

Banking by Kathy Burdman

Community banks start to fight back

Regional bankers are waking up to the dangers of interstate banking, but dereg plans continue.

The nation's smaller community bankers are increasingly voicing their alarm at actions by the Carter Federal Reserve and the New York-led money center banks. Fed chairman Paul Volcker, attempting to address the annual meeting of the American Bankers Association in Chicago, was greeted with an angry walkout by about 10 percent of his audience, largely composed of the ABA's 14,000 regional commercial bank membership.

"We're all just ready to die," Sheldon Pollack, president of the North American Bank & Trust Company of Wolcott, Connecticut, told the press. Wolcott and dozens of other small commercial bankers at the meeting said the intense competition introduced between savings and commercial banks under Volcker's March 1980 Depository Institutions Deregulatory Act is "simply making banking unprofitable for smaller banks," as outgoing ABA president C. C. Hope, chairman of the First Union National Bank in Charlotte, North Carolina, put it.

Widely denounced as well was the planned erosion of the McFadden Act and Douglas Amendment, which protect local banks from interstate banking operations by the money center giants. This week Citibank was forced to freeze its plan to move into the Washington, D.C. metropolitan area after the Maryland Bankers Association

protested to the Federal Reserve Board.

As I reported last week, Citicorp's credit card subsidiary had begun an area ad campaign to solicit full-service savings deposits, personal check cashing, and loans of up to \$10,000 across state lines on its Choice credit card. Citicorp was offering a full 8 percent, far higher than other savings deposit rates.

The office of the Comptroller of the Currency had described Citicorp's move as an "end run" around McFadden. After the Maryland bankers complained, the Fed sent a letter to Citicorp demanding that it halt Choice operations pending "further review."

Citicorp's Washington setback, however, is a tiny battle in a major war. Security Pacific of Los Angeles, the nation's tenth largest bank, is readying a bill for the next state legislative session to introduce what is known as contiguous interstate banking.

Most specifically, the Douglas Amendment to the Banking Holding Company Act, which prohibits banks from having subsidiaries in more than one state, could be abrogated by mutual agreement among two or more state legislatures.

Security Pacific has been one of the most aggressive national forces lobbying in Washington for interstate banking. "At Security Pacific, we are looking forward to a contin-

ued erosion of the McFadden Act, the Douglas Amendment, the Glass-Steagall Act, and other limitations on competition," Security president Richard J. Flamson III told the Los Angeles Financial Analysts Federation last month.

Flamson has also publicly announced that Security has a "hit list" of regional banks it would buy up as subsidiaries in other states.

Sources say Security plans to propose a "Rocky Mountain banking zone" to be ratified by the state legislatures of California, Arizona, Utah, Nevada, New Mexico, Colorado, and Wyoming, which might even extend further into the Sunbelt. Security wants to expand its relatively small portion of Southern California energy lending into coal and synfuels in the Rocky Mountains.

Barnett Banks of Jacksonville, Florida, the state's second largest bank, which has ties to Billy Carter's Jacksonville-based friend Charter Co., is also pushing the administration's interstate banking program.

Barnett chairman Guy Botts is planning to introduce into the Florida legislature a bill to introduce continuous banking among Florida and 13 other southeastern states, including North and South Carolina, Georgia, Alabama, Mississippi, Louisiana, and Texas.

Dubbed the "Southern Comfort Zone" by Barnett wags, the arrangement would give Barnett and the state's top banks a margin to buy up distressed smaller banks throughout the region without having to compete with national giants on their home turf. When and if national interstate banking comes, the big Florida banks will be ready to compete.