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Assessing a Decade of Interstate Bank Branching

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Assessing a Decade of Interstate Bank Branching

Christian A. Johnson*
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Abstract

Since its inception, U.S. banking regulation has effectively prohibited a bank from opening or owning a branch located outside of its home state, commonly referred to as interstate branching. Only since the passage of the Riegle-Neal Interstate Banking and Branching Efficiency Act (IBBEA) of 1994 have banks been able to engage in interstate branching, albeit still subject to significant state restrictions. Despite IBBEA's removal of those barriers, it still allowed the states to impose anticompetitive restrictions governing the entry of out-of-state banks through the establishment of branch offices. As a result, states that were opposed to entry used IBBEA to erect barriers to out-of-state branch entry. This Article describes the changes in federal and state interstate branching law since passage of IBBEA and reviews how initial (1994–1997) and evolving (1998–2005) interstate branching laws affect out-of-state branch growth in a state's banking market. We provide a detailed fifty-state plus the District of Columbia survey of each state's initial interstate branch banking restrictions and changes to those provisions between 1994 and 2005. Based on the results of this survey, we employ regression analysis to determine whether there was an empirical association between restrictive state regulation and out-of-state branch banking entry. We conclude that anticompetitive state provisions restricted out-of-state growth when those provisions were more restrictive than the provisions set by neighboring states.

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> One aspect of the American banking system that quickly impresses itself on the mind of a foreign observer is its fragmented structure. . . . [The] prospective developments in the payments mechanism—electronic transfer of funds, direct deposit of payrolls, and wider use of pre-authorized credit—will reduce the need for customers to visit their banks frequently and, though not resolving the branching controversy, will make it academic.[1]

I. Introduction

While much has changed in the last thirty-four years, bank branching has not yet progressed from a controversial issue to a purely academic one. Throughout its history, U.S. banking regulation has constrained bank growth through prohibitions or restrictions on the means of direct and indirect bank expansion both within states (intrastate banking and branching) and between states (interstate banking and branching).[2] Although restrictions on intrastate expansion were eliminated through piecemeal changes in legislation over the past several decades, many restrictions remained regarding interstate expansion.

The passage of the Riegle-Neal Interstate Banking and Branching Efficiency Act (IBBEA) of 1994[3] removed any remaining federal restrictions on interstate expansion, but allowed the states considerable leeway in deciding the rules governing entry by out-of-state branches.[4] As a result, states opposing entry used IBBEA to erect barriers to out-of-state branch entry.

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1. Larry R. Mote, *The Perennial Issue: Branch Banking*, BUS. CONDITIONS (Federal Reserve Bank of Chicago) Feb. 1974, at 3, 23.

2. The means of geographic expansion are: (1) interstate banking (acquiring or establishing a charter in a state outside the main bank's home state), (2) interstate branching (acquiring or establishing a branch office, an office which is not separately chartered or capitalized, in a state outside the main bank's home state), (3) intrastate banking (acquiring or establishing a charter within the main bank's home state), and (4) intrastate branching (acquiring or establishing a branch office within the main bank's home state).

3. Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (IBBEA), Pub. L. No. 103-328, 108 Stat. 2338 (1994) (codified as amended in scattered sections of 12 U.S.C.); *see also infra* Part III (describing IBBEA interstate banking and branching provisions).

4. Passage of IBBEA ignited a small flurry of commentary about the Act. *See generally* ROSS M. ROBERTSON, THE COMPTROLLER AND BANK SUPERVISION: A HISTORICAL APPRAISAL 28–29 (Office of the Comptroller of the Currency 1995) (1968); Murray A. Indick & Satish M. Kini, *The Interstate Banking and Branching Efficiency Act: New Options, New Problems*, 112 BANKING L.J. 100 (1995); Patrick Mulloy & Cynthia Lasker, *The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994: Responding to Global Competition*, 21 J. LEGIS. 255 (1995); Mark D. Rollinger, *Interstate Banking and Branching Under the Riegle-Neal Act of 1994*, 33 HARV. J. ON LEGIS. 183 (1996); Charlotte L. Tart, Comment, *Expansion of the Banking Industry Under the Riegle-Neal Interstate Banking and Branching Efficiency Act of*

IBBEA's removal of federal interstate branching barriers has resulted in staggering interstate expansion. This growth, illustrated in Figure 1, was driven both by consolidation of bank subsidiaries into branch offices and also establishment of de novo branches. In 1994, 62 out-of-state branches existed in a small number of states.[5] By 2005, the number of out-of-state branches had grown to 24,728.[6]

An examination of the impact of IBBEA and the effect of the state restrictions and limitations that could be imposed on interstate branching is particularly topical today. Banks recognize the state anticompetitive regulatory burden permitted by IBBEA and have pressed agencies and Congress to streamline banking law. A section in the Financial Services Regulatory Relief Act[7] (which was supported by the Board of Governors of the Federal Reserve System) as passed by the House in 2006 would have eliminated remaining interstate branching barriers. As described in testimony before the U.S. Senate by Federal Reserve Governor Donald Kohn, the interstate branching provisions originally contained in the Act would remove the "last obstacle to full interstate branching for banks and level the playing field between banks and thrifts."[8] Although the final bill did not contain these provisions, the issue is sure to be revisited in future bills and legislation.

Despite the recent growth in out-of-state branches, this Article provides evidence that barriers to out-of-state entry through branch banking still exist for

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1994: Is the Banking Industry Headed in the Right Direction?, 30 WAKE FOREST L. REV. 915 (1995); Stacey Stritzel, Note, *The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994: Progress Toward A New Era in Financial Services Regulation*, 46 SYRACUSE L. REV. 161 (1995).

5. The branch banking figures are based on authors' calculations using data from the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve System. Tara Rice & Erin Davis, *The Branch Banking Boom in Illinois: A Byproduct of Restrictive Branching Laws*, 238 CHI. FED. LETTER (Federal Reserve Bank of Chicago, May 2007), http://www.chicagofed.org/publications/fedletter/cflmay2007_238.pdf (last visited Feb. 17, 2008) (on file with the Washington and Lee Law Review). This figure represents domestic branches of domestic commercial-bank banking companies. *See also infra* Table 3 p. 105.

6. *Infra* Table 3 p. 105.

7. *Compare* H.R. 3505, 109th Cong. § 401 (2006) (having the title "Easing Restrictions on Interstate Branching and Mergers" and removing remaining restrictions on de novo interstate branching and prohibiting branching by subsidiaries of commercial firms chartered after October 1, 2003), *with* S. 2856, 109th Cong. (2006) (containing no section comparable to § 401).

8. *Consideration of Regulatory Relief Proposals: Hearing Before the S. Comm. of Banking, Housing, and Urban Affairs*, 109th Cong. (2006) (statement of Donald L. Kohn, Governor, Fed. Reserve Bd. of Governors), http://www.federalreserve.gov/newsevents/testimony/kohn20060301a.htm (last visited Feb. 17, 2008) (on file with the Washington and Lee Law Review).

commercial banks in the United States. Based upon our empirical analysis, covering all fifty states plus the District of Columbia over eleven years, we find that certain state-imposed restrictions permitted by IBBEA are associated with limited out-of-state branch growth in some states.

The remainder of the Article is organized as follows: Part II provides historical background on the bank branching history in the United States. Part III details the changes in interstate branching law since the passage of IBBEA. Part IV discusses how initial (1994–1997) and evolving (1998–2005) state interstate branching laws affect out-of-state branch growth in a state's banking market. Part V presents our index of state branching restrictions, while Part VI employs that index in empirical analysis on the effect of the individual state branching restrictions.

II. Historical Background on Interstate Branching and IBBEA

Interstate branching has been an issue in the U.S. banking system since its inception. The issue, however, did not become controversial until the establishment of the dual banking system during the Civil War. These restrictions on branch banking are frequently attributed to the efforts of small banks and their lobbies to stop large banking companies from entering their markets.[9]

Prior to the Civil War, interstate banking and branching was traditionally a state issue, with federal law and policy typically deferring to state control.[10] States historically have had control over whether to permit banks chartered under their own chartering authority, state banks chartered by other states, and national banking associations to engage in intrastate and interstate banking and branching.[11] With such control, states have prevented both intrastate and

9. For this study, we define "banking company" as an independent commercial bank, a bank holding company (BHC), or a financial holding company (FHC) that controls one or more commercial banks. A bank subsidiary of a BHC or FHC is a separately chartered institution controlled through partial or complete ownership of its voting stock by a BHC or FHC, whereas a branch office, a remote facility of a bank, requires no separate charter. Prior to the establishment of BHCs, however, only independent banks existed. These retain the term "bank." A branch office is an office of a financial institution that is physically separated from its home office, but that offers the same kinds of deposit taking, loan, and other services conducted at the home office. This study examines only domestic banking companies.

10. *See* PETER S. ROSE, BANKING ACROSS STATE LINES: PUBLIC AND PRIVATE CONSEQUENCES 23–25 (1997) (ascribing management-related rationales to limited state regulation of banks in the "state-dominated 'free banking' era" following the demise of the Second Bank of the United States).

