imposed and judgment entered therefor by the State Corporation Commission, and enforced by its process.<sup>29</sup>

In 1930, a change was made in the law governing the collection of taxes on out-of-town branches. Previously, the bank had paid taxes to each town based on the branch's deposits in said town. Under the terms of this amendment, the town or city in which the parent bank is located is to collect the taxes and pro-rate the funds to the other towns or cities in which the branches are located.<sup>30</sup>

In 1934, this Act was further amended to require the parent bank to give the assessing officer of the town in which the branch is located a copy of the report given to the commissioner of revenue of the parent bank's town.<sup>31</sup>

Establishment of branches was further restricted by the legislature in 1933. Branches could be established only under three conditions:

1. A bank having a paid-up and unimpaired capital of fifty thousand dollars may establish branches within the limits of the city, town or village in which it is located.
2. The State Corporation Commission may authorize banks located in any city to establish branches within other cities having a population of not less than fifty thousand inhabitants.
3. Branches may be opened if they arise from the purchase of the assets of or the merger with other banks located in the same or adjoining counties or within a radius of twenty-five miles

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<sup>29</sup>Acts of the General Assembly of Virginia, 1928, p. 131h.

<sup>30</sup>Acts of the General Assembly of Virginia, 1930, p. 795.

<sup>31</sup>Acts of the General Assembly of Virginia, 1934, p. 270.

of the parent bank. The term "adjoining counties" shall be construed to mean counties each of which shall adjoin the county in which the parent bank is located.<sup>32</sup>

Subsection (c), Section 4119(14) of the Code passed in 1933 was amended in 1942. The amendment stated that "if the branches arose from the purchase of the assets of, or the merger with, other banks located in the same or adjoining counties or within a radius of twenty-five miles of the parent bank, the banks involved shall have been in actual operation for a period of two years or more."<sup>33</sup> An exception would be made in the case where the State Corporation Commission is satisfied that the public interest demands, on account of emergency conditions, that a merger or sale be effected where one or more of the banks involved have not been in operation for two or more years.

At the annual meeting of the Virginia Bankers Association in May, 1947, the Association's Committee on State Legislation recommended that the following changes be made in the branch banking law:

1. That subsection (b) of Section 4119(14) of the Code be completely eliminated, the effect of which would be to deprive the Commission of its present authority, in its discretion, to authorize a bank in a city to establish a branch or branches in other cities of not less than 50,000 inhabitants. In other words, no bank in a city would be permitted to open under subsection (b) a branch in any other city regardless of population.
2. That subsections (a) and (c) be amended to require any bank desiring to open a branch in the same city and any bank in any county desiring to merge with or purchase a bank in an adjoining county or a parent bank desiring to merge with or purchase another bank within a distance of twenty-five miles, to establish "convenience and necessity" therefor.
3. That subsection (c) also be amended to require the lapse of five years from organization before any bank could acquire

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<sup>32</sup>Acts of the General Assembly of Virginia, 1933, p. 68.

<sup>33</sup>Acts of the General Assembly of Virginia, 1942, p. 104.

another bank under subsection (c) by either merger or purchase, and that the same subsection be also amended to deny the State Corporation Commission the discretion to waive the five year requirement in cases of emergency.<sup>34</sup>

Fifteen days prior to its recommended changes in the branch banking law the Committee on State Legislation mailed a questionnaire on these changes to the 315 banks of the state. Sixty-three per cent of the banks replied. In the discussion of these replies, Mr. Boushall, the president of The Bank of Virginia at that time, asked for a breakdown on this vote. The Committee was unable to give this. However, it was stated that the majority supported the recommended changes.<sup>35</sup> Mr. Boushall also opposed a vote being taken on these recommended changes as the Committee had not held a hearing where those for and opposed to any changes could present arguments. In addition, he pointed out that only 80 of the 315 member banks had representatives at the Virginia Bankers Association's annual meeting.

However, the vote was taken, with 78 voting for the resolution and 2 against.<sup>36</sup>

When these suggested changes in the branch banking law were presented to the General Assembly in 1948, The Bank of Virginia bitterly opposed them as revealed in the pamphlet entitled "Competitive Banking for the People or Non-Competitive Banking for the Banks," which it published and distributed to the members of the General Assembly of Virginia. Following is a reprint of pages 24 and 25 of that pamphlet.

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<sup>34</sup>Virginia Bankers Association Year Book, 1947, pp. 113-114.

<sup>35</sup>Ibid., pp. 32-33.

<sup>36</sup>Ibid., p. 70.

"Therefore, since it is proposed to repeal only the subsection permitting establishment of branches in cities of at least 50,000 inhabitants, and as The Bank of Virginia is the only bank which now has branches under that section, it is quite obvious that the proposed amendments recommended by the Association's State Legislative Committee and approved by the vote of the Convention, are directed at The Bank of Virginia. Their purpose and operation in the language of Mr. Steele will be to freeze branch banking 'where it is.' But the freezing applies only to the operations of The Bank of Virginia, and as shown does not apply to the branch bank operations of other banks of the State. In fact, from all of this and to repeat by way of emphasis, it is obvious that no consideration was given to branch banking from the standpoint of the public interest that fundamentally the proposals are directed solely at The Bank of Virginia and its competition.

As the above quotation shows, Mr. Steele stated on the floor of the Convention after a perfunctory poll, that 'from what we can gather and understand from the questionnaires and in discussing it among ourselves ...they(the members of the Committee)felt that state-wide branch banking should be frozen where it is.' Can any committee act intelligently in the public interest in such an important matter by a mere mail poll and without full and complete hearings and investigations with an opportunity afforded to all informed and interested persons to participate and fully develop the subject? That this Committee did not do so, and that the Convention, which endorsed the Committee's recommendations, could not possibly have done so in the course of a three day public convention is obvious. The 1917 Year Book at pages hereinbefore given shows affirmatively that the Association refused to make such a study notwithstanding Mr. Boushall's requests that it be done.

From all of this it must be obvious to everyone that the competition of The Bank of Virginia in the public interest has had a tremendously beneficial impact upon the banking practices and services in Virginia, that it has had a tremendous and favorable impact upon the economy of the State, that the dominant element in the Virginia Bankers Association do not like its competition although constructive and in the interest of the people, and that they seek through the medium of their principal recommendation for legislative amendments to freeze that competition in its tracks and to prevent and stifle all possible future growth thereof, however constructive and beneficial to the people of the State."

In spite of The Bank of Virginia's opposition, all of the suggested changes were adopted except the provision denying the State Corporation Commission the discretion to waive the five-year requirement in cases of emergency.

The only information readily available on this legislative battle is in the pamphlet published by The Bank of Virginia and in the Virginia Bankers Association's annual reports of 1947 and 1948. No attempt was made by this writer to check the General Assembly's records of 1948 as it was believed that further information on the subject was not important to this thesis.

There has been no new law passed on branch banking since 1948. Today, for all intents and purposes, state-wide branch banking is at a standstill.

#### CURRENT STATUS OF BRANCH BANKING IN VIRGINIA

On December 31, 1957, there were 313 commercial banks doing business in the State of Virginia. Out of this total, 88 or 28.1% were maintaining a total of 200 branches.<sup>37</sup> On the same date in 1947, out of a total of 314 banks, 44 banks or 14.0% were maintaining a total of 88 branches.<sup>38</sup> Thus, in the past ten years, the number of banks maintaining branches has increased 100%, and the number of branches has increased 127%. On December 31, 1958, the number of branches had increased to 234, and the number of banks in the state had decreased by one to 312.<sup>39</sup> For information regarding the growth of the branch system of banking in Virginia since 1939, see Table IV on page 34.

Of the 200 branches being operated on December 31, 1957, 129 were in the head office city, 36 were in the head office county, 26 were in

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<sup>37</sup>Federal Reserve Bulletin, April, 1958, pp. 492-493.

<sup>38</sup>Federal Reserve Bulletin, May, 1948, pp. 588-589.

<sup>39</sup>Federal Reserve Bulletin, February, 1959, pp. 210-211.

TABLE IV

## BRANCH SYSTEM IN VIRGINIA

Year	Number of Banks	No. of Banks with Branches	Number of Branches	No. of Facilities at Gov't Establishments
1939	315	40	72	-
1940	314	39	72	-
1941	314	39	70	-
1942	315	43	77	4
1943	313	46	87	13
1944	312	45	89	14
1945	314	44	89	17
1946	315	43	86	8
1947	314	44	88	8
1948	314	50	96	8
1949	312	51	109	9
1950	313	54	114	11
1951	315	56	120	13
1952	315	59	112	16
1953	316	66	127	17
1954	316	71	142	15
1955	316	77	160	16
1956	312	82	182	17
1957	313	88	200	17

Source: Information obtained from the following issues of the Federal Reserve Bulletin - April, 1938, 1957, 1946, 1955; May, 1954, 1953, 1952, 1951, 1950; June, 1949; May, 1948; June, 1947, 1946, 1945, 1944; July, 1943; June, 1942; May, 1941, 1940.



contiguous counties, and nine were in non-contiguous counties. In addition, the commercial banks were operating 17 facilities at Government establishments.<sup>40</sup>

On the same date in 1947, of the 88 branches, 32 were in the head office city, 26 were in the head office county, 15 were in contiguous counties, and nine were in non-contiguous counties. In addition, the banks were operating eight facilities at Government establishments.<sup>41</sup>

For information regarding the location of the branches since 1931, see Table V on page 36.

Thus, it is easy to see the effect the limited branch banking law of Virginia has had on the establishment and location of branch banks.

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<sup>40</sup>Federal Reserve Bulletin, April, 1958, pp. 492-493.

<sup>41</sup>Federal Reserve Bulletin, May, 1948, pp. 588-589.

TABLE V

## LOCATION OF BRANCHES IN VIRGINIA

Year	No. of Branches	Head Office City	Head Office County	Contiguous County	Non-Contiguous County	Facilities at Gov't Establishments
1931	57	29	17	11 <sup>a</sup>	-	-
1932	64	29	22	13	-	-
1933	69	23	30	16	-	-
1934	69	21	32	16	-	-
1935	70	21	32	17	-	-
1936	62	21	29	12	-	-
1937	67	21	29	11	6	-
1938	70	22	31	11	6	-
1939	72	22	32	12	6	-
1940	72	21	32	13	6	-
1941	70	21	30	13	6	-
1942	77	23	30	14	6	4
1943	87	23	30	15	6	13
1944	89	24	29	15	7	14
1945	89	24	27	14	7	17
1946	86	31	26	14	7	8
1947	88	32	26	15	7	8
1948	96	40	26	15	7	8
1949	109	49	23	19	9	9
1950	114	52	23	19	9	11
1951	120	56	23	19	9	13
1952	112	58	21	24	9	16
1953	127	71	23	24	9	17
1954	142	84	25	24	9	15
1955	160	98	27	26	9	16
1956	182	117	30	26	9	17
1957	200	129	36	26	9	17

<sup>a</sup>From 1931 through 1936 contiguous and non-contiguous counties were included under the heading "located outside of head office city or county."

Source: Federal Reserve Bulletin, April, 1958, 1957, 1956, 1955; May, 1954, 1953, 1952, 1951, 1950; June, 1949; May, 1948; June, 1947, 1946, 1945, 1944; July, 1943; June, 1942; May, 1941, 1940; June, 1939, 1938; November, 1937; April, 1936; June, 1935; September, 1934 (included December 31, 1933, 1932, 1931).

## CHAPTER III

### ARGUMENTS FOR AND AGAINST BRANCH BANKING

Since 1947, the number of branch banks in the United States has doubled, and in Virginia they have increased 166%. In both the United States and in Virginia, the number of commercial banks over the same ten year period has decreased. For a chart of branch bank growth in the United States see Table VI on page 34.

In his annual report of 1957, the Comptroller of the Currency had this to say about the increase in the number of bank branches:

The large number of branch facilities established during 1957 reflects the continuing population growth of suburban areas requiring new or additional banking services, parking problems in cities and larger towns, and the increased business volume of many banks which could not be accommodated adequately in their existing quarters. Increasing traffic congestion and parking problems in urban business sections continued to promote the need for drive-in banking service; 31 percent of the 401 branches opened for business during 1957 provided for this type of service. Sixty-eight bankless communities were provided with branch offices.

Branches opened for business during 1957 were distributed among areas with various population density, and established by banks of various sizes as follows:

In suburban areas of large cities.....	17
In cities with population less than 5,000 (including communities that were bankless prior to the establishment of a branch).....	92
In cities with population from 5,000 to 25,000.....	147
In cities with population from 25,000 to 50,000.....	48
In cities with population over 50,000.....	<u>97</u>
Total	401
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By banks with less than \$10M total resources.....	52
By banks with total resources of \$10M to \$25M.....	62
By banks with total resources of over \$25M.....	<u>287</u>
Total	401 <sup>1</sup>
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TABLE VI

## BANKS AND BRANCHES

Figures in (000)

Year	1947	1949	1951	1953	1955	1957
No. of Banks	14.8	14.7	14.7	14.5	14.3	14.1
No. of Branches	4.4	4.9	5.5	6.2	7.4	8.8

Source: Business Week, October 11, 1958, p. 53.

With these facts and figures in mind, it is appropriate to discuss some of the arguments for and against branch banking.

#### THE JUSTIFICATION FOR BRANCH BANKING

Diversification of Assets. The diversification of assets is a safety factor advanced by the proponents of branch banking. With its widespread branches, a branch banking system can secure a much wider diversification of loans whereby risks are scattered among many industries and over a wide area. This objective is only limitedly attainable by unit banks. In addition, loans granted by a branch organization are likely to be sounder than those of unit banks. The larger loans are passed upon impartially at the head office without considerations of personal friendship, local patriotism, and local biases.<sup>2</sup> The personnel who make the decisions on these larger type loans are well trained, have many years of experience, are experts in different fields of lending, and have more information on which to base a sound decision. The chief loan men are aided by a credit analysis department whose main duty is to analyze financial statements, pointing out the weaknesses and strong points, as well as relating various ratios to those of a like trade.

Large banks also maintain their own investment departments with investment experts. They are in much closer contact with the investment markets, and because of this close contact, they are able to invest more wisely and more profitably. With their greater capital structure, larger banks are able to obtain more diversification in their investment portfolios.

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<sup>2</sup>Raymond P. Kent, Money and Banking, (New York: Rinehart and Company, Inc., 1949), p. III.

In a small bank, the management of loans and investments often falls into the hands of one or two people, while in a larger institution this is not likely to happen.

