



NEWS RELEASE

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FDIC CHAIRMAN LAUDS GROWTH OF INTERSTATE BANKING LAWS

FDIC Chairman L. William Seidman today hailed the recent enactment of an interstate banking law in Michigan, saying that "broader banking franchises create stronger banks." In an address to the Michigan Bankers Association, Mr. Seidman noted that the effects of the law already are being felt even though it does not become effective until October 1988. "The largest and fifth largest banking organizations in Michigan have reached agreement to acquire sizable banks in Indiana--one a half-billion dollar institution and another over \$200 million in size," he said.

Mr. Seidman pointed out that 33 states now provide for regional or national full-service interstate banking. Twenty six of these jurisdictions have passed regional interstate compact laws. Seven of the states have "trigger" laws authorizing nationwide banking by a certain date. "By the end of 1988, at least 14 states will permit nationwide banking," he said.

"The innovative search for business opportunities, the press of competition and the cost savings flowing from new technology explain the expansion of interstate banking. Market forces are driving this phenomenon," Mr. Seidman told the Michigan bankers.

For those who might fear that geographic expansion will stifle competition, Mr. Seidman recounted some of the findings in a recent study published by the Federal Reserve Bank of Chicago. These conclusions include:

- Anti-trust law enforcement has been relatively effective in preventing anti-competitive banking behavior.

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- . The existence of broader markets and the increase in competitors serve to discourage collusion among institutions in a given area.
- . Small banks have thrived in California and New York, two large states with over a decade of statewide banking experience.
- . Service tends to be better in markets that allow branching--including rural areas.
- . Branch banks engage in more lending and have lower profit rates, suggesting that branching induces keener competition.

Turning to the national scene, Chairman Seidman warned the bankers that "competent supervision of banks deployed across state lines is vitally important." He noted that the Office of Management and Budget has claimed the right to apportion the FDIC's budget and that would end the FDIC's historic role as an independent institution. "This change at this time could hurt the agency's plans to meet regulatory demands," Mr. Seidman said.

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