11. *See id.* at 23 (noting that banks were "generally allowed free reign in setting up, moving or closing their branch offices," and describing the few existing regulations as designed

interstate banking and branching up until the recent past. As restrictions against interstate banking began to change on a piecemeal basis, Congress removed the predominant interstate banking and branching restrictions with the passage of IBBEA; however, this change was subject to a few important limitations.[12]

With the exception of the Bank of the United States and the Second Bank of the United States, chartered by Congress in 1791 and 1816 respectively,[13] the chartering and regulation of banks prior to the Civil War was almost entirely a state issue. These two congressionally chartered banks were much different from modern national banking associations and were chartered essentially to assist the federal government with its banking needs and tax collections. Both of these banks also had a number of branch offices, operating eight and twenty-seven branches respectively.[14] Both banks, however, had a relatively short life, losing their Federal Charters in 1811 and 1836, respectively.[15]

State chartered banks engaged in limited interstate branch banking prior to the Civil War. Although both the form of branch banking and the volume of activities are quite different from today, branch banking did occur in several regions. Limited decentralized interstate branch banking occurred in Indiana, Ohio, and Iowa.[16] Although the different branches all shared the same charter, each branch was "locally organized, had its own capital subscribed by its own stockholders, and paid its own dividends."[17] This model of branching was adopted by state banks in Illinois, Kentucky, Tennessee, Delaware, and Vermont.[18]

During this same period, a more centralized system of branch banking (similar to the modern system we have today) developed primarily in the south,

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to prevent banking abuses).

12. *See infra* Part III (discussing IBBEA's specific federal level restrictions).

13. *See* Act of Feb. 25, 1791, ch. 10, 1 Stat. 191 (establishing the Bank of the United States); Act of Apr. 10, 1816, ch. 44, 3 Stat. 266 (establishing the Second Bank of the United States).

14. ROBERTSON, *supra* note 4, at 28.

15. For a discussion of the Bank of the United States and the Second Bank of the United States, see JONATHAN R. MACEY ET AL., BANKING LAW & REGULATION 28 (3d ed. 2001); ROBERTSON, *supra* note 4, at 28–29; ROSE, *supra* note 10, at 25.

16. ROBERTSON, *supra* note 4, at 28 (noting that the banks had a central board of directors but each branch was "locally organized, had its own capital subscribed by its own stockholders, and paid its own dividends, subject only to the . . . board's approval").

17. *Id.*

18. *Id.*

with branch banking occurring in Virginia, North Carolina, South Carolina, and Missouri.[19] These branches, as opposed to those in the Midwest, relied much more on capital raised in the head offices.[20] This model was much closer in substance to interstate banking than to intrastate branching.

The ability to engage in interstate branching and banking was never as popular or considered to be as important prior to the Civil War as it is today. Because of limited interstate travel and communication during this era, maintaining interstate branches was difficult, if not impossible, with few of the efficiencies and economies of scale possible today.[21] With the advent of the telegraph, telephone, and better interstate travel, the ability to engage in interstate branching became more desirable. More recently, with advanced data processing, telecommunications, and the internet, combined with growing overhead costs, branch banking has become a necessity (and perhaps a question of survival) for most large bank holding companies.

State control over banking became an issue during the Civil War as Congress provided for the chartering and regulation of national banking associations through the Office of the Comptroller of the Currency (OCC).[22] Investors chartered national banks, and they began to proliferate. There were 1,089 state banks and 467 national banks in 1864.[23] By 1865, however, the numbers had flipped; there were only 349 state banks and 1294 national banks.[24]

Although the National Bank Act provided directives on the regulation, supervision, and examination of national banks, it did not provide direction on the issue of interstate and intrastate branching regulation.[25] Because of the

19. *See id.* at 28–29 ("Branch systems of the kind in use today were not unknown, though with one exception they were confined to the South."); MACEY ET AL., *supra* note 15, at 12 ("In the South many banks operated branches in the modern sense, although the number of branches was never very large.").

20. *See* ROBERTSON, *supra* note 4, at 28–29 (concluding that the capital structure of branch banking in the South resulted because southern capital was "largely committed to the plantation system and was not available for a unit bank in every community able to support one").

21. *See id.* ("In a time of slow communication and transportation, it was impossible for a head office to exercise day-to-day supervision over a network of branches.").

22. National Currency Act, ch. 58, 12 Stat. 665 (1863) (repealed 1864) (establishing the office of the Comptroller of the Currency); National Bank Act, ch. 106, 13 Stat. 99 (1864) (codified as amended in scattered sections of 12 U.S.C.) (same).

23. EUGENE NELSON WHITE, THE REGULATION AND REFORM OF THE AMERICAN BANKING SYSTEM 12 (1983).

24. *Id.*

25. *See* ROBERTSON, *supra* note 4, at 81 ("Examination of the legislative history . . . reveals no special concern about branches . . . .").

absence of statutory guidance, the Comptroller of the Currency provided direction. In 1865, the Comptroller ruled that Sections 6 and 8 of the National Banking Act prohibited branch banking.[26] Based upon their reading of Section 6, every comptroller in office until 1922 agreed that national banks could not open a bank in more than one location.[27]

Likewise, during the next fifty years, there was little if any branching of any kind occurring at the *state* level. The National Monetary Commission noted, in a study commissioned in 1911, that "[u]nder none of the state banking laws has there been built up an important system of branch banks."[28] Most state legislatures and regulators, however, resisted permitting interstate branching. State banks often put pressure on regulators to limit entry by larger banks chartered outside of the state that may have posed competitive problems.[29] Accordingly, few states permitted interstate branching. By 1900, branch banking "accounted for only 2% of the resources of American commercial banks."[30]

By the turn of the century, branch banking began on a very small scale. In the early 1900s, states began to permit some in-state branch banking.[31] In 1911, California, Delaware, Florida, Georgia, New York, Rhode Island, Virginia, and Washington permitted different degrees of intrastate branch banking.[32] By 1915, "397 banks maintained branches; of this group, 12 were

26. *See id.* at 82 (discussing the early interpretations of Sections 6 and 8); ROSE, *supra* note 10, at 26–27 ("[T]he branching and service powers of federally chartered banks were left to the Comptroller of the Currency and the courts to interpret.").

27. *See* Mote, *supra* note 1, at 6 ("Beginning with Freeman Clarke in 1865, every Comptroller of the Currency up until D.R. Crissinger in 1922 interpreted the act in this fashion."); ROSE, *supra* note 10, at 27 ("[E]very Comptroller of the Currency from Freeman Clarke in 1865 to D.R. Crissinger in 1922 held that national banks could *not* operate from more than one location.").

28. GEORGE E. BARNETT, STATE BANKS AND TRUST COMPANIES SINCE THE PASSAGE OF THE NATIONAL-BANK ACT 135 (Gov't Printing Office 1911).

29. *See* WHITE, *supra* note 23, at 14 ("[T]he states were generally hostile to the establishment of branch banking within their jurisdiction."); ROBERTSON, *supra* note 4, at 100 ("In some states this legislation completely stopped an increase in multi-office banking . . . .").

30. ROBERTSON, *supra* note 4, at 84.

31. *See* Rollinger, *supra* note 4, at 190 (observing that in the 1910s and 1920s, some states "began to enact statutes permitting state-chartered banks to bank in-state"); *see also* MACEY ET AL., *supra* note 15, at 18 ("[A] few states . . . began to permit branching by state banks."); Arthur E. Wilmarth, Jr., *Too Big to Fail, Too Few to Serve? The Potential Risks of Nationwide Banks*, 77 IOWA L. REV. 957, 972 (1992) ("In the early 1900s, state banks substantially expanded their number of branches in response to increased urbanization and the rising demand among consumers for banking services.").

32. *See* BARNETT, *supra* note 28, at 136 ("The States in which state banks and trust companies are definitely permitted to have branches are California, Delaware, Florida, Georgia, New York, Oregon, Rhode Island, Virginia, and Washington.").

national banks and 385 were state banks. The 397 institutions operated 785 branches; 832 offices were in the head-office city, and 350 were outside the head-office city."[33]

National banks continued to search for ways to get around the restrictions against branch banking, particularly as it became more profitable to do so. National banks also believed that they were at a substantial competitive disadvantage in those situations in which state banks could branch. In 1922, in an attempt to put national banks on a more equal footing with state banks, the OCC, based upon an opinion from the Attorney General of the United States, permitted national banks to establish branches only within their home city, provided, however, that a state bank was permitted to operate branches within that city.[34] Between 1922 and 1926, national banks established 200 limited service branch offices "within their city of location."[35] State banks and their supporters opposed national bank branching and challenged the Comptroller's ruling. The opposition eventually came to a head in 1924, with the Supreme Court ruling against the Comptroller.[36]

Although the Supreme Court ruled in favor of the state banking industry, Congress responded in 1927 by permitting a national bank to branch with the passage of the McFadden Act.[37] The statute first provided that a national bank could "retain and operate" any branches that it had as of the date of the statute.[38] Second, it stated that if a state bank were converted into, or consolidated with, a national bank, it could retain and operate its branches.[39] Third, a national bank could "establish and maintain" new branches within the city in which it was located if state banks were permitted under the laws of its

33. ROBERTSON, *supra* note 4, at 100.

34. *Id.* at 102.

