

NATIONAL
GOVERNORS
ASSOCIATION

May 21, 1991

The Honorable Frank Annunzio
Chairman
Subcommittee on Financial Institutions Supervision,
Regulation, and Insurance
Committee on Banking, Finance
and Urban Affairs
U.S. House of Representatives
212 O'Neill House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

As the subcommittee considers proposals for reform of the U.S. banking industry, we want to express concerns regarding proposals that would fundamentally change the dual banking system by eliminating state control over bank branching.

States understand the importance of interstate banking. Since 1978, 48 states have enacted interstate banking statutes that allow out-of-state bank holding companies to own banks in their states.

On behalf of the National Governors' Association, we feel that proposals mandating total interstate bank branching would change the state/national bank relationship, and interfere with our responsibility to protect consumers and encourage community investment. The loss of geographic control of banks could result in:

- loss of the ability to enforce national bank compliance with state community reinvestment and other laws;
- less opportunity to work with banks to promote economic development and credit availability in distressed areas; and
- loss of the ability to tax federally-chartered banks, a critical revenue source.

For these reasons, Governors feel strongly that any federal banking reform should retain the essential components of the dual banking system. As your committee continues to debate

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interstate banking, I urge you to keep in mind the impact that reform measures will have on state government and on the relationship between federal and state bank regulation.

No one wants a safe and stable banking industry more than the nation's Governors. We hope that you will keep our concerns in mind as the banking reform debate proceeds, and we hope to work with you to establish a regulatory environment conducive to a strong U.S. banking industry.

Sincerely,

Governor Ray Mabus
Chairman
Committee on Economic Development
and Technological Innovation

Governor Jim Edgar
Vice Chairman
Committee on Economic Development
and Technological Innovation

cc: House Subcommittee on Financial Institutions Supervision, Regulation, and Insurance
Members