Internal Auditing Department. Large banks maintain their own internal auditing departments with experienced and trained personnel. This is a distinct advantage as the smaller unit banks cannot afford full time auditors. Personnel doubling as auditors cannot always provide a fully effective system.

Economies of Operation. Economies of operation are obtained through the concentration of much routine work at the head office thereby eliminating duplicate departments. Because of this concentration of work, smaller office area in the branches is required. Thus, it costs less to build or to rent plus savings in utility bills.

Superior Managerial Personnel. The larger banks, because they can afford the payment of higher salaries, attract a better class of personnel who can or will be capable of rendering expert services. This is important, as poor management has been generally recognized as the most important cause of weakness in a unit banking system.

In 1955, the Comptroller of the Currency surveyed 169 national banks that had been bought by other banks. Sixty-eight of them gave "management problems" as their incentive for merging.<sup>3</sup>

In his book on banking John Chapman stated, "Any banking system with inferior management is likely to suffer heavy losses."<sup>4</sup>

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<sup>3</sup>Richmond Times Dispatch, April 21, 1957, p. 8-B.

<sup>4</sup>John M. Chapman, Concentration of Banking, (New York: Columbia University Press, 1934), p. 296.

More and Better Services. The branch bank is able to render more and better services than a small unit bank. This is because the branch has access to a larger staff upon which to call for expert assistance and advice. Many of these staff members are specialists in their respective fields.

The larger bank also has a higher loan limit and thus is better able to serve the community credit-wise, especially if the branch is located in or near an industrial area where large loan requests are common. At the present time, a national chartered bank can loan 10% of its capital and surplus to any one borrower and a state chartered bank can loan 15% of its capital and surplus.

In many instances, a company or individual would be reluctant to place on deposit a sum representing too great a percentage of the unit bank's capital funds. If the location of the unit bank were in a small town, it would naturally follow that its capital structure would be small. However, if the bank in the location were a branch of a large out-of-town bank, this problem facing the customer would never arise.

A branch bank can offer the expert services of its trust department, wire services for customers, collection services, currency services, and many other services which a small unit bank cannot afford to or is not equipped to perform.

Greater Mobility of Funds. Through the use of branches, a branch bank system is able to shift funds from one area to another as they are needed. If there is a shortage of lending funds in one area and an excess in another, the exchange can easily be made. A unit bank does not have this mobility. This mobility is particularly valuable in times of local depressions.

Establishment of a Branch Bank. A branch bank can be more readily established than a unit bank. Normally capital and personnel are no problem.

To establish a unit bank, capital must be raised and personnel must be secured and trained. This is not easy to do, as many people would not be willing to invest in stock of a small unit bank because of its limited market. In case of need, the investor would have to find a buyer, and in many cases, he would be unable to do so.

Personnel would have to be secured, and the acquiring of trained bank personnel is not easy.

One other advantage is greater safety in case of local recession or depression. If it is necessary to close a branch bank because of unprofitable operations, it can be done without loss to the depositors.

#### ARGUMENTS AGAINST BRANCH BANKING

Loss of Local Responsibility. This is the most common argument against branch banking. Those who oppose this form of banking hold that branch organizations are likely to ignore the special needs of the local communities. They say that branch banking becomes impersonal because of absentee management.

It is further said that the community can best be served by local people who are aware of the local problems. The customers and their needs for banking services should dictate the operation and policies of the local bank.

Complaints of this type are directed against the manager of a branch. It is said that since the managership of a local branch is just a stopping over place for a career banker, he is more interested in his own advancement than the welfare of the local citizens and community.



This argument is refuted by the following facts. One of the chief reasons for the establishment of a branch bank is the acquiring of additional business. The local manager is charged with the responsibility of developing and acquiring new business and protecting his area from competitors. He can only accomplish this by an active interest in local affairs. His advancement depends on how well he succeeds in these endeavors, and therefore, he will in all likelihood be more active than a unit banker in extending the services of his branch to as many people as possible.

It is also customary, for out-of-town branches, to have an advisory committee composed of well-known and respected citizens of the community. The existence of this committee tends to make the people of the community think of the bank as their bank rather than another impersonal branch of a big city bank. The committee usually has no real or implied authority. However, it can furnish valuable information on how the branch is being accepted in the community, on potential sources of business, on the local conditions of the businesses and industries of the community, and can make helpful suggestions when reviewing the loan lists.

Thus, the advisory committee is another answer to the charge that a branch bank is not aware of local conditions.

Drainage of Funds. Claims are made that branch banking will cause a drainage of funds from the smaller communities to the money centers as the bank officials are more interested in lending large sums to great corporations than in granting small loans to individuals and small businesses.<sup>5</sup>

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<sup>5</sup>Raymond P. Kent, op. cit., p. 148.

By doing this the community's resources are removed for use in other areas and are not used for the benefit of their real owners.

In some instances, this is true, but it is also true that with a branch banking system, funds can be transferred from one locality to another as they are needed. This was one of the reasons for the creation of the Federal Reserve System.

In addition, many localities would be devoid of banking services were it not for branch banks.

Branch Banking is Monopolistic. Critics of branch banking claim that it results in the concentration of economic power in the hands of a few who are interested only in their own welfare and profits. It is argued that since independent unit banks have always been a part of the American free enterprise system, nothing should be done to cause the dissolution of these banks.

As the states have the authority to regulate branch banking, it is now impossible for an inter-state system of branch banks to develop, thus creating a monopoly. Even if it were possible for this to happen, the public would still be protected from monopolistic practices because of the many non-bank lenders such as insurance companies, small loan companies, savings and loan associations, credit unions and the Small Business Administration.

The late Senator Carter Glass of Virginia had the following to say about bank monopolies and services being rendered by branch banks:

I have been now for nearly 32 years a member of the Banking and Currency Committees of the other branch of Congress and of the Senate. I have been an intent listener and observer of all measures of importance which have been considered; and I assert here that never in the

whole period has any merchant or businessman having relationship with banks ever protested against branch banking...It has only been done by the bank which wanted a monopoly of credit in its community.<sup>6</sup>

Difficulty of Branch Bank Examination. Claims are made that branch banking systems are more difficult to examine and supervise. In a large system, an examination of all the branches cannot be done simultaneously; therefore, bad loans or shortages of some kind can be switched from one branch to another and thus go unnoticed.

Generally such close supervision is not necessary, for in a larger bank with many officers and employees a secret would be virtually impossible to keep.<sup>7</sup> Today, the various examining officials, both state and federal, combine their forces when examining a large branch bank, thus enabling simultaneous examination of all the bank's branches.

Service to the Community. It is argued that under the system of correspondent bank relationship which now prevails, a small unit bank is able to serve its community as well as a branch bank. This is true in regard to correspondent bank services such as loan participation, transfer of funds, et cetera, but the customer is inconvenienced and often objects to a third party entering the picture.

Road to Socialization. This argument is not as prevalent today as in past years, nevertheless, the argument still persists. The nationalization of The Bank of England has been given as an example of what can happen in a branch system. However, the facts are different as one writer explains:

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<sup>6</sup>Commercial and Financial Chronicle, December, 1932, p. 4317.

<sup>7</sup>John H. Chapman and Ray B. Westerfield, Branch Banking, (New York: Harper and Brothers, 1942), p. 304.

In 1946, the Bank of England passed into public ownership, but this brought few changes in methods or scope of operation. The fundamental development by which the entire responsibility for monetary policy shifted from the central bank to the Treasury had occurred long before - at the departure from gold. In essence then, nationalization constituted formal recognition of a situation of several years standing...It(The Bank of England) is the note-issuing authority, the bankers for the government and the commercial banks, and the ultimate source of funds for the discount market and monetary system. It does not compete with the commercial banks and has only eight provincial branches, all mainly concerned with central bank matters.<sup>8</sup>

As far as the American banking system is concerned, it could be transformed to fit a socialistic pattern through agencies which already exist or could easily be formed. In practice, the Federal Reserve System, through its control of resources and its open market operations, tends to supplant the individual bankers' judgment in establishing interest rate patterns and, to a large extent, its lending policies. This power, when reasonably exercised, presents no threat to independent banking. In addition, the Federal Government could always establish new agencies, such as the Small Business Administration, with more liberal interest and credit policies. These could adversely affect the present economic functions of the American banks whether small unit banks or large branch banks.

Opposition to branch banking will continue in all its many forms. However, the most vocal opposition will come from competitors and not from customers.<sup>9</sup>

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<sup>8</sup>Banking Systems, edited by Benjamin H. Beckhart, (New York: Columbia University Press, 1954), p. 813.

<sup>9</sup>Palmer T. Hogenson, The Economics of Group Banking, (Washington: Public Affairs Press, 1955), p. 150.

## CHAPTER IV

### FACTORS TO BE CONSIDERED IN ESTABLISHING A BRANCH BANK

#### MOTIVATING FACTORS

As American industry progresses to meet the increasing demands of our growing population, and outgrows its present location, the businessman becomes further and further removed from the old established banking centers of the community. In addition, the suburban movement of the population has served to further remove the individual bank customer from the banking centers.

The natural result of this outward movement of industry and population has been the desire of banks to establish branches in the suburban areas for the purpose of retaining their present customers and obtaining new ones. Through this action, the banks are able to maintain and perhaps increase their competitive position.

In many instances, through increased business, banks have outgrown their present banking quarters. Rather than enlarge their present ones, banks have established branches and used the old banking quarters for the centralization of certain functions such as bookkeeping and transit departments, trust departments, credit analysis departments, central files, et cetera.

Other reasons for wanting to establish branches are the desire and need to more adequately serve present customers, the congested traffic conditions and lack of available parking, the desire for additional and increased profits, and for prestige reasons. However, a branch bank should

never be established for prestige reasons alone as "The prestige value of a branch is not itself enough to warrant applying for permission to establish it."<sup>1</sup>

Regardless of the reason or reasons for establishing a branch, the project should not be undertaken unless profitable operation is assured within a three year period.

#### LOCATION

The greatest of care should be exercised in planning the location of a branch bank in order to insure its success from the standpoint of services and profits.

To insure the proper location of the branch, two surveys should be undertaken: (1) Survey of population and business and (2) market survey and analysis. See Table VII on page 49 for a suggested branch bank survey compiled by the New York State Banking Commission.

Survey of Population and Business. The purpose of this survey is to establish the need for a branch bank. Before the actual survey begins, the estimated area which the branch will serve should be designated. Once this is done, an actual count of the residences, industries and/or businesses, churches, schools, clubs and other banks within the area should be made. The industries located within the designated area should be closely examined, as they provide the community income and attract a large portion of the population. Present population conditions may eliminate a need for banking services. Any evidence of industrial decline would cast serious doubts

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<sup>1</sup>"Factors in Placing a Branch Bank," Banking, July, 1956, pp. 34-36.

## TABLE VII

## SUGGESTED BRANCH BANK SURVEY COMPILED BY NEW YORK STATE BANKING COMMISSION

Description of the Kind of Information that Could Be Developed and submitted to the Banking Department in Support of an Organization Certificate for a New Institution, Application for a Branch office, and Change of Location, and that would be Helpful to the Case of the Determination of the Application. These Data Could Be Presented in the Form of a Brochure or Memorandum.

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1. Population

- (a) Map, enlarged if possible, showing the area to be served marked out in red ink.
- (b) Discussion of population - source of information census and census tract data. Area could be broken down into sections, and natural boundary lines with population shown in each segment.
- (c) Trend of population over a decade or so - and characteristics of population.
- (d) Analysis of population - income groups - home ownership - tenant occupancy.

2. Sales and Marketing Data

- (a) A copy of map, if available, of the area as set out by the Working Manual of Sales Control of the New York Market published by New York Journal-American or New York City Market Analysis published by News Syndicate Co., Inc.
- (b) Discuss area from standpoint of its importance, integration, composition of population and importance of banking possibilities to the area, and other points which might come up as a result of study of the area.

3. Transit Data

- (a) Refer to services available to the public - subways, elevated lines, street cars and buses, and their importance and effect upon the specific location of the banking facility under consideration.
- (b) Refer to annual fare collections as shown in the Transit Record, a publication of The Board of Transportation, and show comparative figures for several years back so that a trend may be ascertained.

TABLE VII (continued)

- (c) Any other figures on pedestrian traffic, if available - polls, traffic counts.

#### 4. Area Generally

- (a) Discuss and describe area - whether retail, wholesale, manufacturing, office buildings, residential; type of construction and possible future of the area - whether it will grow, is static, or is retrogressing.
- (b) Discuss why it is believed that the particular area needs banking facilities and why the public convenience and advantage would be served by creating facilities at that location. If branch or change of location is involved, give the reasons and needs of the applicant for the branch or change of location.

#### 5. Site and Facilities to be Offered

- (a) Discuss the particular site to be occupied. Describe the building and ideas for any structural changes, such as size, plottage, height, and number of stories. A pencil diagram might be helpful.
- (b) If purchase is involved, discuss the terms and relative merits of property with others in the neighborhood as to price and location of the property and the value of the specific location to the applicant.
- (c) Give estimates of costs of interior and exterior changes and adequacy of facilities to take care of future growth.
- (d) Estimates of income and expense of office, and estimates of deposit volume for 1 - 2 - 3 years; types of deposits; types and volume of loans; sources of revenue.

#### 6. Competition

- (a) A map showing locations of banking institutions in the area and discussion of competition, if any would be helpful, together with comments, if justified, or relative types of services offered by applicant and other institutions in the area. Include reasons why existing facilities are not adequate and what effect, if any, the new facilities would have on existing facilities.
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on the future need for banking services and the future success of the branch bank.

During this survey, available locations with plenty of parking area for a branch bank should be determined. The most desirable location can be chosen at a later date. Records of building permits for the current year and previous years(at least four) should be examined to determine past growth of industries, businesses and residences. This gives some indication of the future prospects for neighborhood growth.

The location of other banks and distances from the proposed branch should be noted. This will help to determine if the community is suffering from a shortage of banking services. Personal interviews with prospective customers should be made to see if there is any objection to a branch bank. This will give a good idea of community acceptance of a new bank. In order to further the case for a branch, resolutions should be obtained from local officials(Board of Supervisors), clubs(Lions, Rotary, et cetera), stating the "necessity and convenience" of a proposed branch to residents and businesses.

As far as it is possible, the survey should also include the congested traffic areas and the loss of time and inconvenience to residents and businesses in going to and from their present banking connections.