35. *Id.* at 104.

36. *See* First Nat'l Bank in St. Louis v. Missouri, 263 U.S. 640, 659 (1924), *aff'g* 249 S.W. 619 (Mo. 1923) (holding that the establishment of a bank branch is not an incidental power vested in national banking associations); *see also* ROSE, *supra* note 10, at 28 (observing that *First National Bank in St. Louis* upheld the interpretation that federal law outlawed national bank branching).

37. *See* McFadden-Pepper Act, ch. 191, 44 Stat. 1224 (1927) (codified as amended in scattered sections of 12 U.S.C.) (amending § 5155 of the Revised Statutes of the United States and setting forth "conditions upon which a national banking association may retain or establish and operate a branch or branches"); *see also* ROSE, *supra* note 10, at 28 ("This 1927 law permitted national banks to set up branch offices in their home office cities provided state-charted banks possessed similar branching powers.").

38. McFadden-Pepper Act, ch. 191, sec. 7, § 5155(a), 44 Stat. 1224, 1228 (1927) (current version at 12 U.S.C. § 36(a) (2000)).

39. *Id.* § 5155(b) (current version at 12 U.S.C. § 36(b) (2000)).

state, subject to certain population limitations.[40] Although couched in positive statutory language, the effect of the McFadden Act was to limit branch banking.[41] By inference, branching outside of the city where the national bank was situated was prohibited—thus restricting any intrastate or interstate branching.

Congress gave national banks additional branching authorization six years later. The Glass-Steagall Act of 1933 allowed nationally chartered banks to branch in the same geographical areas as state-chartered banks.[42] Although this was intended to place national banks on an equal footing with state chartered banks, it instead solidified the dominant position of state regulatory authorities by assigning the determination of intrastate branching laws to each state regulatory authority.[43] National banks were permitted to branch wherever state-chartered banks could branch statewide. However, national banks could not branch if state banks had no or limited city or state wide branching rights.[44]

Responding to pressure from state banks after the passage of the Glass-Steagall Act, state regulation restricted intrastate branching in an attempt to prevent entry and growth of national banks in their states.[45] The McFadden Act was read to stop interstate branching by national banks.[46] After only a few years, half of the states restricted or prohibited banks from setting up branch offices.[47] In addition, not one state permitted interstate branching.[48] There was some attempt to permit national banks to branch nationwide through federal legislation. The bill, however, was defeated by the lobbying actions of

40. *Id.* § 5155(c)–(d) (current version at 12 U.S.C. § 36(c)–(d) (2000)).

41. *See* Wilmarth, *supra* note 31, at 973 ("The McFadden Act of 1927 thus provided very limited gains for the pro-branching forces.").

42. Glass-Steagall Act, ch. 89, 48 Stat. 162 (1933) (codified at 12 U.S.C. § 36 (2000)).

43. *See* ROSE, *supra* note 10, at 31 ("Thus, if state-chartered banks were granted no branching powers by their home states, national banks headquartered in those states could not branch either. . . . Soon, more than half the states restricted or prohibited banks from setting up branch offices.").

44. *Id.*

45. *See* Wilmarth, *supra* note 31, at 973–75 (discussing the intense opposition to the Glass-Steagall Act).

46. *See* Rollinger, *supra* note 4, at 191–92 (stating that the states interpreted the McFadden Act to prohibit national bank interstate branching by "negative implication").

47. ROSE, *supra* note 10, at 31.

48. *See id.* ("None noted to permit interstate expansion via establishment of full-service branch offices."); Rollinger, *supra* note 4, at 191–92 ("Branching across state lines was not allowed under any circumstance: no state authorized it for its state-chartered banks, and at the federal level, the McFadden Act was construed as prohibiting . . . interstate branching by national banks.").

community banks.[49] In contrast to the growth of interstate banking described below, prior to passage of IBBEA, the vast majority of states did not permit interstate branching.

These regulatory constraints on interstate banking and branching spawned the multi-bank holding company (MBHC), first formed in the early 1900s.[50] The MBHC structure opened a loophole in branch-banking regulations that allowed a layered organizational framework of subsidiary organizations to substitute for a network of physical branch offices.[51] Banks, therefore, used the MBHC organizational form to effect interstate operations. Over time, additional restrictions on interstate branching further encouraged use of the banking company loophole as a means of geographic expansion, leading more banks to convert to a banking company structure.[52] The Bank Holding Company Act of 1956 sought to constrain the growth of the banking companies specifically through the Douglas Amendment,[53] which prohibited acquisition by a banking company of an out-of-state bank or banking company unless statutorily authorized by the state in which the target resides.[54] The Bank Holding Company Act did not apply to one-bank bank holding companies (banking companies), and it was amended in 1970 to give the Federal Reserve authority over formation and regulation of the one-bank bank holding companies.[55] This regulation was intended to further restrict the operations, organizational form, and expansion ability of the bank holding companies.

Despite branch banking prohibitions by state law, federal law allowed some minor opportunities for interstate branch banking. One such opportunity for geographic bank expansion, through the BHC structure, was created with

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49. *See* Rollinger, *supra* note 4, at 192 ("[A] bill to allow national banks to branch statewide, regardless of state law, was defeated at the hands of the powerful community bankers' lobby."); Wilmarth, *supra* note 31, at 973–75 (noting that the 1932 bill proposed by Senator Glass that would have permitted limited interstate branching was opposed by community banking advocates and defeated).

50. ROBERTSON, *supra* note 4, at 85 (discussing the origins of bank holding companies).

51. By definition, a subsidiary is a separately chartered institution controlled through partial or complete ownership of its voting stock by a Multibank Holding Company (MBHC), whereas a branch office, a remote facility of a bank, requires no separate charter.

52. ROBERTSON, *supra* note 4, at 100 (discussing the expansion of branch banking during the first quarter of the twentieth century and observing that "anti-branching legislation led to the expansion of [bank holding companies]").

53. Bank Holding Company Act of 1956, Pub. L. No. 84-511, § 3(d), 70 Stat. 133, 135 (1956) (codified as amended at 12 U.S.C. 1842 (2000)).

54. *Id.*

55. Bank Holding Company Act of 1970, Pub. L. No. 91-607, §§ 1, 101–105, 84 Stat. 1760, 1760, 1763, 1766 (1970) (codified as amended at 12 U.S.C. §§ 1841–1850 (2000)).

the 1982 Garn-St Germain Act.[56] A provision of this Act authorized federal banking agencies to arrange interstate acquisitions for failed banks with total assets of $500 million or more.[57] This policy innovation allowed interstate acquisitions under special circumstances even when such acquisitions were not in accordance with state law. Because federal savings and loan institutions had been permitted to branch since 1933,[58] banks welcomed the opportunity to acquire failed savings and loan companies and their branch networks during the savings and loan crisis.

A national bank could also create an interstate branch through "leap-frogging" or moving their main office to a different state, leaving the former location as a branch of the new home office.[59] The only limitation was that the new office be located not more than thirty miles from the limits of the "city, town or village" where the main office was previously located.[60] Although such a method of branching was possible, it was limited to national banks located near state borders.

Although interstate branching was severely restricted, over time individual state laws permitted the geographic expansion of commercial banks through interstate banking.[61] Such laws had been relaxed prior to IBBEA for forty-nine of the fifty states (plus the District of Columbia) for a variety of reasons: Piecemeal changes in legislation, outside events, and competition among regulators.[62] All states except Hawaii permitted some type of interstate banking

56. Garn-St Germain Depository Institutions Act of 1982, Pub. L. No. 97-320, 96 Stat. 1469 (codified as amended in scattered sections of 12 U.S.C.).

57. 12 U.S.C. § 1823(f)(4)(B) (2000 & Supp. V 2005).

58. HARDING DE C. WILLIAMS, FEDERAL BANKING LAW AND REGULATION: A HANDBOOK FOR LAWYERS 102 (2006).

59. *Id.* at 102–03; Barton Crockett, *BankAmerica to Merge Washington, Idaho Units Using Thirty-Mile Rule*, AM. BANKER, Aug. 23, 1995, at 7.

60. DE C. WILLIAMS, *supra* note 58, at 102–03 (citing Act of May 1, 1886, ch. 73, 24 Stat. 18 (current version at 12 U.S.C. § 30 (2000))); *see also* Ramapo Bank v. Camp, 425 F.2d 333, 345 (3d Cir. 1970) ("[T]he *bona fides* of the relocation [of a national bank's main office] is governed solely by the statutory provisions of Section 30 of the National Bank Act."), *cert. denied*, 400 U.S. 828 (1970); OFFICE OF THE COMPTROLLER ON THE CURRENCY, CORPORATE DECISION NO. 96-40 ON THE APPLICATIONS OF SUN WORLD, NATIONAL ASSOCIATION, EL PASO, TEXAS (Aug. 2, 1996), http://www.occ.treas.gov/interp/august/corpde40.pdf (last visited Feb. 17, 2008) (permitting the interstate relocation of the main office of a bank) (on file with the Washington and Lee Law Review); *National Bank Allowed to Relocate Main Office and Retain Former Main Office as a Branch*, 88 BANKING L.J. 704, 704–24 (1971) (discussing *Ramapo Bank*).

