

Appendix B

ENTRY BY OUT-OF-STATE BANKING ORGANIZATIONS INTO STATES WITH HIGH BANK FAILURE RATES

Eleven states have accounted for about 80% of bank failures during the last two years. Of the eleven states, five -- Colorado, Iowa, Kansas, Nebraska and Wyoming -- have not authorized entry by out-of-state banking organizations through interstate banking legislation or emergency interstate takeover provisions. Kansas, Nebraska and Wyoming do waive intrastate restrictions in failing bank situations.

The remaining six states all acted in 1986 to authorize entry by out-of-state banking organizations. Texas allows entry on a nationwide nonreciprocal basis. Oklahoma and Minnesota permit entry by out-of-state organizations in failing bank situations if in-state acquirers are unavailable. California, Louisiana, Minnesota and Missouri adopted regional reciprocal banking legislation. Triggers to nationwide banking are included in the California and Louisiana regional banking laws and Oklahoma's emergency interstate takeover legislation.

Texas - 38 failures (26 in 1986, 12 in 1985). In September 1986, the governor signed legislation permitting the acquisition of Texas banks by banking organizations on a nationwide basis beginning January 1, 1987. Reciprocity is not required.

Oklahoma - 29 failures (16 in 1986, 13 in 1985). In May 1986, Oklahoma enacted legislation permitting out-of-state banks or bank holding companies to acquire failing Oklahoma banks if no in-state buyers are available. As part of the legislation, Oklahoma would permit nationwide interstate banking on a reciprocal basis beginning July 1, 1987.

Kansas - 27 failures (14 in 1986, 13 in 1985). Kansas has not authorized entry by out-of-state banking organizations through interstate banking legislation or emergency interstate takeover provisions. In March 1986, the governor signed legislation permitting emergency intrastate acquisitions of failing and failed banks in small towns.

Iowa - 21 failures (10 in 1986, 11 in 1985). Iowa has not authorized entry by out-of-state banking organizations through interstate banking legislation or emergency interstate takeover provisions. A 1986 legislative proposal, which would have permitted bank holding companies in eight contiguous states to acquire failing Iowa banks if no in-state buyer could be found, failed to gain the approval of the legislature.

Nebraska - 19 failures (6 in 1986, 13 in 1985). Nebraska has not authorized entry by out-of-state banking organizations through interstate banking legislation or emergency interstate takeover provisions. A 1985 law waives percentage-of-asset limitations on multi-bank holding company acquisitions in failing bank situations.

Missouri - 18 failures (9 in 1986, 9 in 1985). In April 1986, the governor signed legislation authorizing regional reciprocal banking with Arkansas, Illinois, Iowa, Kansas, Kentucky, Nebraska, Oklahoma and Tennessee effective August 13, 1986.

California - 15 failures (8 in 1986, 7 in 1985). In September 1986, the governor signed an interstate reciprocal banking law between institutions in California and 11 Western states beginning July 1, 1987. Nationwide banking on a reciprocal basis will begin January 1, 1991.

Colorado - 13 failures (7 in 1986, 6 in 1985). Colorado has not authorized entry by out-of-state banking organizations through interstate banking legislation or emergency interstate takeover provisions. During 1986, the Colorado legislature failed to pass national and regional interstate banking legislation; these bills died in committee. In addition, a bill authorizing emergency interstate acquisitions failed to secure passage.

Wyoming - 12 failures (7 in 1986, 5 in 1985). Wyoming has not authorized entry by out-of-state banking organizations through interstate banking legislation or emergency interstate takeover provisions. In early 1986, a law was enacted waiving intrastate branching restrictions to permit the acquisition of a failed bank and its subsequent operation as a branch.

Minnesota - 11 failures (5 in 1986, 6 in 1985). In early 1986, Minnesota enacted legislation authorizing regional reciprocal banking with Iowa, North Dakota, South Dakota and Wisconsin. In addition, the legislation contains a provision allowing failing banks to be sold to out-of-state banking organizations if an in-state purchaser cannot be found.

Louisiana - 8 failures (8 in 1986). In June 1986, the governor signed legislation authorizing regional reciprocal banking between Louisiana and the District of Columbia and 14 Southeastern states beginning July 1, 1987. The legislation contains a nationwide reciprocal trigger effective January 1, 1989.