Market Survey and Analysis. The market survey and analysis of the area is normally made simultaneously with the survey of the population and businesses. The purpose of this survey is to determine the location of the market area, the possession of funds which can be attracted as deposits, competition for these funds from other banks, credit unions, and savings and loan associations, and the possibility for neighborhood growth.

The market area can be determined by a study of the concentration of the residential, business and industrial areas. Once this is done, a study can be made of the major thoroughfares and traffic patterns. When the survey is complete, the best location for the proposed branch can be decided.

The market analysis should include an analysis of the neighborhood and of the businesses and industries within the area to be served by the proposed branch.

The neighborhood should be analyzed as to the population and the purchasing power and potential purchasing power of the residents located within the trade area of the proposed branch. The age, number and condition of the homes should be ascertained. The income of the residents, whether the population is permanent or transient, the community spirit and civic pride of the residents, zoning laws, residential construction, rating of school system, and shopping facilities should be noted.

The business and industrial analysis should include a study of the type of businesses and the per cent of each, whether general merchandise, apparel, hard goods, food and food services, drugs, liquor, hardware, jewelry and gifts, personal service, financial, et cetera, and of the type and percentage of different industries, in the trading area. It should also be determined if the businesses or industries are subject to wide cyclical or seasonal fluctuations, and if there is room for expansion and future growth.

Once the analyses have been made and consideration given to the availability of natural resources, manpower, transportation and markets,

the ability of a community to produce and distribute goods and services can be ascertained.<sup>2</sup>

After the surveys and analyses are complete, it is up to the bank officials to make the final decisions on the establishment of the branch. Knowing the internal workings of their bank, the banking habits of the various segments of the population, the type service which their bank can render to a community, and that the determination of deposit potential is based on the same basic fundamentals which govern the success or failure of a location for other business uses, a decision can be made on whether or not to apply to the appropriate banking authorities for permission to establish a branch bank in the surveyed and analyzed area.

To arrive at a good decision, the bank, in addition to the above, has to consider the adequacy of its capital structure, future earnings prospects, character of its own management and the convenience and needs of the community.

Site Analysis. Once the area location has been decided upon and the decision to establish a branch is made, the exact location of the branch has to be decided. The object is to locate the branch in the site that has the most drawing power. There should be something other than the bank to attract people to the location. In suburban areas, the trip to the bank is often included in a shopping trip or visited on the way to and from work.

The site should be conveniently accessible by automobile and public transportation. The branch should be located where the traffic is heaviest during banking hours and where plenty of parking space is available.

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<sup>2</sup>Bank Administration, American Institute of Banking, (New York: 1954), p. 22.

Another determining factor in the location is whether quarters to house the banking functions are to be built or rented.

#### BANK QUARTERS

Assuming that the location being considered qualifies for a branch, then the next question is should it be housed in rented quarters or in quarters owned by the bank.

If there is a vacant space of suitable size available in an existing building, this would offer the quickest way to get started. There are several factors to consider if rented quarters are contemplated. Among them are the following:

1. Are the walls separating the space from adjoining premises of fireproof construction? Neighboring stores occupied by a dry cleaner, a restaurant, or some other fire risk require a better protection against the spread of fire than the wood-stud-and-plaster partitions often found in one-story taxpayers.
2. If walls are of cinder block, have they been extended to the top of the roof beams so as to prevent spread of fire above the ceiling level? Some taxpayers have a "balloon" roof supported by trusses which span the full depth of the building and create an open attic space where fires can mushroom rapidly.
3. Is the house sewer located below the cellar floor so that an extra toilet may be installed there? Most 20- or 25-foot stores are provided initially with only one toilet, on the assumption that the occupancy will be all male or all female, whereas a banking office will require separate toilets, that for the men being located in the cellar.
4. Has provision been made for heating both the main floor and the cellar? A banking office requires more uniform temperature than the average retail store, which is usually equipped with a single, gas-fired unit-heater hung from the ceiling beams near the middle of the space.
5. Are the feeder wires serving the electrical panel board heavy enough to take care of an air conditioner, in addition to the regular light and equipment loads? In order to attract depositors during the summer the quarters should be cooled.

6. To what extent will the landlord finish the space? In a new taxpayer, the usual practice is to leave the plaster ceiling and walls unpainted; joists covered with rough under-flooring; no base or trim; no lighting fixtures or toilet accessories. But whatever built-in equipment is installed by the tenant becomes, under the usual terms of a lease, the property of the landlord on expiration of the rental period.

Accordingly, when rented quarters are to be of a temporary character, certain precautions should be taken to avoid unnecessary capital expenditures.<sup>3</sup>

As to the cost of fitting up these quarters, Table VIII on page 56 contains the approximate figures for a space 19 feet by 92 feet in Greater New York.

If a decision is made to build a branch office, careful and thoughtful consideration should be given to the future needs of each phase of branch operations. In determining the size, the object is to have quarters large enough to provide good working conditions for the staff and convenient service to the customers and at the same time, allow room for expansion to avoid needless additional expense in enlarging and remodeling the new building. The facts developed in the area surveys of potential business, now and future, is quite important in determining the size of the building.

With emphasis on customer convenience, adequate parking should be provided.

Table IX on page 57 gives the estimated cost of construction of a one story building 38 feet by 90 feet.

The arrangement of "work flow" in the new banking quarters must be arranged for efficiency of operation to enable better and faster customer service and to expedite internal operations. This takes careful planning

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<sup>3</sup>"Housing a New Branch Office," Banking, August, 1958, pp. 52-53.

TABLE VIII

BREAKDOWN OF COST OF ALTERATIONS AND EQUIPMENT FOR BRANCH BANKING OFFICE  
19' by 92' IN AN EXISTING BUILDING

Carpentry and millwork, exclusive of banking equipment.....	\$ 2,300
Columns and beams to strengthen first floor to carry heavier loads.....	900
Lath and plaster on interior partitions and oriental stucco on walls of outer vestibule.....	1,100
Aluminum and plate glass doors and windows and display cases.....	3,300
Acoustical tile ceiling.....	1,200
Painting, plaster walls and varnishing millwork.....	500
Asphalt tile flooring and rubber base.....	900
Ventilating ducts and flues, extending above roof.....	700
Plumbing and heating.....	2,000
Air conditioning, with two 1.5 Kw air-cooled units installed over front and rear entrance doorways.....	750
Electrical work, including plug-in strips and surface-mounted fluorescent lighting fixtures to give an average level of illumination of 50 ft.-candles.....	5,700
Cabinet work for counter-screen, wood-and-glass partitions, and low-rail; steel drawer pedestals and counter-top for four teller's units.....	6,300
Upholstered seat under picture window.....	250
Stainless steel sign, with electrically illuminated "Flexiglas" letters.....	2,200
	\$ 28,100
Fee for complete architectural services at 12%.....	3,400
Total cost of alterations and built-in equipment.....	\$ 31,500

Source: "Housing a New Branch Office," Banking, August, 1958,  
p. 53.

Vault?

TABLE IX

BREAKDOWN OF COST OF CONSTRUCTION OF FREE-STANDING, ONE-STORY BANK  
BUILDING, 38' by 90'

Excavation and grading.....	\$ 2,900
Concrete foundations, beams and slabs.....	9,500
Waterproofing and dampproofing.....	900
Brickwork and masonry, including cut stone, marble and slate.....	28,000
Structural steel, ornamental iron and steel windows.....	5,900
Tile, terrazzo and toilet stalls.....	2,200
Carpentry and millwork, including kalamein doors and bucks, insulation and weatherstripping.....	19,000
Roofing and sheet metal work.....	3,400
Furring, lathing and plastering.....	7,200
Acoustical tile ceiling.....	1,800
Asphalt and rubber tile flooring.....	2,500
Painting.....	2,200
Plumbing, including kitchenette.....	5,700
Heating, ventilating and airconditioning.....	9,200
Electrical work.....	5,600
Superintendent and job office expense.....	<u>3,300</u>
Contractor's cost, including overhead.....	\$109,300
Contractor's profit (about 10%).....	<u>10,700</u>
Amount of general contract (approximate).....	\$120,000
Items not included in general contract:	
3-1/2 inch security vault door, with 3-movement time lock.....	6,700
Steel pedestals and counters for four tellers.....	<u>2,000</u>
Approximate cost of these items.....	\$ 8,700
Fee for complete architectural services(about 8%).....	<u>10,300</u>
Total cost of building and building equipment.....	<u>\$139,000</u>

Source: "Housing a New Branch Office," Banking, August, 1958, p. 55.

and can only be accomplished through a thorough and comprehensive study of the problems involved in space distribution, equipment and work flow. The results of a smooth flow of work are better employee attitudes and better and more efficient customer service.

As a guide in planning new banking quarters, Bank Building and Equipment Corporation of America suggests the following check list:

1. Sound functional design.
2. Plan for future expansion.
3. Interior layout for efficient work flow and motion economy.
4. Carefully planned administrative space.
5. Consider comfort and efficiency of customers.
6. Provide for adequate vault space for all needs.
7. Plan for future mechanization.
8. Provide for good working conditions for employees.
9. Design for ease and economy of maintenance.
10. Build to attract customers and create prestige.
11. Adequate parking facilities.<sup>4</sup>

The final decision of whether to rent or build the necessary banking quarters will be determined by many factors but the most important are:

1. Can bank's capital structure meet the legal requirements of bank's fixed assets? In Virginia only 50% of capital and surplus can be invested in fixed assets, with fixed assets including buildings, fixtures and equipment.

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<sup>4</sup>J. B. Gander, "For Better Bank Quarters," Burroughs Clearing House, January, 1953, p. 29.



2. Are both rental and building sites available in the proper location?
3. In the long run which is more economical to the bank?

#### SERVICES TO BE OFFERED

The original area surveys will help to indicate the services which are necessary and marketable for the branch. Normally, the branch will offer to the customers the same services they would receive when doing their banking at the head office. On occasion, particularly in suburban offices, safe deposit box service will not be offered due to the initial large capital expenditure in obtaining and installing them. Of course, some services, such as drive-in and walk-up teller's windows, will be available at the branch and not at the head office.

As far as possible, the branch office should offer the same services as the head office.

#### OPERATIONAL PROBLEMS

The establishment of a new branch office requires the planning for and acquisition of additional equipment, supplies, decisions on where the various internal operations of the bank will be performed, plus obtaining and training the necessary personnel.

Equipment and Supplies. The branch office is usually equipped and supplied in the same manner as the head office as uniformity of operations makes for a smooth "work flow." It enables the movement and transfer of personnel from one office to another without additional training. In

addition, standardization of forms and supplies allows quantity purchasing and less inventory maintenance.

At the earliest date possible, a decision should be made on the kind and amount of equipment that is needed and orders placed with the appropriate vendors. This is necessary as the delivery date on various kinds of equipment will run from one month to a year after date of order. For the same reason, forms and other supplies should be ordered as quickly as possible.

Internal Problems. Decisions on where the various internal functions of a bank's operations are to be performed must be made. Such questions as the following must be answered:

1. Where will checking accounts be posted? Will they be posted at the head office or in the branch office? Normally, if the branch is an in-town office or only a short distance away from the head office, the accounts are posted at the head office. If the branch is in another city, which is some distance away, the posting will generally be done in a separate bookkeeping department in the branch.

2. How will incoming and outgoing transit letters be handled? This will depend on the location of the proof and transit and bookkeeping departments.

3. Will the savings department maintain its own ledgers and records or be centralized? Generally this is done in the branch office.

4. Will the branch office discount its own loans, maintain its notes and collateral and credit folders? This would depend on the estimated volume of loans and the location of the branch in regard to the head office. As a practice, each office maintains its own credit files

since having these files enables the loan officers to give faster and better service to their own loan customers.

5. Will branch office post its own Christmas and vacation clubs or will they be consolidated at the main office? This would depend on the personnel situation in the branch. In many of the larger banks, the club accounts are handled on centralized IBM equipment.

6. Will redeemed bonds, utility bill payments, and dictation be handled at the branch? This will also depend on the staff.

7. What type of general ledger should be used? There are two common practices: One is the centralization of the general ledger at the head office with each branch maintaining a subsidiary ledger and the other is the centralization of the general ledger at the head office with each branch forwarding all settlements to this office for consolidation. The branch is, in turn, furnished with a list on a daily basis, of all those general ledger items relating to its particular office.

Although this list is not complete, it gives some idea of the operating decisions which have to be made when a branch is established. If a bank is already operating a branch system, these decisions have previously been made and put into operation.

Personnel. The ultimate success of any branch is directly related to the ability of its employees to adequately satisfy its customers. For this reason, care should be taken in the selection of the personnel necessary to staff the branch properly. The branch manager should be well schooled in all phases of commercial banking and personnel management. He should be a person of character and one who can command the respect of the present customers and the potential ones as well as that of the staff of the branch.

The personnel assigned to assist the manager should be well trained and able to meet the public. If possible, the staff should be composed of personnel who have had one or two years of experience and training either in the head office or at another branch. In that time, they should have acquired enough information to answer most customer inquiries and thus create good first impressions.

At first it is hard to ascertain exactly the number of people necessary to staff the office. It is better to be overstaffed than understaffed. This will give the customers another good first impression. This overstaffing can best be done through the use of part time help. If it develops that the branch is overstaffed, it is much easier to let a part time person go than a full time one.

The proper staffing of a branch is most important, as bank customers remember only the most courteous, friendly and efficient bankers.

#### INCOME AND EXPENSES

When a branch bank is contemplated, its profit possibilities must not be overlooked. Although banks perform many services of a social and economical nature, they are in business to make a profit. The initial cost of establishing a branch can be considered as an investment and will be recovered if the branch is successful. The operating costs are direct expenses and cannot be recovered, so it is very important that they be carefully controlled and held to a minimum. They must be offset by income earned.

Income. The income potential of the branch is directly related to the deposit potential of the area in which the branch is established. Deposit potential is defined as the total dollar amount of savings, commercial

and other types of deposits located within a particular area. Once this deposit potential has been projected, it is possible to obtain an estimate of the income over the length of the projection. This is done by using the head office's current yield figures on net available funds for loaning and investment purposes. Net available funds is the total amount of time and demand deposits minus the current reserve requirements for each. With this information as a basis, a tentative budget of operations can be set up consistent with the projected deposit totals.

Expenses. The estimated expenses can more readily be determined than the estimated income because most of the cost figures can be taken from the actual records of the head office. Naturally, much of the expense will be controlled by the size of the branch operation. However, further economy of operations can be obtained through standardization of forms and uniformity of procedures.