61. For a discussion of interstate banking, see MACEY ET AL., *supra* note 15, at 26–27, 32–33; Douglas H. Ginsburg, *Interstate Banking*, 9 HOFSTRA L. REV. 1133 (1981).

62. Edward J. Kane, *De Jure Interstate Banking: Why Only Now?*, 28 J. MONEY, CREDIT & BANKING 141, 143–46 (1996); Randall S. Kroszner & Philip E. Strahan, *What Drives*

operations either on a reciprocal or nonreciprocal basis.[63] Regional pacts allowed out-of-state bank entry only from a specific geographic region, including the Northeast, the West, the South (often including the Mid-Atlantic states), and the Midwest.[64]

By 1994, while most states allowed interstate *banking* in some form, only eight states allowed any form of interstate *branching*.[65] Of those eight, six allowed interstate branching only on a national reciprocal basis.[66] Any state that wished to allow its banks to branch into one of those six states must also allow the banks headquartered in the six states to branch into their own state. One state, Nevada, allowed interstate branching on a very limited but nonreciprocal basis. It permitted interstate branching into counties with a population less than 100,000.[67] Utah was the only state that allowed national nonreciprocal interstate branching before IBBEA, and it did so for just three years (as of July 1991) before IBBEA was passed.[68] Even though these rules were on the books, there was almost no interstate branch banking prior to the passage of IBBEA in 1995.[69] Thus, very few banking organizations had an

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Deregulation? Economics and Politics of the Relaxation of Bank Branching Restrictions, 114 Q. J. ECON. 1437, 1437–67 (1999).

63. *See* H.R. REP. 103-448, at 21 (1994), *reprinted in* 1994 U.S.C.C.A.N. 2039, 2044 (stating that as of the report date only one state permitted no interstate banking); Jith Jayaratne & Philip E. Strahan, *Entry Restrictions, Industry Evolution, and Dynamic Efficiency: Evidence from Commercial Banking*, 41 J.L. & ECON. 239, 243 (1998) ("By 1992 . . . all states but Hawaii had entered interstate banking agreements with other states.").

64. *See* Ne. Bancorp v. Bd. of Governors of the Fed. Reserve Sys., 472 U.S. 159, 177 (1985) (upholding regional pacts); H. Rodgin Cohen, *State Interstate Banking Legislation*, 597 PLI/CORP 375, 379 (1988) (listing New England, the Southeast, the West, and the Midwest as the broad categories of regions involved in regional pacts); Arnold G. Danielson, *Tenth Anniversary of Interstate Banking: The Southern Experience*, 11 BANKING POL'Y REP. 4, 4 (1992) ("Most of the Southern states adopted a regional approach and excluded states north of the Mason-Dixon line and most states west of the Mississippi River."); *Interstate Banking's Tenth Anniversary: The Midwest Experience*, 11 BANKING POL'Y REP. 6, 6 (1992) ("Kentucky, Michigan and Ohio . . . were primary forces in shifting the interstate movement from a regional to a nationwide scope.").

65. *See* Dean Amel, State Laws Affecting Geographic Expansion of Commercial Banks 2, 19, 27, 32, 35–36, 40 (1993) (Board of Governors of the Federal Reserve System) (unpublished manuscript, on file with the Washington and Lee Law Review) (identifying the states permitting interstate branching as Alaska, Massachusetts, New York, Oregon, Rhode Island, Nevada, North Carolina, and Utah).

66. *See id.* (identifying the states permitting interstate branching solely on a national reciprocal basis as Alaska, Massachusetts, New York, Oregon, Rhode Island, and North Carolina).

67. *Infra* Appendix A: Nevada p. 116.

68. *See* Financial Institutions Amendments, 1991 Utah Laws 476, 481 (enacting nonreciprocal interstate branching legislation).

69. *See generally* Amel, *supra* note 65.

opportunity to branch across state lines due to the preexisting legislation and were restricted to expansion through only two means: (1) chartering a subsidiary in the desired state (called a "de novo bank entry")[70] or (2) acquiring an out-of-state bank to convert to a subsidiary of the parent bank.[71]

This changed dramatically with passage of IBBEA, which allows banks to expand though its repeal of interstate banking and branching restrictions (subject however to the permitted state restrictions discussed below). The repeal of restrictions allows banking companies to merge either subsidiary or branch banks across state lines in four ways:

> (1) Interstate bank acquisitions (acquisitions of separately chartered institutions);
>
> (2) Interstate agency operations (allowing a bank subsidiary of a banking company to act as an agent of an affiliate of the banking company without being legally considered as a branch of that affiliate);
>
> (3) Interstate branching (consolidation of acquired banks or individual branches into branches of the acquiring bank); and
>
> (4) De novo branching (establishment of a new branch office of a banking company across state lines, into states which have passed a statute expressly allowing it).[72]

Thus, the watershed event of IBBEA was not the allowance of interstate *banking* but the explicit permission of interstate *branching*. This gave banking companies the freedom to consolidate bank subsidiaries into branch offices and to branch, with minor restrictions, across state lines.

States could "opt in" early or "opt out" of the IBBEA interstate branching provision by passing a state law any time between the passage of IBBEA (September 1994) and the trigger date (June 1, 1997).[73] Opting in required the state to pass a statute allowing interstate branching prior to June 1997.[74] This provision expressly permitted interstate consolidation and merger transactions prior to June 1, 1997, provided that each MBHC or subsidiary involved in the

70. A de novo bank is a newly chartered bank, as opposed to a bank that has been acquired or merged from an existing institution.

71. Kane, *supra* note 62, at 143.

72. *Id.* at 148.

73. IBBEA, Pub. L. No. 103-328, § 102(a), 108 Stat. 2338, 2343–45 (codified at 12 U.S.C. § 1831u (2000)).

74. *Id.*

transaction was located in a state that also opted in early.[75] A state that opted out of interstate branching prevented both the state and national banks from branching across its borders.[76] The provision, however, did not give banks *complete* freedom to branch out of state. As discussed, from the time of enactment until the branching "trigger date" of June 1, 1997, IBBEA allowed states to determine many details related to this provision.

Although all fifty states and the District of Columbia have opted into interstate branching, there was considerable debate and activity in many states over whether their state should opt out of interstate branching.[77] The pressure to opt out of interstate branching under IBBEA was based on the small bank versus big bank special interest issues that had thwarted interstate branching in the past.[78] Some argued that interstate branching might imperil smaller communities by siphoning deposits out of the towns and using them to make loans to larger clients in financial centers elsewhere.[79]

States that debated opting out included Iowa, Texas, Colorado, Missouri, Oklahoma, Montana, New Mexico, Nebraska, and Kansas,[80] with Texas and Montana opting out initially, though they later opted in.[81] The Colorado legislature also initially opted out, but the Governor later vetoed the legislation.[82] Lobbyists for smaller banks such as the Independent Bankers

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75. *Id.*

76. *Id.*

77. *See* Kane, *supra* note 62, at 151 (providing a map of states engaged in the opt out debate as of 1996).

78. Carter H. Golembe, *History Offers Some Clues on Significance of Interstate Branching*, 13 BANKING POL'Y REP. 4, 4 (1994); Joseph D. Hutnyan, *States Start Considering Whether or When to Opt for Interstate Branching*, 14 BANKING POL'Y REP. 7, 7 (1995).

79. *See* Barbara F. Bronstien, *Focus on Kansas: Opt-out Pitch: Branching Imperils Small Towns*, AM. BANKER, Aug. 25, 1995, at 7 ("'Even in small communities such as ours that are a little bit remote, we can really be hurt if we have a major branch of Bank of America and they decide they need a whole bunch of deposits.'" (quoting Larry Stutz, President of First National Bank in Alma, Kansas)).

80. Terrence O'Hara, *Circling the Wagons to Fend Off Branching*, AM. BANKER, Feb. 15, 1995, at 6; *see also* Bronstien, *supra* note 79, at 7 (discussing the opt out debate in Kansas); Barbara F. Bronstien, *Q&A: Iowa Group's Departing President Says "No" to Interstate Branching*, AM. BANKER, July 21, 1995, at 7 (interviewing the President of Farmers and Merchants Bank and Trust in Iowa on his belief that Iowa should opt out); Terrence O'Hara, *A Colorado Thumbs Down for Branching*, AM. BANKER, Feb. 24, 1995, at 1 (describing Colorado's initial decision to opt out); Terrence O'Hara, *Setback Puts Oklahoma Foes of Interstate on Defensive*, AM. BANKER, Mar. 22, 1995, at 13 (discussing the fight in Oklahoma against opt in legislation).

81. *Capital Briefs: Montana Opts Out of Interstate Branching Law*, AM. BANKER, Apr. 8, 1997, at 4; Terrence O'Hara, *Texas Governor to Sign Bill Letting State Opt Out of Branching Law*, AM. BANKER, Apr. 28, 1995, at 32.

82. Terrence O'Hara, *Colorado Governor's Refusal to Slam Door to Out-of-State Banks*

Association of America, the California Independent Bankers and the Independent Bankers Association of Texas all lobbied extensively to persuade states to opt out of interstate banking.[83] We discuss in greater detail below the provisions determined by federal law and by the individual states.

