

Keith's statewide banking bill boosted

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By Tim Richard
staff writer

On one hand, they're hailing it as a magnificent compromise — the first major overhaul of Michigan branch banking laws since 1945.

On the other hand, key lawmakers doubt the package can be passed this year or even in the 1985 session of the Legislature.

"The package is dead," said state Rep. William Keith, D-Garden City. Keith is acknowledged by Democrats and Republicans alike as the House's top authority on banking. "You could write a novel on it."

Keith is author of a key bill that would allow statewide branch banking in three years. For four decades, Michigan has prohibited banks from doing business more than 25 miles from their home offices, a law intended to protect small-town banks from big-bank competition.



Rep. William Keith for branch banking
Sen. Doug Cruce sees obstacles

chaired by Republican Dick Posthumus of Lowell, gave the package of House and Senate bills 4-0 approval.

KEITH'S BRANCH banking bill could make the history books.

In 1928 and 1930, two bank holding companies were formed. "They squeezed out the other banks," Keith said, "and one of them went defunct in the depression of 1933."

The U.S. Congress moved to the aid of small-town "unit" banks (those with a single office). Its Banking Act of 1933 provided insured bank accounts.

In 1941, a group of banks in Battle Creek, Grand Rapids, Lansing and several other cities formed Michigan National Bank. Small-town bankers, seeing a threat, won passage of a state law in 1945 to restrict branch banking.

Under that law, banks headquartered in cities of more than 75,000 were prohibited from setting up branches more than 25 miles from their home bases, or setting up a branch in a city or village where another bank already is operating.

Banking had a bad name in 1944-45 when bankers, lenders, race-track owners and others were accused of bribing Michigan legislators. All together, 125 persons, including 18 legislators, were indicted and 46 convicted. In January 1945, state Sen. Warren Hooper, R-Albion, was shot to death and his car set afire, one day before he was to testify before a grand jury.

A BREAKTHROUGH came in 1971 when the Michigan Legislature permitted formation of bank holding companies — companies that owned the stock of several other banks. The state saw the birth of Comerica, Michigan National Banks (plural), and the Manufacturers and the NBD groups.

Next on the agenda for the banks is statewide branch banking.

"I'm for statewide branch banking," Keith said. "But I'm not so politically naive as to assume we're going to get it."

One impetus for it is the mobility of Michigan's population. With statewide branch banking, a person in metropolitan Detroit with a cottage in Traverse City could deal with a single bank.

A banker (Manufacturers) for 20 years before being elected to the House in 1972, Keith noted a second impetus toward statewide branches:

"The communally bank group gets smaller each year through mergers. They are family owned. Grandpa founded it, the kids started as tellers and now run it. I think they do a good job for the farm community."

"My concern is with the clique-type bank. Say you come into town to start a discount drug store, and you're Jewish. The local pharmacist is on the board of the bank. You can't get a loan."

THERE STILL are a few protections for remaining community bankers under Keith's bill, but he sees the major obstacle removed.

"The community bankers are trying to protect their markets. But they've conceded the Grand Rapids and Lanings and Detroit. They're interested in protecting their places in Mason, not in Lansing," Keith said.

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But it doesn't go far enough for Gov. Blanchard, who called the compromise "anti-competitive" because it would "encourage mergers and acquisitions."

The governor said he "could not sign it, should it reach my desk." Keith interpreted that to mean Blanchard wouldn't veto it — merely let it become law without his signature.

KEITH'S BILL required "several years of negotiations between large, medium- and small-town bankers. This was the fifth or sixth final compromise. If that isn't a monumental accomplishment, I don't know what is."

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