A safe margin between income and costs can only be obtained through constant and continuing efforts to achieve maximum efficiency in operations.

On the following pages are tables showing current estimated income and expense figures for the establishment of a suburban branch bank in the Richmond area.

Estimated deposit figures for 1959 are \$650,000 demand and \$350,000 time and for 1960, \$975,000 demand and \$625,000 time. The reserve requirements for this particular bank are 3% of time deposits and 10% of demand deposits. According to the estimated figures, the branch will show a profit in its second year of operations.

TABLE X

XYZ BANK - SUBURBAN BRANCH  
 CONSOLIDATED ESTIMATED INCOME  
 1959

Source of Income	Total Available Funds	Yearly	Monthly
Demand Deposits(Table XI)	\$585,000	\$30,705.00	\$2,558.75
Time Deposits(Table XII)	339,500	12,731.25	1,060.94
Other Income(Table XIII)	_____	<u>3,200.00</u>	<u>266.67</u>
Totals	\$924,500	\$46,636.25	\$3,886.36
Consolidated Estimated Income 1960			
Demand Deposits(Table XI)	\$877,500	\$48,262.50	\$4,021.88
Time Deposits(Table XII)	606,250	30,373.13	2,531.09
Other Income(Table XIII)	_____	<u>4,800.00</u>	<u>400.00</u>
Totals	\$1,483,750	\$83,435.63	\$6,952.97

TABLE XI

XYZ BANK - SUBURBAN BRANCH  
ESTIMATED DEMAND DEPOSIT INCOME

Year	Available Funds	Yearly	Monthly
1959 <sup>a</sup>	\$585,000.00	\$30,705.00	\$2,558.75
1960 <sup>b</sup>	877,500.00	48,262.50	4,021.88

<sup>a</sup>Based on 6% return figured on semi-annual basis estimating that 75% of deposit for year will be deposited in bank within first six months of operation.

<sup>b</sup>Based on 6% return estimating that 50% increase in deposits will occur within each six months of the year.

TABLE XII

XYZ BANK - SUBURBAN BRANCH  
ESTIMATED TIME DEPOSIT INCOME

Year	Available Funds	Yearly	Monthly
1959 <sup>a</sup>	\$339,500.00	\$12,731.25	\$1,060.94
1960 <sup>a</sup>	606,250.00	30,373.13	2,531.09

<sup>a</sup>Based on 6% return figured on a quarterly basis estimating that 25% increase in deposits will occur during each quarter.



TABLE XIII

XYZ BANK - SUBURBAN BRANCH  
ESTIMATED OTHER INCOME  
1959

Source	Yearly	Monthly
Safe Deposit Rental	\$ 500.00	\$ 41.67
Sale of Popular checks	1,500.00	125.00
Miscellaneous(Bonds, Utility payments, etc.)	<u>1,200.00</u>	<u>100.00</u>
Totals	\$ 3,200.00	\$ 266.67

Estimated Other Income  
1960

Safe Deposit Rental	\$ 750.00	\$ 62.50
Sale of Popular Checks	2,250.00	187.50
Miscellaneous(Bonds, Utility payments, etc.)	<u>1,800.00</u>	<u>150.00</u>
Totals	\$ 4,800.00	\$ 400.00

Note: No income is allowed for bookkeeping operations as additional personnel for head office would absorb this income.

TABLE XIV

XYZ BANK - SUBURBAN BRANCH  
 CONSOLIDATED ESTIMATED EXPENSE  
 1959

Expense	Cost	Yearly	Monthly
Salaries(Table XV)	\$ ---	\$ 26,655.66	\$ 2,221.47
Equipment(Table XVI)	13,374.05	2,655.96	221.34
Rent(Table XIX)	---	10,625.00	885.42
Furniture and Fixtures(Table XIX)	3,749.52	374.95	31.25
Leasehold Improvements(Table XIX)	32,753.05	2,183.51	181.96
Vault(Table XIX)	9,850.00	985.00	82.00
Safe Deposit Boxes(Table XIX)	4,000.00	400.00	33.33
Interest on Savings(Table XVIII)	---	5,197.50	433.12
Miscellaneous(Table XVII)	<u>---</u>	<u>9,543.00</u>	<u>800.27</u>
Totals	\$ 63,726.62	\$ 58,540.58	\$ 4,890.16

Consolidated Estimated Expense  
 1960

Same as 1959 except for interest on savings which is figured in the same manner as in 1959. Estimated expense is \$12,399.78 for year and \$1,033.32 per month. Therefore, for the year, the estimated expense is \$65,742.86 and for each month it is \$5,742.86.

TABLE XV

XYZ BANK - SUBURBAN BRANCH  
SALARIES

Salary for	Yearly	Monthly
Manager	\$ 5,400.00	\$ 450.00
Assistant Manager	5,100.00	425.00
Secretary and Receptionist	3,060.00	255.00
Teller No. I	3,000.00	250.00
Teller No. II	3,000.00	250.00
Teller No. III	2,760.00	230.00
Teller No. IV (Part time at \$13.50 per day)	702.00	58.50
Teller No. V (Part time at \$13.50 per day)	702.00	58.50
Plus 22.7% Fringe Benefits	5,066.64	422.22
Janitor (Part time)	1,020.00	85.00
Fringe Benefits for Janitor	<u>231.54</u>	<u>19.16</u>
Totals	\$ 30,012.18	\$ 2,503.68

## TABLE XVI

KEX BANK - SHERIDAN BRANCH  
EQUIPMENT

Item	Cost of each	Total Cost	Yearly	Monthly
Five Tellers Machines	\$ 1,247.35	\$ 6,236.75	\$ 1,247.35	\$ 103.95
Five Branch Auto-Cashiers	415.00	2,075.00	415.00	34.50
Two Used Adding Machines(Surplus)	-0-	-0-	-0-	-0-
One Used H.C.P. Savings Machine	3,300.00	3,300.00	660.00	55.00
Two Savings Led. Cards Houa. Unit	-0-	-0-	-0-	-0-
One Todd Protectograph	256.62	256.62	51.32	4.28
One Todd Certifier	396.44	396.44	79.33	6.61
Two Royal Typewriters	216.45	432.90	86.58	7.22
One Non. Hand Kardex File <sup>a</sup>	77.25	77.25	7.73	.64
One Kardex File Mobile Table <sup>a</sup>	46.50	46.50	4.65	.39
One Downey-Johnson Coin Counter	318.60	318.60	63.72	5.31
One Fire Extinguisher	32.59	32.59	---	---
One Simplex Time Clock	<u>201.40</u>	<u>201.40</u>	<u>40.28</u>	<u>3.36</u>
Totals	\$ 6,500.20	\$13,374.05	\$ 2,655.96	\$ 221.34

<sup>a</sup>Depreciated over 10 years. All other equipment over 5 years.

TABLE XVII

XYZ BANK - SUBURBAN BRANCH  
MISCELLANEOUS EXPENSES

Item	Yearly	Monthly
Stationery and Supplies	\$ 1,700.00	\$ 141.66
Telephone and Telegraph	1,200.00	100.00
Insurance(Fidelity and Forgery Ins.)	514.00	42.87
Brinks	324.00	27.00
Teller Differences	100.00	10.83
Travel Expense(Office Mgr.)	100.00	10.83
Auto Expense for Porter(250 days @ 28 miles @ 8¢)	560.00	46.66
Postage	720.00	60.00
Advertising	1,425.00	118.75
Heat, Lights and Water	2,000.00	166.67
Credit and Collections	100.00	8.33
Examination Fees	100.00	8.33
Other Casualty Insurance	200.00	16.67
Donations, Dues and Miscellaneous	<u>500.00</u>	<u>41.67</u>
Totals	9,543.00	800.27

TABLE XVIII

KEY BANK - SUBURBAN BRANCH  
INTEREST ON SAVINGS<sup>a</sup>

Year	Amount on Deposit	Yearly	Monthly
1959-1960	8350,000	65,197.50	6,33.12
1960-1961	625,000	12,399.78	1,033.32

<sup>a</sup>Based on interest rate of 3% up to \$1,000 and 2% in excess of \$1,000. Accrual figure is .001980 for a month. Interest figured on basis that 1/4 of savings will be on deposit at the end of each quarter.

TABLE XIX

XYZ BANK - SUBURBAN BRANCH  
LEASEHOLD IMPROVEMENTS

Item	Cost	Yearly	Monthly
Rent	\$	\$ 10,625.00	\$ 885.42
Furniture and Fixtures <sup>a</sup>	3,749.52	374.95	31.25
Leasehold Improvements <sup>b</sup>	32,753.05	2,183.51	181.96
Vault <sup>a</sup> (Estimated Cost)	9,850.00	985.00	82.00
Safe Deposit Boxes <sup>a</sup> (Estimated Cost of 250 at \$16 each)	<u>4,000.00</u>	<u>400.00</u>	<u>33.33</u>
Totals	\$50,352.57	\$14,568.46	\$1,213.96

<sup>a</sup>Depreciated over 10 years.

<sup>b</sup>Depreciated over life of lease - 15 years.

## CHAPTER V

### ESTABLISHING A COMMERCIAL BRANCH BANK IN VIRGINIA

#### LEGAL REQUIREMENTS

Branch banking in the United States is governed by both state and federal laws, with state laws exerting the most influence. On December 31, 1957, sixteen states and the District of Columbia allowed state-wide branch banking, twenty-two states permitted limited branch banking, nine states prohibited it and two states had no laws regarding branch banking.<sup>1</sup>

As a result of the various state laws, wide variations in the characteristics of branch banking have developed. As the end of 1957, 43% of all branches were in the head office city of the banks maintaining branches, 30% were in the head office county, 13% were in contiguous counties and 14% were in non-contiguous counties.<sup>2</sup>

Federal Laws. As Chapter II contains full description of the gradual evolution of Federal laws regarding branch banking, only an extract of the laws pertaining to branch banking will be given in this chapter. Following is a complete summary of the Federal statutes on branch banking:

#### 1. National Banks

Domestic branches - The conditions upon which a national banking association may retain or establish and operate a branch or branches are the following:

- (a) A national banking association may retain and operate such branch or branches as it may have in lawful operation at

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<sup>1</sup>1957 Annual Report of the Comptroller of the Currency, p. 10.

<sup>2</sup>Federal Reserve Bulletin, April, 1958, p. 493.



the date of the approval of this Act (February 25, 1927), and any national banking association which has continuously maintained and operated not more than one branch for a period of more than twenty-five years immediately preceding the approval of this Act may continue to maintain and operate such branch.

- (b) If a State bank is hereafter converted into or consolidated with a national banking association, or if two or more national banking associations are consolidated, such converted or consolidated association may, with respect to any of such banks, retain and operate any of their branches which may have been in lawful operation by any bank at the date of the approval of the Act.
- (c) A national banking association may, with the approval of the Comptroller of the Currency, establish and operate new branches: (1) within the limits of the city, town, or village in which said association is situated, if such establishment and operation are at the time expressly authorized to State banks by the law of the State in question; and (2) at any point within the State in which said association is situated, if such establishment and operation are at the time authorized to State banks by the statute law of the State in question by language specifically granting such authority affirmatively and not merely by implication or recognition, and subject to the restrictions as to location imposed by the law of the State on State banks. In any State in which State banks are permitted by statute law to maintain branches within county or greater limits, if no bank is located and doing business in the place where the proposed agency is to be located, any national banking association situated in such State may, with the approval of the Comptroller of the Currency, establish and operate, without regard to the capital requirements of this section, a seasonal agency in any resort community within the limits of the county in which the main office of such association is located, for the purpose of receiving and paying out deposits, issuing and cashing checks and drafts, and doing business incident thereto; Provided, that any permit issued under this sentence shall be revoked upon the opening of a State or national bank in such community. Except as provided in the immediately preceding sentence, no such association shall establish a branch outside of the city, town, or village in which it is situated unless it has a combined capital stock and surplus equal to the combined amount of capital stock and surplus, if any, required by the law of the State in which such association is situated for the establishment of such branches by State banks, or, if the law of such State requires only a minimum capital stock for the establishment of such branches by State banks, unless such association has not less than an equal amount of capital stock.

- (d) The aggregate capital of every national banking association and its branches shall at no time be less than the aggregate minimum capital required by law for the establishment of an equal number of national banking associations situated in the various places where such association and its branches are situated.
- (e) No branch of any national banking association shall be established or moved from one location to another without first obtaining the consent and approval of the Comptroller of the Currency.
- (f) The term "branch" as used in this section shall be held to include any branch bank, branch office, branch agency, additional office, or any branch place of business located in any State or Territory of the United States or in the District of Columbia at which deposits are received, or checks paid, or money lent.
- (g) This section shall not be construed to amend or repeal section 25 of the Federal Reserve Act, as amended, authorizing the establishment by national banking associations of branches in foreign countries, or dependencies, or insular possessions of the United States.
- (h) The words "State bank," "State banks," "bank," or "banks," as used in this section, shall be held to include trust companies, savings banks, or other such corporations or institutions carrying on the banking business under the authority of State laws. Sec. 5155, Revised Statutes; 12 U.S.C. Sec. 36.

## 2. State Member Banks

Domestic and foreign branches - Any such State bank which, at the date of the approval of this Act, has established and is operating a branch or branches in conformity with the State law, may retain and operate the same while remaining or upon becoming a stockholder of such Federal reserve bank; but no such State bank may retain or acquire stock in a Federal reserve bank except upon relinquishment of any branch or branches established after the date of the approval of this Act beyond the limits of the city, town, or village in which the parent bank is situated. Provided, however, that nothing herein contained shall prevent any State member bank from establishing and operating branches in the United States or any dependency or insular possession thereof or in any foreign country, on the same terms and conditions and subject to the same limitations and restrictions as are applicable to the establishment of branches by national banks except that the approval of the Board of Governors

of the Federal Reserve System, instead of the Comptroller of the Currency, shall be obtained before any State member bank may hereafter establish any branch and before any State bank hereafter admitted to membership may retain any branch established after February 25, 1927, beyond the limits of the city, town, or village in which the parent bank is situated. The approval of the Board shall likewise be obtained before any State member bank may establish any new branch within the limits of any such city, town, or village (except within the District of Columbia). Sec. 9, par. 3, Federal Reserve Act; 12 U.S.C. Sec. 321.