Despite the restrictive anticompetitive provisions erected by some states, the dramatic growth in the number of branches indicates that allowance of interstate branching was welcomed by many states. This growth was driven both by consolidation of bank subsidiaries into branch offices and also by establishment of de novo branches. In 1994, only 62 out-of-state branches existed in a small number of states.[84] By 2005, the number of out-of-state branches had grown to 24,728 or 37.28% of all domestic branches.[85] The number of de novo branches increased rapidly as well. Over our sample period, 6,071 de novo out-of-state branches were started; that is, of the 15,296 total commercial bank branch increase between 1994 and 2005, almost 39.69% of those were out-of-state de novo branches.[86]

III. IBBEA Interstate Banking and Branching Provisions Determined by Federal Law

The fundamental regulatory paradigm for interstate banking and branching changed dramatically with the passage of IBBEA. The statute is effectively divided into two portions: Section 101 of IBBEA deals with interstate banking while Sections 102 and 103 deal with interstate branching as summarized below.

Leads to Compromise, AM. BANKER, Apr. 25, 1995, at 1.

83. *See* Hutnyan, *supra* note 78, at 7 ("[T]he Independent Bankers Association of America (IBAA), which led opposition to nationwide branching in past years, is now providing assistance to those banking groups trying to convince their state legislatures to opt out of [interstate branching]."); Terrence O'Hara, *An Arsenal of Opt Out: $250,000 of Ammo from the IBAA*, AM. BANKER, Feb. 15, 1995, at 6 ("'We have taken a very strong position for the right of states to pursue an opt-out strategy.'" (quoting IBAA Lobbying Chief Ron Ence)); Christopher Rhoads, *Trade Group Wars: State Trade Groups Rocked as Dissenters Go Own Way*, AM. BANKER, Sept. 21, 1995, at 1 (stating that efforts by the California Independent Bankers to block key elements of a California opt in bill have been successful and that battles between state trade groups over interstate banking in Texas have strengthened the Independent Bankers Association of Texas internally).

84. *See infra* Table 3 p. 105 (showing that there were 1.22 out-of-state branches per state in 1994).

85. *See id.* (showing that there were 484.86 out-of-state branches per state in 2005).

86. *Id.*

A. IBBEA Provisions with Regard to Interstate Banking

IBBEA allowed interstate bank acquisitions after September 29, 1995, repealed the Douglas Amendment of the 1956 Bank Holding Company Act, and on June 1, 1997, permitted interstate branching.[87] It expressly permits the Board of Governors of the Federal Reserve System (the Board) to approve interstate bank acquisitions, regardless of whether such acquisitions would have been permitted under "the law of any State."[88] Unlike the interstate branching provisions discussed below, the states were not permitted to opt out of the interstate banking rules.[89]

IBBEA does impose certain federal level restrictions on interstate banking. First, the bank holding company acquiring the bank must be "adequately capitalized" and "adequately managed."[90] Second, the bank holding company after the acquisition may not exceed a nationwide deposit concentration limitation of "10 percent of the total amount of deposits of insured depository institutions in the United States."[91] Third, the bank holding company may not exceed a statewide deposit concentration limitation, after the acquisition, of 30%.[92] IBBEA, however, did not affect the right of a state to impose a deposit cap that would limit the amount of deposits below 30%.[93]

In addition to preserving state deposit cap limitations, IBBEA also preserved state age laws, subject to an important exception: An acquisition is not permitted if it does not comply with a state's age law that limits acquisitions of a bank "that has been in existence for the minimum period of time" provided that the minimum age does not exceed five years.[94] IBBEA also does not affect the Board's right to take into account the applicability of a state's community

87. IBBEA, Pub. L. No. 103-328, §§ 101–03, 108 Stat. 2338, 2339–54 (codified as amended in scattered sections of 12 U.S.C.).

88. *Id.* § 101(a), 12 U.S.C. § 1842(d)(1)(A) (2000).

89. *See id.* § 101 (containing no provision for an opt out).

90. *Id.* § 101(a), 12 U.S.C. § 1842.

91. *Id.* § 101(a), 12 U.S.C. § 1842(d)(2)(A). The 10% limitation has already become problematic for some bank holding companies. For example, Bank of America has already reached that limit after its acquisition of FleetBoston. Effectively Bank of America will no longer be able to grow through the acquisition of additional banks. Instead, Bank of America will need to grow its deposit base internally. *See* Board of Governors of the Federal Reserve Board, Order Approving the Merger of Bank Holding Companies (Mar. 8, 2004), http://www.federalreserve.gov/boarddocs/press/orders/2004/20040308/attachment.pdf (last visited Feb. 17, 2008) (approving merger between Bank of America and FleetBoston) (on file with the Washington and Lee Law Review).

92. IBBEA § 101(a), 12 U.S.C. § 1842(d)(2)(B).

93. *Id.*, 12 U.S.C. § 1842(d)(2)(C).

94. *Id.*, 12 U.S.C. § 1842(d)(1)(B).

reinvestment laws[95] or a state's antitrust laws.[96] In addition, IBBEA does not affect a state's authority to tax the bank, the bank holding company, and any affiliates of a bank.[97] Even given these limitations, the overall effect of IBBEA on interstate banking was to eliminate the last vestiges of state interstate banking restrictions.

B. IBBEA Provisions with Regard to Interstate Branching

IBBEA permits a national or state bank to engage in interstate branching, subject to certain limitations. Essentially, a bank may engage in interstate branching by (1) purchasing an out-of-state bank and converting that bank into a branch or, (2) subject to state banking law, either purchasing the branch of an out-of-state bank or opening a "de novo" branch in a state other than its home state.[98] However, IBBEA did permit a state to opt out of interstate branching and also to opt in early.[99] Finally, IBBEA preserved a state's deposit cap and minimum age laws with respect to interstate branching.[100]

Since June 1, 1997, IBBEA has permitted a merger between insured banks with different home states, without regard to whether such transaction is prohibited under the law of any state.[101] As part of the merger transaction, one bank would essentially be converted into an out-of-state branch or branches of the surviving bank. IBBEA also permits, subject to state law, a bank to acquire an out-of-state branch and substantively merge it into the bank.[102]

Although IBBEA was intended to apply to all states, it did permit a state to prohibit "expressly" all "merger transactions involving out-of-state banks,"[103] effectively preventing interstate banking for that state. This was commonly referred to as a bank's ability to "opt out" of interstate branching. The only requirements were that (1) a state had to opt out of interstate branching after the enactment date of IBBEA (September 29, 1994) and before June 1, 1997, and (2) it had to apply "equally to all out-of-state banks."[104] Only Texas and

95. *Id.*, 12 U.S.C. § 1842(d)(3).
96. *Id.*, 12 U.S.C. § 1842(d)(4).
97. *Id.* § 101(b), 12 U.S.C. § 1846(b).
98. *Id.* § 102(a), 12 U.S.C. § 1831u(a).
99. *Id.*, 12 U.S.C. §§ 1831u(a)(2)–(3).
100. *Id.*, 12 U.S.C. § 1831u(b)(2)(C).
101. *Id.*, 12 U.S.C. § 1831u(a)(1).
102. *Id.*, 12 U.S.C. § 1831u(a)(4).
103. *Id.*, 12 U.S.C. § 1831u(a)(2).
104. *Id.*, 12 U.S.C. § 1831u(b)(2).

Montana elected to opt out of interstate branching, although both states later opted back in.[105] IBBEA also permitted a state to "opt in" early to interstate branching. An interstate merger transaction that resulted in out-of-state branches could occur prior to June 1, 1997, provided that the state had enacted a statute permitting such transaction.[106]

IBBEA imposes several federal level limitations on interstate branching. First, both banks must be adequately capitalized prior to the merger transaction, and the resulting bank after the merger must also be "adequately capitalized" and "adequately managed."[107] Second, the resulting bank after the merger may not exceed a nationwide deposit concentration limitation of "more than 10% of the total amount of deposits of insured depository institutions in the United States."[108] Third, for other than initial entries, the resulting bank may not control 30% or more of the deposits in either its home state or in any of its out-of-state branches' host states, although a state is permitted to decrease or increase that percentage as will be discussed below.[109]

C. IBBEA Branching Provisions Determined by Individual States

While IBBEA opened the doors to nationwide branching, it allowed the states to have considerable influence on the manner in which it was implemented, permitting states to effectively impose anticompetitive obstacles to interstate branching. It gave states the ability to set regulations on interstate branching with regard to four important provisions: (1) the minimum age of the target institution to be acquired and then merged into the acquirer, (2) de novo interstate branching, (3) acquisition of individual branches, and (4) statewide deposit cap.[110] IBBEA also does not limit a state's ability to apply reciprocity conditions on those wanting to branch into the state. Over the past decade, some states have been relaxing those restrictions.

105. *Supra* note 81 and accompanying text.

106. IBBEA § 102(a), 12 U.S.C. § 1831u(b)(3) (2000).

107. *Id.*, 12 U.S.C. § 1831u(b)(4).

108. *Id.*, 12 U.S.C. § 1831u(b)(2)(A); *see also supra* notes 91–92 and accompanying text (describing how the 10% limitation has already become problematic for some bank holding companies).

109. IBBEA § 102(a), 12 U.S.C. § 1831u(b)(2)(B).

110. *Id.*, 12 U.S.C. §§ 1831u(a)(5)–(6), (b)(2)(C).

1. Minimum Age of Target Institution

Although IBBEA expressly permits interstate branching through interstate bank mergers, IBBEA preserves state age laws with respect to such acquisitions. Under IBBEA, states are allowed to set their own minimum age requirements with respect to how long a bank has been in existence prior to its acquisition in an interstate bank merger.[111] The state law, however, cannot impose an age requirement of more than five years.[112]

This rule applies to all banks, whether they are chartered by a state regulatory agency or the OCC. If a newly established subsidiary office is located in a state which mandates a minimum age requirement, then the banking company must wait to consolidate the subsidiary to a branch until the subsidiary has met the necessary age requirement.

Many states set their age requirement at five years, but several states implemented a lower state age requirement (three years) or required no minimum age limit at all.[113] The age requirement of the subsidiary office restricts entry of out-of-state banks that wish to establish branch offices or slows consolidation for banking companies with newly established subsidiaries located in states with such requirements.

An age requirement serves two important functions for a state banking industry. First, it protects older and established banks in the state. To branch into a state with an age requirement, the only mode of entry is to buy an older institution and merge it into the bank. Second, it imposes significant costs on out-of-state entry. Rather than simply opening a de novo branch office, a bank is required to purchase an entire operating bank to enter a state. Separate bank charters are presumably more costly than a branch office because they require separate charters, management, capital, and boards of directors.

2. De Novo Interstate Branching

While interstate branching done through an interstate bank merger (i.e. the purchase and conversion of an existing bank to a branch office) is now permitted in every state, de novo interstate branching is only permitted under IBBEA if a state explicitly "opts in" to this provision; that is, a bank is allowed to open an interstate branch only if state law expressly permits it to do so.[114]

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111. *Id.*, 12 U.S.C. § 1831u(a)(5)(A).

112. *Id.*, 12 U.S.C. § 1231u(a)(5)(B).

113. *Infra* Appendix A pp. 107–27.

114. *See* IBBEA § 103, 12 U.S.C. § 36(g) (2000) (permitting de novo interstate branching

This provision applies only to initial entry, though this is not stated in many of the statutes. This implies that, if a bank is able to enter a state through a loophole and establish one initial out-of-state branch, it may then open other branches in that state. We discuss this important distinction and its implications below.

De novo branching allows a bank to branch interstate without the costs of purchasing an operating bank, discussed above. A de novo branching rule benefits all banking companies wishing to enter a state; but small banking companies may benefit more than large banking companies because they may be less able to acquire an existing bank than to open a branch office.

3. *Acquisition of Single Branches or Other Portions of an Institution*

IBBEA states that an interstate merger transaction may involve the acquisition of a branch (or a number of branches) of a bank without the acquisition of the entire bank itself only if the state in which the branch is located permits such a purchase.[115] Again, states must explicitly "opt in" to this provision. In enacting such a provision, many states also subject a branch acquisition to an age requirement.

Such a provision makes it less costly and more efficient for a bank to engage in interstate branching. Rather than being required to enter into an interstate merger of an entire bank in order to interstate branch, a bank may now choose those interstate branches that it wishes to acquire. For example, an Indiana bank wanting to interstate branch into Illinois may only want to acquire the Chicago branches of an Illinois bank, as opposed to acquiring the Peoria branches as well.

4. *Statewide Deposit Cap*

Under IBBEA, an interstate merger—other than with respect to initial entry—will not be approved if the resulting bank, including any affiliated insured depository institutions, controlled 30% or more of the insured deposits in the state.[116] This limitation, however, is not to be construed to affect a state's authority to limit the percentage of deposits that may be controlled by a bank or

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for national banks and state banks granted membership pursuant to 12 U.S.C. §§ 321, 1828(d) (2000)).

115. *Id.* § 102(a), 12 U.S.C. § 1831u(a)(2).

116. *Id.*, 12 U.S.C. § 1831u.

holding company.[117] IBBEA preserves the right of a state to impose a deposit cap on an interstate bank merger transaction below 30% and also to impose limitations with respect to initial entry.[118] The provision should also be read to preserve a state's right to permit deposit concentration levels to exceed 30%.

The obvious impact of a deposit concentration limitation would be to prevent a bank from entering into a larger interstate merger in such a state. For example, if a state had set a deposit cap of 15%, a bank could not enter into an interstate merger transaction with any institution that held more than 15% of the deposits in that particular state. A state could also try to encourage interstate mergers by permitting concentration levels to exceed 30% in order to attract an out-of-state acquirer.

5. Reciprocity

Rather than specifically permitting or prohibiting de novo branching, acquisition of a branch or portion of a bank, a set age requirement, or deposit cap, many states chose to offer these four provisions with reciprocity. In other words, the state would allow the particular action by an out-of-state bank so long as the laws of the state for that out-of-state bank were reciprocal, permitting the same level of interstate branching. For example, a state could permit de novo entry into its state, provided that the state in which the out-of-state bank is chartered (or headquartered in the case of a national bank) also permitted de novo entry into their state.

IV. States' Responses to Interstate Branching Provisions

To collect information on each state's initial IBBEA provisions and changes to those provisions between 1994 and 2005, we surveyed individual state statutes over the eleven-year period.[119] We collected all state statutes that address interstate branching, interpreting the provisions and changes to those

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117. *Id.* § 102, 12 U.S.C. § 1831u(b)(2)(C).

118. *Id.* § 102(a), 12 U.S.C. § 1831u(b)(2)(D).

119. The Conference of State Bank Supervisors (CSBS) publishes a respected *Profile of State-Chartered Banking* every two years. Although the information included on interstate branching is useful, it is collected through voluntary surveys to the individual states. The state responses are not uniform and thus could not be used in our empirical analysis, which covers, annually, the fifty states plus the District of Columbia over the eleven-year period studied. *See generally* CONFERENCE OF STATE BANK SUPERVISORS, A PROFILE OF STATE-CHARTERED BANKING (19th ed. 2002).

provisions over the eleven-year period.[120] We discuss the states' regulatory actions for each provision below.

Table 1 details the changes to state interstate branching law. Since the 1997 "trigger date," thirteen states have eased their initial restrictions on interstate branching. Those states are Georgia, Hawaii, Illinois, Kentucky, Montana, New Hampshire, North Dakota, Oklahoma, Tennessee, Texas, Utah, Washington, and Vermont. Table 2 lists for 1997 and 2005 the number of states that allowed or prohibited each of the four state-determined provisions. This table shows, generally, that states eased their interstate branching restrictions over time. Appendix A lists each of the states' interstate branching laws from 1994–2005.

A. Minimum Age of Target Institution

As of the 1997 trigger date, thirty states had a five-year minimum age requirement.[121] Five had a three-year age requirement, thirteen plus the District of Columbia had no age requirement, two of which with an added reciprocal condition, and two states (Montana and Texas) opted out. By year end 2005, twenty-five states had a five-year minimum age requirement, seven had a three-year minimum age requirement, eighteen states and the District of Columbia had no age requirement, five of which with reciprocity requirements. Most of the states that changed their statutes over the time period generally moved from a five-year requirement to no age requirement. One state, Indiana, added a minimum age requirement. In 1997, it had no age requirement, but added a five-year age requirement in 1998.

B. Statewide Deposit Cap on Branch Acquisition

In 1997, thirty-two states plus the District of Columbia imposed a 30% statewide deposit cap, the standard set by IBBEA. Some states enacted legislation that explicitly enacted a state-wide deposit cap of 30%, while some states were silent on the deposit cap, in which case, the IBBEA state-wide cap applies. Fourteen states imposed a statewide deposit cap less than 30%, which is more restrictive than IBBEA dictates. Two states chose statewide deposit

120. We also contacted the individual state regulatory agencies when we found discrepancies, ambiguities, or omissions in the state statutes.

121. Oregon's law (passed prior to the trigger date) was effective July 1, 1997. One state, Arizona, had a five-year minimum age requirement with reciprocity.

caps greater than 30%, and two states expressly imposed no deposit cap. Only three states made changes to their statewide deposit caps over time;[122] all increased the cap.

C. De Novo Interstate Branching

As of 1997, twelve states and the District of Columbia allowed de novo branching. Of those, eight states allowed it with reciprocity, thirty-six states prohibited de novo branching, and two (Montana and Texas) opted-out. By year's end 2005, twenty-two states plus the District of Columbia allowed de novo branching, sixteen of those twenty-two states allowed it with reciprocity, and twenty-eight states prohibited de novo branching. States that made changes moved from prohibiting de novo branching to either allowing it unrestricted or with reciprocity. All states that made changes over the time period eased restrictions.