Wherever the word "bank" is used in this Act, the word shall be held to include State bank, banking association, and trust company, except where national banks or Federal reserve banks are specifically referred to. Sec. 1, par. 2, Federal Reserve Act; 12 U.S.C. Sec. 221.

### 3. Insured State Banks not Members of Federal Reserve System

(d) No State nonmember insured bank (except a District bank) shall establish and operate any new branch unless it shall have the prior written consent of the Corporation, and no State nonmember insured bank (except a District bank) shall move its main office or any branch from one location to another without such consent. The factors to be considered in granting or withholding the consent of the Corporation under this subsection shall be those enumerated in section 6 of this Act. Sec. 18(d), Federal Deposit Insurance Act; 12 U.S.C. Sec. 1828. The factors, as enumerated in section 6 are: ...the financial history and condition of the bank, the adequacy of its capital structure, its future earnings prospects, the general character of its management, the convenience and needs of the community consistent with the purposes of this Act. Sec. 6, Federal Deposit Insurance Act; 12 U.S.C. Sec. 1816.

### 4. Banking Facilities at Military and other Government Establishments

Upon request of the Treasury Department, national banks, State member banks and banks insured by the Federal Deposit Insurance Corporation in certain instances have established banking facilities at military reservations and other Government establishments. These facilities have been established pursuant to statutes which provide that such banks "shall perform all such reasonable duties, as depositories of public money and financial agents of the Government, as may be required of them." 12 U.S.C. Sec. 90 (national banks); 12 U.S.C. Sec. 332 (State member banks);

12 U.S.C. Sec. 265(banks insured by the Federal Deposit Insurance Corporation).<sup>3</sup>

Section (d) of laws relating to national banks is further explained by Section 2 of Regulation H of the Board of Governors of the Federal Reserve System as amended September 1, 1952 on pages 2 and 3.

"The minimum capital required for the organization of a national bank, referred to hereinbefore in connection with the capital required for admission to membership in the Federal Reserve System, is as follows:

If located in a city or town with a population -	Minimum Capital
Not exceeding 6,000 inhabitants	\$ 50,000
Exceeding 6,000 but not exceeding 50,000 inhabitants	100,000
Exceeding 50,000 inhabitants (except as stated below)	200,000
In an outlying district of a city with a population exceeding 50,000 inhabitants; provided State law permits organization of State banks in such location with a capital of \$100,000 or less	100,000

With certain exceptions not here applicable, a national bank must have surplus equal to 20 percent of its capital in order to commence business."

Federal Reserve Act. The Federal Reserve System has its own eligibility requirements for membership and for the establishment and maintenance of branches. Following is a compilation of its regulations:

#### Section 2. Eligibility Requirements

Under the terms of section 9 of the Federal Reserve Act, as amended, to be eligible for admission to membership in the Federal Reserve System--

- (1) A State bank, other than a mutual savings bank must possess capital stock and surplus which, in the judgment of the Board,

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<sup>3</sup>Compilation of Federal, State and Territorial Statutes Relating to Branch Banking, compiled in the Legal Division of the Board of Governors of the Federal Reserve System, December 1, 1956, Washington, pp. 1-5.

are adequate in relation to the character and condition of its assets and to its existing and prospective deposit liabilities and other corporate responsibilities; Provided, that no bank engaged in the business of receiving deposits other than trust funds, which does not possess capital stock and surplus in an amount equal to that which would be required for the establishment of a national banking association in the place in which it is located, shall be admitted to membership unless it is, or has been, approved for deposit insurance under the Federal Deposit Insurance Act.

Section 8. Establishment or Maintenance of Branches

(a) In general.--Every State bank which is or hereafter becomes a member of the Federal Reserve System is subject to the provisions of Section 8 of the Federal Reserve Act relating to the establishment and maintenance of branches in the United States or in a dependency or insular possession thereof or in a foreign country. Under the provisions of Section 8, member State banks establishing and operating branches in the United States beyond the corporate limits of the city, town, or village in which the parent bank is situated must conform to the same terms, conditions, limitations, and restrictions as are applicable to the establishment of branches by national banks under the provisions of Section 5155 of the Revised Statutes of the United States, except that the approval of any such branches must be obtained from the Board rather than from the Comptroller of the Currency. The approval of the Board must likewise be obtained before any member State bank establishes any branch after July 15, 1952, within the corporate limits of the city, town, or village in which the parent bank is situated (except within the District of Columbia). Under the provisions of Section 8, member State banks establishing and operating branches in a dependency or insular possession of the United States or in a foreign country must conform to the terms, conditions, limitations and restrictions contained in Section 25 of the Federal Reserve Act relating to the establishment by national banks of branches in such places.

(b) Branches in the United States.--

1. Before any member State bank establishes a branch (except within the District of Columbia), it must obtain the approval of the Board.
2. Before any nonmember State bank having a branch or branches established after February 25, 1927, beyond the corporate limits of the city, town, or village in which the bank is situated is admitted to membership in the Federal Reserve System, it must obtain the approval of the Board for the retention of such branches.

3. A member State bank located in a State which by statute law permits the maintenance of branches with county or greater limits may, with the approval of the Board, establish and operate, without regard to the capital requirements of Section 5155 of the Revised Statutes, a seasonal agency in any resort community within the limits of the county in which the main office of such bank is located for the purpose of receiving and paying out deposits, issuing and cashing checks and drafts, and doing business incident thereto, if no bank is located and doing business in the place where the proposed agency is to be located; and any permit issued for the establishment of such an agency shall be revoked upon the opening of a State or national bank in the community where the agency is located.
4. Except as stated in the immediately preceding paragraph, in order for a member State bank to establish a branch beyond the corporate limits of the city, town, or village in which it is situated, the aggregate capital stock of the member State bank and its branches shall at no time be less than the aggregate minimum capital stock required by law for the establishment of an equal number of national banking associations situated in the various places where such member State bank and its branches are situated.<sup>4</sup>
5. A member State bank may not establish a branch beyond the corporate limits of the city, town, or village in which it is situated unless such establishment and operation are at the time authorized to State banks by the statute law of the State in question by language specifically granting such authority affirmatively and not merely by implication or recognition.
6. Any member State bank which, on February 25, 1927, had established and was actually operating a branch or branches in conformity with the State law is permitted to retain and operate the same while remaining a member of the Federal Reserve System, regardless of the location of such branch or branches.

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<sup>4</sup>The requirement of this paragraph is met if the aggregate capital stock of a member State bank having branches is not less than the total amount of capital stock which would be required for the establishment of one national bank in each of the places in which the head office and branches of the member State bank are located, irrespective of the number of offices which the bank may have in any such place. There are no additional capital requirements for additional branches within the city, town, or village in which the head office is located.

7. The removal of a branch of a member State bank from one town to another town constitutes the establishment of a branch in such other town and, accordingly, requires the approval of the Board. The removal of a branch of a member State bank from one location in a town to another location in the same town will require the approval of the Board if the circumstances of the removal are such that the effect thereof is to constitute the establishment of a new branch as distinguished from the mere relocation of an existing branch in the immediate neighborhood without affecting the nature of its business or customers served.

(c) Application for approval of branches in United States.-- Any member State bank desiring to establish a branch should submit a request for the approval by the Board of any such branch to the Federal Reserve Bank of the district in which the bank is located. Any nonmember State bank applying for membership and desiring to retain any branch established after February 25, 1927, beyond the corporate limits of the city, town, or village in which the bank is situated should submit a similar request. Any such request should be accompanied by advice as to the scope of the functions and the character of the business which are or will be performed by the branch and detailed information regarding the policy followed or proposed to be followed with reference to supervision of the branch by the head office; and the bank may be required in any case to furnish additional information which will be helpful to the Board in determining whether to approve such request.<sup>5</sup>

Federal Deposit Insurance Corporation. The Banking Act of 1935, which created the Federal Deposit Insurance Corporation, further extended federal control of branch banking. It provided that state non-member insured banks must obtain written permission of the Corporation before a branch could be moved from one location to another and before a new branch might be established. Following is a compilation of these regulations:

Para. 3144. Consent to Establish or Move Branch

Sec. 18(Federal Deposit Insurance Act).\*\*\*(d) No State non-member insured bank\*\*\*shall establish and operate any new branch

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<sup>5</sup>Membership of State Banking Institutions in the Federal Reserve System, Regulation H, Section 2 and 8, as amended September 1, 1952.

unless it shall have the prior written consent of the (Federal Deposit Insurance) Corporation, and no State nonmember insured bank \*\*\*shall move its main office or any branch from one location to another without such consent. The factors to be considered in granting or withholding the consent of the Corporation under this subsection shall be those enumerated in section 6 (Para. 3113) of this Act. (Act of September 21, 1950, Sec. 2, Public Law 797, 81st Congress, 2nd Session; Formerly Sec. 12B (v) (5) of the Federal Reserve Act of December 23, 1913, 12 U.S. Code 264 (v), as added by Act of August 23, 1935, Sec. 101, 49 Stat. 684)<sup>6</sup>

The factors considered upon application for branch operation by an insured non-member bank are specifically set forth as follows:

The financial history and condition of the bank, the adequacy of its capital structure, its future earnings prospects, the general character of its management, the convenience and needs of the community to be served by the bank, and whether or not its corporate powers are consistent with the purpose of this act. (Act of September 21, 1950, Sec. 2, Public Law 797, 81st Congress, 2nd Session; formerly Sec. 12 B (g) of the Federal Reserve Act of December 23, 1913, 12 U.S. Code 264 (g) as added by Act of August 23, 1935, Sec. 101, 49 Stat. 684.)<sup>7</sup>

These regulations are also printed on the face of the Corporation's application form for establishing a new branch or moving an existing branch to a new location.

Statutes of Virginia. The State of Virginia has its own statutes regarding the establishment of branch banks. Because of the limited nature of branch banking in the state, the branches are concentrated in the head office city and counties of the parent banks. Of the 200 branches in operation on December 31, 1957, 129 or 64.5% were located in the head office city, 36 or 18.0%, in the head office county, 26 or 13.0%, in contiguous counties, and 9 or 4.5%, in non-contiguous counties.

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<sup>6</sup>Federal Banking Law Reports, Commerce Clearing House, Inc., June 28, 1951, pp. 305-311(3).

<sup>7</sup>Ibid.



Following is a compilation of the statutes of Virginia relating to branch banking:

Sec. 6-26. When branch banks may be authorized; branches already established.--No bank or trust company heretofore or hereafter incorporated under the laws of this State shall be authorized to engage in business in more than one place, except that the State Corporation Commission, when satisfied that public convenience and necessity will thereby be served, may authorize banks having paid-up and unimpaired capital and surplus of fifty thousand dollars or over to establish branches within the limits of the city, town, or county in which the parent bank is located.

This section shall not be construed to prohibit the operation of existing branch banks theretofore established.

The term "parent bank" shall be construed to mean the bank or banking office at which the principal functions of the bank are conducted. The location of a parent bank or of a branch bank may be moved if the State Corporation Commission determines that public convenience and necessity will be served by such move; but the location of a parent bank or of a branch bank may not be moved beyond the limits of the city, town, or county in which it is located. (1928, p. 1314; 1933, p. 68; 1942, p. 104; Michie Code 1942, Sec. 4149(14); 1948, p. 156, c. 75.)

Sec. 6-27. Operation of branches after merger or purchase.--The provisions of the preceding section shall not be construed to prohibit the merger of banks in the same or adjoining counties or of banks located with a distance of twenty-five miles and the operation of such banks by the purchasing bank, provided that the State Corporation Commission shall be of the opinion and shall first determine that public convenience and necessity will be served by such operation, and provided further that, at the time of such merger or purchase, each of the banks involved shall have been in actual operation for a period of five years, or more. But in any case in which the Commission is satisfied that the public interest demands, on account of emergency conditions, that a merger or sale be effected, it may enter an order to such effect permitting such merger or sale, notwithstanding that the banks involved, or one or more of them, have not been in actual operation for five or more years. The term "adjoining counties," where more than two are involved, shall be construed to mean counties each of which shall adjoin the county in which the parent bank is located. (1928, p. 1314; 1933, p. 68; 1942, p. 104; Michie Code 1942, Sec. 4149(14); 1948, p. 156.)

Sec. 6-28. Operation of branch bank under different name.--No branch bank shall be operated or advertised under any other name than that of the identical name of the home bank, unless permission be

first had and obtained from the Commission, and unless such different name shall contain or have added thereto language clearly indicating that it is a branch bank and of which bank it is a branch. (1928, p. 1314; 1933, p. 68; 1942, p. 105; Michie Code 1942, Sec. 4149(14); 1948, p. 156.)

Sec. 6-29. Penalty for illegal operation of branch banks.--Any bank or trust company violating the provisions of Sections 6-26, 6-27, 6-28 shall be liable to a fine of one thousand dollars, to be imposed and judgment entered therefor by the Commission, and enforced by its process. (1928, p. 1314; 1933, p. 69; 1942, p. 105; Michie Code 1942, Sec. 4149(14); 1948, p. 157.)

Sec. 6-29.1. Banking facilities in certain hospitals or federal areas.--The Commission, when in its discretion the same is required for patients in, students at, and employees of hospitals operated by the Veterans Administration or by the State or for members of the armed forces at any military or naval federal area in Virginia, may permit any bank which is authorized to do business in this State to establish and operate such banking facilities as are required in any such hospital or federal area.

The banking facilities so established shall be operated in accordance with the laws of this State relative thereto and the Commission may permit only certain specified services to be so established and operated. (1948, p. 446; Michie Suppl. 1948, Sec. 4149(3a); 1952, c. 75; 1956, c. 45.)

Sec. 6-33. Minimum capital stock of banks.--The Commission shall not issue a charter to a bank with a minimum capital stock of less than fifty thousand dollars, provided that the minimum capital stock of trust companies shall be as prescribed by Section 6-92, and, in the case of a bank chartered after June eighteenth, nineteen hundred and twenty-eight, in any place the population of which exceeds twenty-five thousand inhabitants, the minimum capital stock required to issue a charter shall be increased above fifty thousand dollars in the ratio of five thousand dollars additional minimum capital stock for each ten thousand inhabitants by which the population of such place may exceed twenty-five thousand inhabitants, as shown by the last federal, State, or local census preceding the issuance of such charter. (1928, p. 1315; 1932, p. 92; Michie Code 1942, Sec. 4149(16).)<sup>8</sup>

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<sup>8</sup>Statutes of Virginia Relating to Banks, Trust Companies, Building and Loan Associations and Kindred Businesses, issued by The Bureau of Banking of the State Corporation Commission, reprint from the Code of Virginia of 1950 and 1956 Cumulative Supplement, (Charlottesville: The Michie Company, 1956), pp. 16-18.