D. Acquisition of Single Branches or Other Portions of an Institution

In 1997, thirty-one states prohibited acquisition of a branch or a portion of a bank. Eighteen states allowed it: Ten states plus the District of Columbia allowed it unrestricted, and seven states allowed it with reciprocity. Again, Montana and Texas opted out. By year's end 2005, twenty-four states, seven fewer than in 1997, prohibited acquisition of branches or a portion of a bank. Twenty-seven allowed it, with thirteen unrestricted and fourteen with reciprocity. All states that changed restrictions over time eased those restrictions.

E. Reciprocity

By the end of 2005, sixteen states allowed de novo branching with reciprocity. This means that an out-of-state bank could enter into one of those sixteen states through de novo branching as long as their home state also allowed it. Over time, the number of states permitting de novo branching or acquisition of a branch or portion of a bank with reciprocity increased.

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122. *See* Appendix A (showing that Montana, New Hampshire, and Oklahoma increased the deposit cap).

V. Description of State Branching-Restriction Index

Using our information on state branching statutes, we create quantitative measures to assess the relative restrictiveness of the state interstate branching law post-IBBEA. We do this in two ways. First, we assign a value of one for each factor to the states that set more restrictive provisions than those set by IBBEA for each of the provisions discussed above (minimum age for acquisition, de novo interstate branching, interstate branching by acquisition of a single branch or other portions of an institution, and statewide deposit cap). Specifically, we define the state restriction variables as follows: *Deposit Cap* equals one if a state enacted deposit cap of 30% or less; otherwise, *Deposit Cap* equals zero. *Minimum Age* equals one if a state enacted a three- or five-year minimum age for acquisition requirement; otherwise, it equals zero. *De Novo Branching* equals one if a state prohibits it; otherwise it equals zero. *Single Branch Acquisition* equals one if a state prohibits it; otherwise it equals zero. Finally, *Reciprocity* equals one if the state instituted a reciprocity condition; otherwise, it equals zero.

We next create an index to proxy for a restrictive interstate branching regulatory environment. We aggregate the four factors to give a value for the index between zero and four with zero being the least restrictive and four being the most restrictive. Thus, our index is equally weighted between the four factors. Because we have collected the information on state statutes and changes to those statutes since 1994, we have an index that changes over time.

VI. Data and Analysis

A. Data

Our data set consists of all banking companies that existed from 1994 (the year in which IBBEA was enacted) through 2005. For each banking company, we also include its subsidiary bank and branch data. The parent bank holding company consolidated financial data are collected from the Federal Reserve Board's FR Y-9C reports. The bank-specific financial data are taken from the Federal Financial Institutions Examination Council's Consolidated Reports of Condition and Income (call reports). The branch data come from the Federal Deposit Insurance Corporation's Summary of Deposits data.

The three data sets are merged by the top-tier entity (be it a bank or bank holding company), with one observation for each bank and branch office owned by that top-tier entity. This aggregated branch/bank/bank holding company data set has over 900,000 observations. We aggregate the banking company information for

each state and construct a panel set where each state plus the District of Columbia (denoted $s = 1, \ldots, 51$) has one observation per year (denoted $t = 1, \ldots, T$) for the entire sample period. The resulting time-series, cross-sectional sample has $s * T$, or 612 observations. Finally, to this set, we add the state interstate branching variables representing each of the four state provisions, the reciprocity condition, and the state restriction index.

B. Empirical Analysis

Table 3 contains the summary statistics of our variables for the years 1994, 1997, 2000, and 2005. The table shows that the restriction index has declined over time. This decline is consistent with Table 2, which shows that, over time, the state laws became, on average, less restrictive. The increasing number of out-of-state branch offices and the proportion of out-of-state branches to total branches is consistent with our hypothesis that, as state regulations became less restrictive, more out-of-state branches would emerge.

The table suggests that the restrictiveness of state interstate branching law (post IBBEA) may be associated with growth of out-of-state branches. To empirically test this hypothesis, whether state-specific interstate branching laws affect the growth of out-of-state branches, we model out-of-state branches at the state level as a function of state restrictions, which limit competition from out-of-state banks, and a number of controls.

The general form of the model is:

$$\textit{Out-of-state branches}_{st} = \alpha_s + \gamma_t + \beta_1 * \textit{state restrictions}_{st} + \beta_2 * \textit{reciprocity}_{st} + \varepsilon_{st},$$

where the dependent variable, *out-of-state branches*, is the number of out-of-state branches to total branches, the intercept α captures the state fixed effects, the intercept γ denotes the year-specific fixed effects, *state restrictions* is, alternatively, each of the state branching variables or our interstate branching index, and *reciprocity* is an indicator variable for whether the states imposed a reciprocity condition.[123] We include reciprocity because this condition, imposed by some states for some provisions, directly affects whether the provision itself applies uniformly to all out-of-state banks wishing to establish branch offices in a particular state. A state could allow acquisition of single branches, for example, but only with reciprocity. Banks from states that also had reciprocity or allowed acquisition of single branches

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123. This regression model is used to evaluate the linear relationship between the out-of-state branch growth (the dependent variable) and the individual state restriction variables (the explanatory variables), the regression coefficients are represented by α and γ (the intercepts) and β_1 and β_2.

outright would be therefore allowed to branch into the state that allows single branch acquisition with reciprocity. On the other hand, banks from states that prohibited single branch acquisition would not be allowed to branch into the state that allowed it with reciprocity.

Table 4 contains the regression results for our panel of fifty states plus the District of Columbia. Our results show that the state provisions granted by IBBEA affected out-of-state branch growth. That is, states with looser restrictions on interstate branching experienced greater growth in out-of-state branches than states with tighter restrictions. Our model is estimated using ordinary least squares (OLS) techniques with state and time fixed effects. Fixed effects estimation is a commonly accepted method in the economics of estimating parameters from a panel data set.[124] This method is used when the averages of the dependent variable are expected to be different for each cross-section unit (in our case, by state) and/or each time period (in our case, by year), but the variance of the errors are not expected to be different.

The superscripts *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively. Statistical significance indicates that the probability of obtaining the association between the dependent and independent variables by chance is low. A 1% level means that there is a 99% chance that the obtained result is true and a 1% chance that the result occurred randomly. The regression *R*-squared statistics are included in the last row. The *R*-squared statistic is a commonly accepted indicator of the reliability of a relationship identified by regression and ranges between 0 and 1. The *R*-squared statistics for the five alternative regression specifications, listed in Table 4, range between 0.290 and 0.318; meaning we can explain a sizable 29% to 32% of the variation in the proportion of out-of-state branches to total branches in states by the state interstate branching restriction variables and the reciprocity variable, controlling for state and time fixed effects.

Each of the columns 1–4 includes a single interstate branching provision, time, and state fixed effects, a constant term, and the *reciprocity* indicator variable. Column 5 contains regression results using the restriction index, the sum of the four provisions, time and state fixed effects, a constant term, and the *reciprocity* indicator variable.

If higher interstate branching restrictions were associated with fewer out-of-state branches then we would expect the coefficients (the B_l estimates of the dependent variables) to be negative and statistically significant. Our results indicate that two of the four provisions are statistically significant (acquisition of single

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124. *See* WILLIAM H. GREENE, ECONOMETRIC ANALYSIS 559–60 (4th ed. 2000) ("The fundamental advantage of a panel data set over a cross section is that it will allow the researcher far greater flexibility in modeling differences in behavior across individuals. . . . A common formulation of the model assumes that differences across units can be captured in differences in the constant term.").

branches at the 5% level and the statewide deposit cap at the 1% level); suggesting that these two provisions, specifically, adversely affect out-of-state branch growth in states by prohibiting acquisition of single branches and by having a lower statewide deposit cap. The estimated coefficients for de novo branching and the minimum age requirement are not statistically significant, which suggests that these two restrictions are not binding constraints; that is, that banking companies were either (a) able to circumvent the minimum age requirement and prohibition on de novo branching or (b) the other restrictions were more binding than these two restrictions. The coefficient on the restriction index is negative and statistically significant at the 1% level, suggesting that, as a whole, the four provisions engendered by IBBEA resulted in fewer out-of-state branches in states with higher restrictions, overall. The coefficient on reciprocity is not significant, suggesting that this condition did not affect out-of-state branch growth at all. If states imposed this condition to restrict entry, then importantly, this finding thus implies that imposing a reciprocity condition serves no clear purpose.

VII. Conclusion

While IBBEA, passed in 1994 and effective in 1995, opened the doors to nationwide branching, it allowed the individual states to have considerable influence in the manner in which it was implemented. Many states used the provisions to erect barriers to out-of-state entry. Over the past decade, states have been relaxing those restrictions. Since 1997, thirteen states have eased their initial restrictions on interstate branching.[125]

We conclude that two of the four provisions (the state-wide deposit cap and prohibition on the acquisition of single branches) granted to the states by IBBEA restricted out-of-state branch growth when those provisions were more restrictive than the provisions set by either IBBEA or neighboring states. We find that the minimum age requirement and de novo interstate branching did not materially affect out-of-state branch growth. It is likely that banks were simply able to circumvent these restrictions or that the other two provisions were more restrictive, or constraining, to out-of-state branch growth. Our results suggest that the elimination of remaining interstate branching restrictions would likely result in increased out-of-state branch growth by lowering the barriers (or costs) for out-of-state banks to enter new banking markets.