The amount that the state will allow a bank to have invested in fixed assets is set. Since this often plays an important part in considering the establishment of a branch, the statute relating to this is quoted below:

Sec. 6-49. Limitation of amount invested in bank building, etc. --No bank or trust company incorporated under the laws of this State shall invest in its bank building and premises, including its furniture and fixtures, and including such part of the stock in a building company or other corporation of like nature as represents the ownership of any such bank building or premises, an amount greater than fifty per centum of its paid-in capital stock and its surplus undiminished by losses. If, subsequent to any such investment, the surplus of any such bank or trust company be diminished by losses so that such investment shall amount to more than fifty per centum of its paid-in capital stock and its remaining surplus, such bank or trust company shall not pay dividends in excess of a rate of six per centum per annum until such surplus and paid-in capital stock of such bank or trust company shall again be equal to double the value of its bank building and premises, including its furniture and fixtures, and including any stock in any such building company or corporation of like nature; provided, however, that nothing in this section shall apply to investments existing on June twenty-first, nineteen hundred and thirty-two and valid when made. (1928, p. 1319; 1930, p. 127; 1932, p. 405; Michie Code 1942, Sec. 4119(30).)<sup>9</sup>

#### APPLICATION PROCEDURE

National Banks. National banks come under the jurisdiction of only the Comptroller of the Currency. However, they are subject to the same restrictions as to location and capital that are imposed by the law of such state. For our purposes, these laws would be those of the State of Virginia.

A national bank desiring to establish a branch has to file, in duplicate, Treasury Department Form #1928. (Sample form in Appendix I)

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<sup>9</sup>Ibid., p. 22.

Upon receipt of this application, the appropriate District Chief Examiner makes an investigation. He considers the following:

1. Financial history and condition of the bank.
2. Adequacy of its capital structure.
3. Quality of its management.
4. Locations and number of branches in operation.
5. Proposed location of the new branch.
6. Distance from the head office of the proposed branch.
7. The nearest banking facilities.
8. Needs of the area and additional convenience that would be provided.
9. Nature of the potential customers.
10. Possible business available.
11. Estimate of the business activity for a reasonable period of time.
12. General prospects for success.
13. Anything else that he might consider pertinent.

The cost of this investigation is borne by the bank submitting the application.

After the district examiner completes his investigation, he sends the application along with his comments and recommendations to the Comptroller's office.

After the data are reviewed and analyzed by the Comptroller's office, a decision is rendered. If the application is approved, the Comptroller issues a certificate for the establishment and operation of a branch bank at the designated location.

State Member Banks. A state member bank desiring to establish a branch has to make application to the State Corporation Commission and the Federal Reserve Board.

The application of the State Corporation Commission consists of five pages with six sections. (See sample application in Appendix II)

The six sections are: (1) general, (2) capital structure, (3) operating experience and forecast of earnings and expenses, (4) management (proposed officers of proposed branch), (5) public convenience and necessity, and (6) resolution of Board of Directors of applicant bank.

The application is submitted, in duplicate, to the Bureau of Banking, State Corporation Commission, Richmond, Virginia. A check for \$100, payable to the Treasurer of Virginia, has to accompany the application to cover the investigation costs of the State Corporation Commission.

The State Corporation Commission makes an investigation similar to that of the District Examiner of the Comptroller of the Currency's office. However, as required by state law, they place great weight on "public convenience and necessity."

Once its investigation is complete, the State Corporation Commission sets up a public hearing for discussion of the application. At this hearing, the applicant bank gives a very detailed discussion of the application. The bank or banks opposing the application also give a great detail of descriptive matter. Then follows a period of cross examination with the three judges of the State Corporation Commission asking questions as well as the attorneys for the involved banks.

After hearing the pros and cons for the application, the hearing is adjourned, and a decision is rendered at a later date. On occasion, a decision is rendered the same day.

If permission for the establishment of the branch is granted, the State Corporation Commission issues an order of approval, and at the same time, sets a time limit within which the branch is to be established.

Simultaneously with the filing of the application with the State Corporation Commission, an application is submitted to the Federal Reserve Board of Governors. This application is in the form of a letter from the applicant bank as the Federal Reserve does not have a required form of application. The letter, which is sent to the Federal Reserve Bank in the applicant bank's district, should contain the following information:

1. The general condition, the adequacy of capital, and the quality of management of the applicant bank. If some time has elapsed since the bank was examined, a current statement of condition should be furnished.
2. Name and location of existing branches, grouped by city, town, or village, giving the date of establishment of each branch, population of community in which located, and capital required by Federal law for operation of a branch in each such location.
3. Reasons for establishment of the branch, such as expansion of business, better service for bank's customers, or to relieve crowded conditions in present quarters.
4. Location of proposed branch, estimated population of the community or area to be served, distance from head office and nearest branches of applicant bank, and distance from other financial institutions.
5. Opinion supported by reasons as to economic character of community, need for banking facilities, the competitive situation, and whether establishment of branch will tend to create a monopoly or an undesirable competitive advantage in relation to other banks, including unit banks, in the area.
6. Scope of the functions and the character of business which will be performed by the branch and the policy to be followed with reference to supervision by the head office.
7. Prospects for profitable operations of proposed branch.
8. Investment in banking quarters.
9. Whether appropriate State authorities have approved establishment of the branch.

An investigation, similar to that of the District Examiner for the Comptroller of the Currency, is made by the local Federal Reserve Bank. After their investigation, they forward their recommendations to the Board of Governors of the Federal Reserve System.

If approval is granted, the Board places a time limit within which the branch must be established.

State Insured Banks. A state insured bank has to obtain permission from the State Corporation Commission and the Federal Deposit Insurance Corporation.

The procedure for filing with the State Corporation Commission is the same as for a state member bank.

Simultaneously with the filing of the application with the State Corporation Commission, an application is filed with the Federal Deposit Insurance Corporation.

The Federal Deposit Insurance Corporation has its own form for this purpose. (See sample form in Appendix III) This is a six-section form consisting of five pages. The sections are: (1) financial history and condition, (2) adequacy of capital structure, (3) future earnings prospects, (4) management, (5) convenience and needs of community, and (6) consistency of corporate powers.

The local district office of the Federal Deposit Insurance Corporation makes an investigation of the application similar to that made for the Comptroller of the Currency by the district examiner.

After the investigation is completed, the local district office's recommendations are sent to the Board of Directors of the Federal Deposit Insurance Corporation in Washington.

If the application is approved, the applicant bank is notified by a letter from the Board.

State Non-Insured Banks. A state non-insured bank only makes application for a branch to the State Corporation Commission. Its application is handled by the State Corporation Commission in the same manner as all other branch bank applications.

On all occasions, the various supervisory agencies work closely together in the investigation of branch bank applications. However, each renders a separate and independent opinion.



## CHAPTER VI

### CONCLUSION

Throughout this country, branch banking has been a constant source of differences since the establishment of the First Bank of the United States in 1791. Nowhere have these differences been so bitterly fought as in the State of Virginia.

The present limited branch bank law in Virginia has resulted in an uneven apportionment of the branch banks in head office cities and head office counties. On December 31, 1957, of the 200 branch banks in the state 165, or 82.5%, were located in the head office cities and counties of the parent bank. Since the passage of the statute in 1948 limiting branch banking to only head office cities and counties, there have been only two non-contiguous branches established. Both of these began operations in 1949, having previously been approved prior to the passage of the statute in 1948.

Through the years the small unit banks through the Virginia Bankers Association and through contacts with their own state legislators have been most vocal and most successful in opposing branch banking. (See pages 30-33 for a discussion of their success in 1948 in further limiting branch banking in Virginia.)

In January, 1956, the Virginia Bankers Association submitted a new branch banking bill to the General Assembly aimed at savings and loan associations. The savings and loan associations, not covered in the law of 1948, had begun to establish branches in the suburbs, just outside the limits of Virginia's larger cities. Although these associations do not

provide all the services of a bank, they do furnish a great deal of competition for savings deposits and mortgage loans. This proposed bill would have applied the same laws on branch banking to savings and loan associations. However, when it was learned that the whole branch banking law would be brought up for discussion, the Virginia Bankers Association withdrew its bill for fear of losing what had already been gained.

Following are some excerpts from an editorial in the Richmond News Leader written by James J. Kilpatrick, editor, published on February 16, 1956, referring to the bankers' action:

"The story goes back to 1948 when banks of the Commonwealth asked the General Assembly for a law limiting branch banks. At this time they were running into some spirited, and most unwelcome, competition from The Bank of Virginia, which was opening branches in other cities and bringing some new ideas to a business that could use them.

The Assembly did as the bankers wished....This was a great victory for the bankers, or so they thought....But then the ugly specter of competition appeared in a new guise--savings and loan associations.... How to meet competition? Pass a law to stop it!...If competition is bad for us, it must be bad for everybody. Pass a law!...If bankers hadn't run away from competition in 1948, they might be able to meet it in the suburbs now."

The Virginia Bankers Association is still blocking the revision of branch banking laws in the state. As recently as March 19, 1959, the following article appeared in its monthly newsletter under the heading "Legislation, Common Sense, and Supervision."

Recently our Committee on State Legislation submitted its final report on a continuing study regarding Branch Banking in Virginia. The scope of this report was tremendous and the Committee's activities deserve our admiration and commendation. Untold quantities of correspondence and polling were accomplished. A public hearing was held. County supervisors and other public officials were canvassed. All in all, a careful and thorough study was made of opinion from bankers and customers. The results clearly showed that no change in our present law is needed and the Committee recommended to the V. B. A. Board that no action be initiated in the 1960 session of the Virginia General Assembly. Unfortunate situations were recognized by the Committee but it also recognized that where expansion

or merger was a necessity, the present law seems to provide a way in 99% of the cases. Recent mergers and administrative decisions seem to bear this out. Of course, in 1% of the cases there is no relief under the present law, but even here, when men of good will allow common sense to prevail, solutions, though not perfect, can be found.

To us the most pleasant aspect of the Committee's procedure was the quiet, dignified and resourceful way in which it discharged its responsibilities. Contrast this, if you please, with recent developments in Missouri and Illinois and the not so recent controversies in our own State! Combining good common sense with present legislation, your Committee did not shut the door forever on change or progress, but simply said that as of now such change is not indicated and that most present needs can be met with the present law.<sup>1</sup>

As long as the above manner of thinking prevails among the Virginia bankers, state-wide branch banking is dead except for bank mergers within the present twenty-five mile limit under Virginia law.

The banks are avoiding this law through mergers and the establishment of unit banks by "friendly interests" of the larger banks.

Under Virginia law the merging banks, in order to merge, have to be five years old unless unfavorable circumstances prevail. In Richmond alone there have been four bank mergers since 1955. The State-Planters Bank and Trust Company and the Bank of Commerce and Trusts merged in 1956, The Central National Bank and Mechanics and Merchants Bank in the same year, First and Merchants National Bank and the Savings Bank and Trust Company in 1957, and State-Planters Bank of Commerce and Trusts and the Citizens National Bank of Petersburg in 1959.

Reasons given for mergers by the absorbed banks are managerial problems, attractive price inducement, weak earning capacity, desire to serve the community better, search for a superior competitive position, and need to avoid control by undesirables.<sup>2</sup>

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<sup>1</sup>"Banking News," published by the Virginia Bankers Association, Richmond, Virginia, March, 1959, p. 1.

<sup>2</sup>Richmond Times Dispatch, April 21, 1957, p. 8-B.

The reasons of the absorbing banks are the desire to grow larger, the desire to constantly improve existing facilities and establish new facilities in order to give better service to the communities, and the desire to increase competitive positions.

Recently new banks have been established, or are in the process of being established, by "friendly interests" of the larger banks. The "friendly interests" are usually promoted by the larger banks. They will establish a unit bank, or a unit bank with branches, in a desirable location for a branch with the understanding that the unit bank will be merged with the larger bank at sometime in the future. This time, in order to comply with Virginia law, has to be at least five years from the date of opening of the new unit bank. Two examples of this "friendly interest" arrangement in the Richmond area have been the establishment of the Bank of Henrico in Sandston with a branch office in Highland Springs in 1956 and the recent approval in 1959 of the Suburban Bank with the head office to be located in the Willow Lawn Shopping Center and two branches in other sections of suburban Richmond. The former is a correspondent of The Bank of Virginia and the latter of State-Planters Bank of Commerce and Trusts.

With the ever expanding population and the outward movement of residents and businesses from the center of cities and towns, the need for banking facilities will continue to grow. Whether these needs will be satisfied with unit banks or branches remains to be seen. It seems that the present Virginia laws on branch banking need to be relaxed.

It is also necessary to remember that as businesses and industries grow, they will need to borrow larger and larger sums of money, and if the banks do not grow in size comparable to the businesses and industries

they will not be able to meet the demands for these large sums. Loan limit restrictions are placed on banks by both state and federal statutes. The State of Virginia will only allow loans to be made to one individual, business, or industry that do not exceed 15% of a bank's capital and surplus. National statutes restrict this to 10%.

It is therefore concluded that small unit banks will not be able to meet these requirements for larger sums. It will be left up to the larger banks to take care of the larger loan customers, and if they are not allowed to grow, either through mergers or establishing branches, they will not be in a position to do so. The next step would be for the Federal Government to supply the need. No "true" banker would ever want this to come to pass.

If the need for banking services is satisfied through branches, it has to be done on a profitable basis.

The banker contributes much to the growth of a community in operating a safe, solvent, and profitable branch. To make certain the branch has the chance to aid the growth of a community, it is necessary that the branch be established because there is a real need for one and not because it will add prestige to the bank, or because a competitor is establishing branches. Unhealthy competition is not only dangerous to the local community, but to the entire banking system.

A comprehensive and intelligent study and examination of the surveys made are necessary in reaching an intelligent decision on the banking service needed in a particular area as well as the chance for a profitable operation of the proposed branch.

A careful study has to be made regarding the site of the branch within the area surveyed. Once this site is selected, the branch quarters,

either built or rented, the equipment installed, and the doors opened the point of no return is reached. While the branch may be moved within the area to better quarters, complete withdrawal from the area would have devastating effects on the goodwill and favorable public relations built up over the years.

No doubt the arguments for and against branch banking will continue for years to come, pages and volumes of work will be written on the subject, and laws will be revised. In spite of this, the bankers, as far as possible, will continue to endeavor to serve the communities, whether through unit banks, merged banks, "friendly interest" banks or branch banks, and to make a profit for their stockholders.

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## APPENDIX

## APPLICATION OF

----- Charter No. -----  
(Name of Bank) (County) (State)

### FOR PERMISSION TO ESTABLISH A BRANCH

COMPTROLLER OF THE CURRENCY  
Washington 25, D. C.

SIR:

Application is hereby made for permission to establish a branch of this bank at the following location:

Street Address City or Town County  
  
(Population )

A certified copy of a resolution of the bank's board of directors authorizing the filing of the aforesaid application is enclosed. A current statement of condition of this bank and a copy of the pertinent State statutes reflecting whether a State bank could be authorized to establish a branch in the location applied for are also enclosed.

The area to be served by the proposed branch has an estimated population of .  
The following are the banking units now operating nearest to the location of the proposed branch:

Name of Bank	Head Office or Branch	Street Address	Distance From Location of Proposed Branch
--------------	--------------------------	----------------	---

The following is a brief summary of the board's reasons for believing that establishment of the branch would be in the interests of the bank.

Additional details concerning the proposal may be obtained by communicating with -----  
-----, -----, (Telephone No. -----).  
(Name) (Title)

It is understood that the cost of any necessary investigation in relation to the application will be borne by this bank.

Date -----  
-----  
President or Cashier.

## INSTRUCTIONS

An original and one copy of the application should be filed with the Comptroller of the Currency.

If the establishment of more than one branch is being considered at the same time, a separate application should be filed for each proposed branch.

If the proposal involves the take-over of another bank, with or without branches, a statement to that effect, with the name of the bank, should be included in the summary of the board's reasons for believing that establishment of the branch would be in the bank's interests.

If there is doubt about the adequacy or construction of State statutes relating to branches for State banks, a copy of opinion of counsel for the bank supported by court decisions, an opinion of the Attorney General, or other authority upon which counsel relies, should accompany the application.

APPENDIX II

**APPLICATION TO ESTABLISH A BRANCH**

BUREAU OF BANKING  
THE STATE CORPORATION COMMISSION  
RICHMOND, VIRGINIA

**(1) GENERAL**

Pursuant to the provisions of Section 6-26 of the Code of Virginia

\_\_\_\_\_  
(Name of Bank)

\_\_\_\_\_  
(Address)

hereinafter referred to as the Applicant Bank, hereby applies to the State Corporation Commission for authority to establish a branch bank at

\_\_\_\_\_  
(Exact Location of Proposed Branch)

which location is \_\_\_\_\_distant from the location of the Applicant Bank and is within the limits of the (city) (county) in which the Applicant Bank is located.

\*The proposed Branch is to be known as \_\_\_\_\_

The following information, statements and representations are submitted in support of this Application:

The assets and liabilities of the Applicant Bank as of the date of this Application are shown on a statement attached hereto which statement is made a part of this Application.

It is anticipated that a normal deposit volume of approximately \$\_\_\_\_\_ will be obtained by the Proposed Branch within one year after its establishment; and approximately \$\_\_\_\_\_ within three years after its establishment.

There follows a detailed description of the premises to be occupied by the Proposed Branch, including the owner and annual rental if the premises are leased; the cost, if purchased; or the estimated cost, if new construction:

\_\_\_\_\_  
\*This paragraph need not be completed if the Proposed Branch is to be operated and advertised under the identical name of the Applicant Bank. If the proposed Branch is to be operated or advertised under a different name, such name shall contain or have added thereto language clearly indicating that it is a branch bank and of which bank it is a branch. (Section 6-28, Code of Virginia.)



(If the Proposed Branch is to be established as a result of merger, consolidation or purchase, the following information should be submitted:)

The Proposed Branch is to be established as the result of a merger or consolidation of the Applicant Bank with

---

(Name of Bank)

---

(Address)

or the purchase of assets from, and the assumption of liabilities of, the said bank.

The said bank is: (Check the appropriate item.)

- Located in the same city in which the Applicant Bank is located;
- Located in the same county in which the Applicant Bank is located;
- Located in \_\_\_\_\_ which county adjoins the county in which the Applicant Bank is located;  
(County)

OR

- Located within a distance of twenty-five miles of the Applicant Bank.

The Applicant Bank has been in actual operation for a period of \_\_\_\_\_ years. The Proposed Branch has been in actual operation for a period of \_\_\_\_\_ years.

There are attached a copy of all agreements, duly authenticated, to be used in effecting the said transaction and a statement of the assets and liabilities of the merged or purchased bank together with a statement setting forth other information essential to a full understanding of the transaction.

**(2) CAPITAL STRUCTURE**

The capital structure of the Applicant Bank as of the date of this Application is as follows:

	Number of shares	Par Value Per share	Amount
Preferred capital			
Common capital			
Surplus			
Undivided profits			
Other capital accounts			

The capital of the Applicant Bank will be increased as follows prior to the establishment of the Proposed Branch:

**(3) OPERATING EXPERIENCE AND  
FORECAST OF EARNINGS AND EXPENSES**

There follows a statement of the current operating earnings and expenses of the Applicant Bank or its Predecessor Institution during the last calendar year or for the twelve month period ending.....; or, if the Applicant Bank has been recently organized and has no Predecessor Institution, there follows a statement of anticipated current operating earnings and expenses for the first twelve months of its operations commencing....., 19.....:

<i>Current Operating Earnings</i>	<i>Current Operating Expenses</i>
(a) Interest and discount on loans.....	(a) Interest on time and savings deposits....
(b) Interest and dividends on securities.....	(b) Interest and discount on borrowings....
(c) Commissions, fees, and collection, exchange, and service charges .....	(c) Salaries and wages .....
(d) Other current operating earnings .....	(d) Taxes (other than on net income).....
Gross Current Operating Earnings .....	(e) Other current operating expenses .....
	Total Current Operating Expenses .....

The following is an itemization of estimated current operating earnings and expenses which will result from the operation of the Proposed Branch for the first year of its operations:

<i>Estimated Operating Earnings</i>	<i>Estimated Operating Expenses</i>
(a) Interest and discount on loans .....	(a) Interest on time and savings deposits ....
(b) Interest and dividends on securities .....	(b) Interest and discount on borrowings ....
(c) Commissions, fees, and collection, exchange, and service charges .....	(c) Salaries and wages .....
(d) Other current operating earnings .....	(d) Taxes (other than on net income) .....
Gross Estimated Operating Earnings .....	(e) Other current operating expenses .....
	Total Estimated Operating Expenses .....

**(4) MANAGEMENT**

The proposed officers of the Proposed Branch are listed below with information relative to each. Following the name of each of the proposed officers is a brief resume or outline of his business or banking experience and other qualifications as well as a brief statement of his duties and responsibilities in connection with the operation of the Proposed Branch.

Name, address and occupation	Age	Title and duties	Net worth	Annual salary	Par value of stock owned Preferred Common
------------------------------	-----	---------------------	--------------	------------------	---

Officers of the Proposed Branch will have the following authority in connection with the granting of loans and discounts and extending credit:

A brief summary of the supervision and control which will be exercised by the officials of Applicant Bank over the activities of the Proposed Branch is as follows:

**(5) PUBLIC CONVENIENCE AND NECESSITY**

The approximate population of the town, city or county of the Proposed Branch is \_\_\_\_\_. The approximate population of the trade area to be served by the Proposed Branch is \_\_\_\_\_.

The principal industries of the community of the Proposed Branch are:

Name	Type	Approximate number of employees	Approximate annual payroll	Approximate annual sales
------	------	---------------------------------	----------------------------	--------------------------

The principal agricultural, mineral, and other products of the trade area to be served are:

The approximate average annual value of the above products during the past three years is:

Other supporting information relative to the factor of public convenience and necessity of the community is as follows:

(6) RESOLUTION OF BOARD OF DIRECTORS OF APPLICANT BANK

Resolved, That the President or Vice-President and the Cashier of this Bank are hereby empowered and directed to apply to the State Corporation Commission for permission to establish a branch at \_\_\_\_\_

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I, \_\_\_\_\_, president or cashier of \_\_\_\_\_, do hereby certify that the foregoing is a copy of a resolution adopted by the directors of the said bank at a meeting held \_\_\_\_\_, 19\_\_\_\_; and that the said resolution has been entered on the minutes of the bank.

\_\_\_\_\_  
(President)

\_\_\_\_\_  
(Cashier)

Date of Application \_\_\_\_\_ 19\_\_\_\_.

INSTRUCTIONS

1. Schedules or inserts may be attached to this Application wherever the space provided for certain information is insufficient. Additional information, deemed pertinent by the Applicant, may be similarly attached.
2. The Application should be completed in triplicate. Two signed copies of the Application should be sent to the Bureau of Banking, State Corporation Commission, Richmond, Virginia. The third copy should be retained by the Applicant Bank.
3. The Application should be accompanied by a check for \$100.00 payable to the Treasurer of Virginia for the required investigation fee.

APPENDIX III

# Application to Establish a Branch

FEDERAL DEPOSIT INSURANCE CORPORATION  
WASHINGTON, D. C.

SIRS:

The \_\_\_\_\_, hereinafter referred to as the Applicant Bank, hereby makes application to the Federal Deposit Insurance Corporation for written consent to establish a branch at \_\_\_\_\_

Name of Bank

Street Address

City or Town and State

Street Address

\_\_\_\_\_ The Branch which the Applicant

City or Town

County

State

Bank desires to establish is to be known at its proposed location as \_\_\_\_\_, is to be \_\_\_\_\_ distant from the main office of the Applicant Bank, and is hereafter referred to in this Application as the Proposed Branch.

Exact Legal Title

The general character or type of business to be exercised by the Proposed Branch is as follows:

(Check all appropriate items)

- Commercial banking;  Savings banking;  Industrial banking;  Trust business;  Cash depository;  
 Receiving deposits and cashing checks only;  Others.

Specify \_\_\_\_\_

It is understood that the Board of Directors of the Federal Deposit Insurance Corporation in applying the factors set out in Section 6 of the Federal Deposit Insurance Act to this Application, will consider it only with respect to the general character or type of business above stated and that the bank will not engage in any other business without the prior written consent of the Corporation.

The following are citations of State statutory provisions and regulations which govern the establishment, operation, and powers of the Proposed Branch:

We have, in connection with this Application, read the following provisions of the Federal Deposit Insurance Act which govern applications by State nonmember banks to establish a branch, namely:

"Sec. 3. (o) The term 'branch' includes any branch bank, branch office, branch agency, additional office, or any branch place of business located in any State of the United States or in any Territory of the United States, Puerto Rico, or the Virgin Islands at which deposits are received or checks paid or money lent."

"Sec. 18. (d) No State nonmember insured bank (except a District bank) shall establish and operate any new branch unless it shall have the prior written consent of the Corporation, . . . . The factors to be considered in granting or withholding the consent of the Corporation under this subsection shall be those enumerated in section 6 of this Act."

"Sec. 6. The factors . . . to be considered by the Board of Directors . . . shall be the following: The financial history and condition of the bank, the adequacy of its capital structure, its future earnings prospects, the general character of its management, the convenience and needs of the community to be served by the bank, and whether or not its corporate powers are consistent with the purposes of this Act."

In support of this Application, the following statements, representations, and information upon the several factors enumerated in Section 6 of the Federal Deposit Insurance Act are submitted for the purpose of inducing the Board of Directors of the Federal Deposit Insurance Corporation to grant its prior written consent to the establishment of the Proposed Branch:

(1) FINANCIAL HISTORY AND CONDITION

The following is a statement of the assets and liabilities of the Applicant Bank as of the date of this Application:

The name and address of the main office and of each existing branch and the total amount of deposits arising as a result of the operation of the main office and of each existing branch as of the date of this Application are shown in the following schedule:

It is anticipated that a normal deposit volume of approximately \$..... will be obtained by the Proposed Branch within..... months after its establishment.

The following is a detailed description of the premises to be occupied by the Proposed Branch. It includes name of owner and annual rental, if by lease; date of construction, original cost, price to be paid, and from whom acquired, if by purchase; or the estimated cost, if new construction.

\*The Proposed Branch is to be established as a result of a merger or consolidation of the Applicant Bank with.....

....., or the purchase of assets from, and the assumption of liabilities of, said bank.  
Name of Bank City

State  
There are attached copies of all (proposed) contracts and documents to be used in effecting said transaction together with a statement of the assets and liabilities of the merged or purchased bank. Other information essential to a full understanding of the transaction is as follows:

(2) ADEQUACY OF CAPITAL STRUCTURE

The capital structure of the Applicant Bank, as of the date of this Application, is as follows:

	Number of shares	Par value per share	Amount
Preferred capital.....			
Common capital.....			
Surplus.....			
Undivided profits.....			
Other segregations of the capital account.....			
Total capital structure			

The capital structure of the Applicant Bank will be increased as follows prior to the establishment of the Proposed Branch:

The capital requirements of State law relative to the operation of the Applicant Bank, the Proposed Branch, and other existing branches, as contemplated in this Application are as follows:

The Applicant Bank will at all times maintain adequate total capital accounts in relation to the true value of its total assets.

\*This paragraph need not be complied with, of course, unless the Proposed Branch is established as a result of any of the transactions therein mentioned.

**(3) FUTURE EARNINGS PROSPECTS**

There follows a statement of the current operating earnings and expenses of the Applicant Bank or its Predecessor Institution during the last calendar year or for the twelve month period ending.....; or, if the Applicant Bank has been recently organized and has no Predecessor Institution, there follows a pro forma statement of anticipated current operating earnings and expenses for the first twelve months following membership of Applicant Bank in the Federal Deposit Insurance Corporation:

<i>Current Operating Earnings</i>	<i>Current Operating Expenses</i>
(a) Interest and discount on loans . . . . . _____	(a) Interest on time and savings deposits . . . _____
(b) Interest and dividends on securities . . . _____	(b) Interest and discount on borrowings . . . _____
(c) Commissions, fees, and collection, exchange, and service charges . . . . . _____	(c) Salaries and wages . . . . . _____
(d) Other current operating earnings . . . . . _____	(d) Taxes (other than on net income) . . . . . _____
Gross Current Operating Earnings . . . . . _____	(e) Other current operating expenses . . . . . _____
	Total Current Operating Expenses . . . . . _____

The following is an itemization of current operating expenses on a yearly basis which will result from the operation of the Proposed Branch:

It is the opinion of the undersigned that the operating earnings which will result from the operation of the Proposed Branch will be sufficiently in excess of the estimated current operating expenses listed above to justify the operation of the Proposed Branch.

**(4) MANAGEMENT**

The proposed members of the local advisory board (or local directors) and the proposed officers of the Proposed Branch are listed below with information in regard to each. Following the name of each of the proposed officers is a brief resume or outline of his past business or banking experience and other qualifications as well as a brief statement of his duties and responsibilities in connection with the operation of the Proposed Branch.

Name, address and occupation	Age	Title and duties	Net worth	Annual salary	Par value of stock owned Preferred Common
------------------------------	-----	------------------	-----------	---------------	--

Officers of the Proposed Branch will have the following authority in connection with the granting of loans and discounts and extending credit:

A brief summary of the supervision and control which will be exercised by the officials of Applicant Bank over the activities of the Proposed Branch is as follows:

The Applicant Bank will at all times maintain sufficient surety bond coverage on its active officers and employees to conform with generally accepted banking practices.



**(5) CONVENIENCE AND NEEDS OF COMMUNITY**

Existing banks and branches of banks located in same city or town as the Proposed Branch and existing banks and branches of banks located within a radius of twenty-five miles of the Proposed Branch are as follows:

Name of bank or branch	Location	Population	Approximate deposits	Distance from the Proposed Branch
------------------------	----------	------------	----------------------	-----------------------------------

The approximate population of the town or city of the Proposed Branch is..... The approximate population of the trade area to be served by the Proposed Branch is.....

The principal industries of the community of the Proposed Branch are:

Name	Type	Approximate number of employees	Approximate annual payroll	Approximate annual sales
------	------	---------------------------------	----------------------------	--------------------------

The principal agricultural, mineral, and other products of the trade area to be served are:

The approximate average annual value of the above products during the past three years is:

Other supporting information relative to the factor of convenience and needs of the community is as follows:

**(6) CONSISTENCY OF CORPORATE POWERS**

The Applicant Bank is organized pursuant to.....

(Give citation of State statutory provisions)

There is attached hereto a true copy of the Articles of Incorporation or Association of the Applicant Bank, together with all amendments thereto. (If previously submitted only subsequent amendments are to be attached.)

It is agreed that the Applicant Bank will not, except as incidental to the usual functions of a bank, guarantee mortgages, mortgage or other participation certificates, or real estate land titles, or obligate itself under any contract of suretyship or guaranty.

RESOLUTION OF BOARD OF DIRECTORS OF APPLICANT BANK

The Board of Directors of the Applicant Bank at a meeting duly called and held on..... Date
adopted the following Resolution:

"WHEREAS, it is the sense of this meeting that application should be made on behalf of this Bank to the Federal Deposit Insurance Corporation for written consent to establish a branch at..... (Street Address)

..... in accordance with the provisions (City or Town) (State)

of the Federal Deposit Insurance Act;

NOW, THEREFORE, IT IS RESOLVED, That the President or Vice-President and the Cashier or Secretary of this Bank are hereby authorized and directed to make application on behalf of this Bank to the Federal Deposit Insurance Corporation to establish a branch at..... (Street Address) (City or Town) (State)

and to submit to the Federal Deposit Insurance Corporation in connection therewith information on the several factors enumerated under Section 6 of the Federal Deposit Insurance Act for the purpose of inducing the Board of Directors of the Federal Deposit Insurance Corporation to grant its written consent to the establishment of a branch as indicated in this Resolution."

The above Resolution has not been rescinded or modified and has been duly entered on the minute book of the Applicant Bank.

It is requested that an Examiner of the Federal Deposit Insurance Corporation be assigned to conduct the necessary investigation or examination.

Date:..... (Name and Location of Applicant Bank)

(SEAL) By:..... (President or Vice-President)

Attest:..... (Cashier or Secretary)

CERTIFICATE OF DIRECTORS OF APPLICANT BANK

The undersigned, constituting a majority of the Directors of the Applicant Bank, do hereby certify and state, jointly and severally, that they have read this Application and all statements, representations, and information contained therein and that said statements, representations, and information are true and correct to the best of their knowledge and belief and are submitted for the purpose of inducing the Federal Deposit Insurance Corporation to grant its prior written consent to the establishment of a branch as provided in this Application.

Date:.....

Signed: Address:.....

INFORMATION FOR APPLICANT

- 1. Any signing Director desiring to qualify his certificate may do so by attaching hereto any statement which may be required to make his certificate accurate.
2. Schedules or inserts may be attached to this Application wherever the space provided for certain information is insufficient. Such attached schedules or inserts are to be regarded as a part of this Application and must be signed by the Directors. All schedules or inserts should preferably be on paper the same size as this page. Applications are to be securely bound at the top of the page.
3. This Application is to be executed in quadruplicate, three signed Applications to be forwarded to the Supervising Examiner of the Federal Deposit Insurance Corporation for the Federal Deposit Insurance District in which the Applicant Bank is located and the other Application is to be retained in the files of the Applicant Bank.
4. If in any instance it is not clear as to what information is necessary to complete this Application, a letter to the Supervising Examiner of the Corporation for the District in which the Applicant Bank is located will bring a prompt and informative reply.

APPENDIX IV

# Application to Move Main Office or Branch

FEDERAL DEPOSIT INSURANCE CORPORATION  
WASHINGTON, D. C.

SIRS:

The \_\_\_\_\_, hereinafter referred to as the Applicant Bank, hereby makes application to the Federal Deposit Insurance Corporation for written consent to move its main office or branch now being operated at \_\_\_\_\_

\_\_\_\_\_

to \_\_\_\_\_

The Branch which the Applicant Bank desires to move is to be known at its proposed location as \_\_\_\_\_, is to be \_\_\_\_\_ distant from the main office of the Applicant Bank, and is hereafter referred to in this Application as the Subject Branch.

The bank's name will be changed to \_\_\_\_\_

The proposed main office will be \_\_\_\_\_ distant from the present main office.

The general character or type of business exercised or to be exercised by the Subject Branch or proposed Main Office is as follows:

(Check all appropriate items)

Commercial banking;  Savings banking;  Industrial banking;  Trust business;  Cash depository;  Receiving deposits and cashing checks only;  Others.

Specify \_\_\_\_\_

It is understood that the Board of Directors of the Federal Deposit Insurance Corporation in applying the factors set out in Section 6 of the Federal Deposit Insurance Act to this Application, will consider it only with respect to the general character or type of business above stated and that the bank will not engage in any other business without the prior written consent of the Corporation.

The following are citations of State statutory provisions and regulations which govern the moving, operation, and powers of the Subject Branch or the moving of the Main Office:

We have, in connection with this Application, read the following provisions of the Federal Deposit Insurance Act which govern applications by State nonmember banks to move a branch or the main office, namely:

"Sec. 3. (o) The term 'branch' includes any branch bank, branch office, branch agency, additional office, or any branch place of business located in any State of the United States or in any Territory of the United States, Puerto Rico, or the Virgin Islands at which deposits are received or checks paid or money lent."

"Sec. 18. (d) No State nonmember insured bank (except a District bank) shall . . . unless it shall have the prior written consent of the Corporation, . . . move its main office or any branch from one location to another without such consent. The factors to be considered in granting or withholding the consent of the Corporation under this subsection shall be those enumerated in section 6 of this Act."

"Sec. 6. The factors . . . to be considered by the Board of Directors . . . shall be the following: The financial history and condition of the bank, the adequacy of its capital structure, its future earnings prospects, the general character of its management, the convenience and needs of the community to be served by the bank, and whether or not its corporate powers are consistent with the purposes of this Act."

In support of this Application, the following statements, representations, and information upon the several factors enumerated in Section 6 of the Federal Deposit Insurance Act are submitted for the purpose of inducing the Board of Directors of the Federal Deposit Insurance Corporation to grant its prior written consent to the moving of the Subject Branch or of the main office:



**(3) FUTURE EARNINGS PROSPECTS**

There follows a statement of the current operating earnings and expenses of the Applicant Bank or its Predecessor Institution during the last calendar year or for the twelve month period ending.....; or, if the Applicant Bank has been recently organized and has no Predecessor Institution, there follows a pro forma statement of anticipated current operating earnings and expenses for the first twelve months following membership of Applicant Bank in the Federal Deposit Insurance Corporation:

<i>Current Operating Earnings</i>	<i>Current Operating Expenses</i>
(a) Interest and discount on loans . . . . . _____	(a) Interest on time and savings deposits . . . _____
(b) Interest and dividends on securities . . . _____	(b) Interest and discount on borrowings . . . _____
(c) Commissions, fees, and collection, exchange, and service charges . . . . . _____	(c) Salaries and wages . . . . . _____
(d) Other current operating earnings . . . . . _____	(d) Taxes (other than on net income) . . . . . _____
Gross Current Operating Earnings . . . . . _____	(e) Other current operating expenses . . . . . _____
	Total Current Operating Expenses . . . . . _____

The following is an itemization of current operating expenses on a yearly basis which will result from the operation of the Subject Branch or the proposed Main Office:

It is the opinion of the undersigned that the operating earnings which will result from the operation of the Subject Branch will be sufficiently in excess of the estimated current operating expenses listed above to justify the operation of the Subject Branch.

**(4) MANAGEMENT**

The proposed members of the local advisory board (or local directors) and the proposed officers of the Subject Branch are listed below with information in regard to each. The new members of the board of directors and new officers of the bank, after moving the main office, are listed below with information in regard to each. Following the name of each of the proposed officers is a brief resume or outline of his past business or banking experience and other qualifications as well as a brief statement of his duties and responsibilities in connection with the operation of the Subject Branch or proposed Main Office.

Name, address and occupation	Age	Title and duties	Net worth	Annual salary	Par value of stock owned Preferred Common
------------------------------	-----	------------------	-----------	---------------	--

Officers of the Subject Branch will have the following authority in connection with the granting of loans and discounts and extending credit:

A brief summary of the supervision and control which will be exercised by the officials of Applicant Bank over the activities of the Subject Branch is as follows:

The Applicant Bank will at all times maintain sufficient surety bond coverage on its active officers and employees to conform with generally accepted banking practices.

**(5) CONVENIENCE AND NEEDS OF COMMUNITY**

Existing banks and branches of banks located in same city or town as the Subject Branch or proposed Main Office and existing banks and branches of banks located within a radius of twenty-five miles of the Subject Branch or proposed Main Office are as follows:

Name of bank or branch	Location	Population	Approximate deposits	Distance from the Subject Branch
------------------------	----------	------------	----------------------	----------------------------------

The approximate population of the town or city of the Subject Branch or proposed Main Office is..... The approximate population of the trade area to be served by the Subject Branch or proposed Main Office is.....

The principal industries of the community of the Subject Branch or proposed Main Office are:

Name	Type	Approximate number of employees	Approximate annual payroll	Approximate annual sales
------	------	---------------------------------	----------------------------	--------------------------

The principal agricultural, mineral, and other products of the trade area to be served are:

The approximate average annual value of the above products during the past three years is:

Other supporting information relative to the factor of convenience and needs of the community is as follows:

**(6) CONSISTENCY OF CORPORATE POWERS**

The Applicant Bank is organized pursuant to.....

(Give citation of State statutory provisions)

There is attached hereto a true copy of the Articles of Incorporation or Association of the Applicant Bank, together with all amendments thereto. (If previously submitted only subsequent amendments are to be attached.)

It is agreed that the Applicant Bank will not, except as incidental to the usual functions of a bank, guarantee mortgages, mortgage or other participation certificates, or real estate land titles, or obligate itself under any contract of suretyship or guaranty.

RESOLUTION OF BOARD OF DIRECTORS OF APPLICANT BANK

The Board of Directors of the Applicant Bank at a meeting duly called and held on..... (Date) adopted the following Resolution:

"WHEREAS, it is the sense of this meeting that application should be made on behalf of this Bank to the Federal Deposit Insurance Corporation for written consent to move its branch or main office now being operated at

(Street Address) (City or Town) (State)

to (Street Address) (City or Town) (State)

in accordance with the provisions of the Federal Deposit Insurance Act;

"NOW, THEREFORE, IT IS RESOLVED, That the President or Vice-President and the Cashier or Secretary of this Bank are hereby authorized and directed to make application on behalf of this Bank to the Federal Deposit Insurance Corporation to move its branch or main office now being operated at.....

(Street Address) (City or Town) (State)

to (Street Address) (City or Town) (State)

and to submit to the Federal Deposit Insurance Corporation in connection therewith information on the several factors enumerated in Section 6 of the Federal Deposit Insurance Act for the purpose of inducing the Board of Directors of the Federal Deposit Insurance Corporation to grant its written consent to moving the branch or the main office as indicated in this Resolution."

The above Resolution has not been rescinded or modified and has been duly entered on the minute book of the Applicant Bank.

It is requested that an Examiner of the Federal Deposit Insurance Corporation be assigned to conduct the necessary investigation or examination.

Date:..... (Name and Location of Applicant Bank)

(SEAL) By..... (President or Vice-President)

Attest:..... (Cashier or Secretary)

CERTIFICATE OF DIRECTORS OF APPLICANT BANK

The undersigned, constituting a majority of the Directors of the Applicant Bank, do hereby certify and state, jointly and severally, that they have read this Application and all statements, representations, and information contained therein and that said statements, representations, and information are true and correct to the best of their knowledge and belief and are submitted for the purpose of inducing the Federal Deposit Insurance Corporation to grant its prior written consent to moving the branch or the main office as provided in this Application.

Date:.....

Signed:.....

Address:.....

.....

INFORMATION FOR APPLICANT

- 1. Any signing Director desiring to qualify his certificate may do so by attaching hereto any statement which may be required to make his certificate accurate.
2. Schedules or inserts may be attached to this Application wherever the space provided for certain information is insufficient. Such attached schedules or inserts are to be regarded as a part of this Application and must be signed by the Directors. All schedules or inserts should preferably be on paper the same size as this page. Applications are to be securely bound at the top of the page.
3. This Application is to be executed in quadruplicate, three signed Applications to be forwarded to the Supervising Examiner of the Federal Deposit Insurance Corporation for the Federal Deposit Insurance District in which the Applicant Bank is located and the other Application is to be retained in the files of the Applicant Bank.
4. If in any instance it is not clear as to what information is necessary to complete this Application, a letter to the Supervising Examiner of the Corporation for the District in which the Applicant Bank is located will bring a prompt and informative reply.