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125. *See infra* Table 1 pp. 102–03 (describing the statutory changes made in Georgia, Hawaii, Illinois, Kentucky, Montana, New Hampshire, North Dakota, Oklahoma, Tennessee, Texas, Utah, Vermont, and Washington).

VIII. Appendix

Figure 1

Number of Banks, Bank Holding Companies, and Branches in the United States: 1994–2005

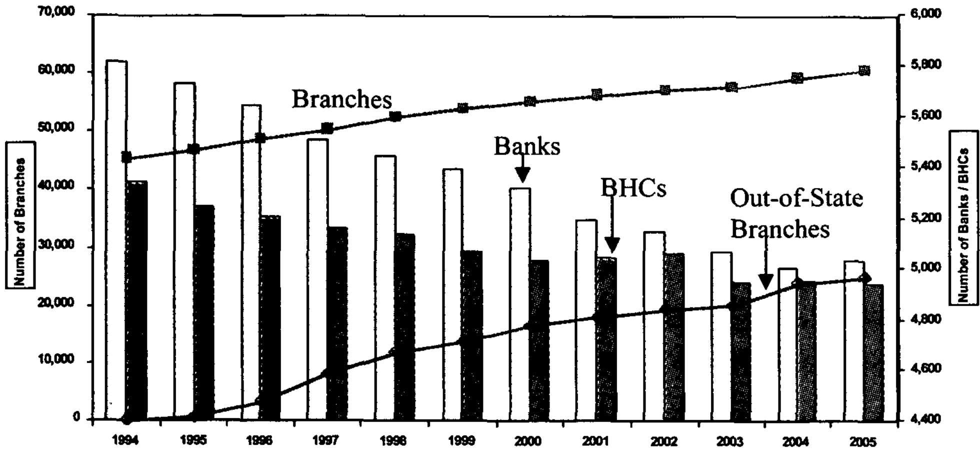

Table 1
States That Revised Interstate Branching Provisions Between 1997 and 2005

State	Post-Enactment Changes	Effective Date
Arizona	No effective changes in statute. Though it was enacted 9/1/1996, not until 8/31/2001 could an out-of-state bank acquire a single branch (with a minimum five-year age requirement). Added reciprocity condition for minimum age requirement and branch acquisition.	8/31/2001
Georgia	Reduced minimum age requirement from five to three years.	5/10/2002
Hawaii	Allowed de novo branching, branch acquisition and eliminated minimum age requirement.	1/1/2001
Illinois	Allowed de novo branching, branch acquisition, and eliminated minimum age requirement. Added reciprocity condition for minimum age requirement, de novo branching, and branch acquisition.	8/20/2004
Indiana	Added minimum age requirement.	7/1/1998
Kentucky	Added reciprocity condition for minimum age requirement.	3/22/2004
Montana	Opted in. Allowed branch acquisition with five-year minimum age requirement, increased state deposit cap by 1% annually to a maximum of 22%.	10/1/2001
New Hampshire	Eliminated minimum age requirement.	1/1/2002
New Hampshire	Allowed de novo branching, branch acquisition, and changed state deposit cap from 20% to 30%.	8/1/2000
North Carolina	Three statutes enacted between 1995 and 1999, but the last two contained no effective change. The original act (1995) permitted de novo branching and branch acquisition with reciprocity until 1997. In 1997, North Carolina extended the reciprocity condition until 1999. In 1999, North Carolina made the reciprocity condition permanent by eliminating the clause that had reciprocity expire on 6/1/1999.	7/1/1995

North Dakota	Allowed de novo branching and branch acquisition. Added reciprocity condition for de novo branching and branch acquisition.	8/1/2003
Oklahoma	Allowed de novo branching, branch acquisition, eliminated minimum age requirement, and increased state deposit cap from 15% to 20% in 2000.	5/17/2000
Tennessee	Reduced minimum age requirement from five to three years in 2003.	3/17/2003
Tennessee	Allowed de novo branching. Added reciprocity condition for de novo branching.	7/1/2001
Tennessee	Allowed branch acquisition. Added reciprocity condition for branch acquisition.	5/1/1998
Texas	Allowed de novo branching and branch acquisition. Added reciprocity condition for de novo branching and branch acquisition. No minimum age requirement for states with reciprocity, five-year minimum age requirement for states with no reciprocity.	9/1/1999
Utah	Allowed de novo branching. Added reciprocity condition.	4/30/2001
Vermont	Eliminated minimum age requirement, allowed de novo branching. Added reciprocity condition for de novo branching.	1/1/2001
Washington	Allowed de novo branching and branch acquisition. Added reciprocity condition for de novo branching and branch acquisition.	5/9/2005

Table 2

Number of States That Allowed or Prohibited Each of the State-Determined Provisions: 1997 and 2005

	Allowed	**Prohibited**	**Allowed with Reciprocity**	**N/A***
Acquisition of Branches				
1997	12	31	6	2
2005	14	24	13	0

	Allowed	**Prohibited**	**Allowed with Reciprocity**	**N/A***
De novo Branches				
1997	5	36	8	2
2005	7	28	16	0

	5 years	**3 years**	**No Minimum Age Requirement**	**Reciprocity**	**N/A***
Minimum Age Requirement					
1997	30	5	11	3	2
2005	24	7	14	6	0

	30%	**<30%**	**>30%**	**None**	**N/A***
Statewide Deposit Cap					
1997	34	13	2	2	2
2005	35	14	2	2	0

* Montana and Texas originally opted out of IBBEA

Table 3

Summary Statistics

The state restriction variables are defined as follows: *Deposit Cap* equals one if state enacted deposit cap of 30% or less; otherwise *Deposit Cap* equals zero. *Minimum Age* equals one if a state enacted three- or five-year minimum age for acquisition requirement; otherwise, it equals zero. *De Novo Branching* equals one if a state prohibits it; otherwise, it equals zero. *Single Branch Acquisition* equals one if a state prohibits it, else zero. Finally, *Reciprocity* equals one if the state instituted a reciprocity condition, else zero.

	1994	**1997**	**2000**	**2005**
Mean (Std. Dev)				
Number of Out-of-State Branches Per State	1.22 (5.85)	161.20 (249.96)	323.47 (421.74)	484.86 (561.16)
Proportion of Out-of-State Branches to Total Branches	0.0074 (0.0373)	0.1849 (0.2208)	0.2603 (0.2277)	0.3728 (0.2101)
Restriction Index	N/A	2.491 (1.461)	2.314 (1.378)	1.941 (1.489)
Minimum Age Dummy	N/A	0.745 (0.440)	0.706 (0.460)	0.627 (0.488)
De Novo Branching Dummy	N/A	0.745 (0.440)	0.706 (0.460)	0.549 (0.503)
Acquisition of Single Branches Dummy	N/A	0.647 (0.482)	0.588 (0.497)	0.471 (0.504)
Deposit Cap Dummy	N/A	0.353 (0.483)	0.314 (0.469)	0.294 (0.460)

Table 4

Regression Results

Regression results for balance panel (*N* = 612) of fifty states plus the District of Columbia, aggregated from bank/branch level data, 1994–2005. The dependent variable equals the number of out-of-state branches to total branches. All variables are based on annual observations from year *t*. Equations are estimated with fixed time and state effects. The superscripts *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively. *T*-statistics are included in parentheses.

	1	2	3	4	5
Acquisition of Single Branches	-0.0460** (-2.26)				
Allows de Novo Branches		-0.0242 (-1.19)			
Minimum Age Requirement			-0.0046 (-0.23)		
Statewide Deposit Cap				-0.0776*** (-3.87)	
Restriction Index					-0.0164** (-2.47)
Reciprocity	0.0210 (0.73)	0.0329 (1.15)	0.0436 (1.59)	0.0385 (1.45)	0.0219 (0.78)
Constant	0.0525** (2.07)	0.0317 (1.23)	0.0121 (0.47)	0.0835*** (3.33)	0.0722** (2.36)
***R*-squared**	0.295	0.290	0.287	0.318	0.297

Appendix A—Interstate Branching Laws, 1994–2005

State	Changes to State Interstate Branching Laws	Session Law	Effective Date	1842(d)(1)(B) 1831u(a)(5)(A) Minimum Age of Institution (Bank or Branch) for Acquisitions	36(g)(1) & 1828(b)(4) Opt In Allows De Novo Interstate Branching	1831(u)(a)(4) Interstate Branching by Acquisition of Single Branches or Other Portions of an Institution	1842(d)(2)(c) 1831u(b)(2) (B)(ii) Statewide Deposit Cap on Acquisitions	Reciprocity Required for Minimum Age, De Novo, & Branch Acquisition
Alabama		1995 Ala. Laws 115.	5/31/1997	5 years; ALA. CODE § 5-13B-23(c).	No; ALA. CODE § 5-13B-23(d).	No; ALA. CODE § 5-13B-23(e).	30%; ALA. CODE § 5-13B-23(b).	No
Alaska		1993 Alaska Sess. Laws 87.	1/1/1994	3 years; ALASKA STAT. §§ 06.05.550–06.05.990.	No; ALASKA STAT. § 06.05.550 (b).	Yes; ALASKA STAT. § 06.05. 550(a).	50%; ALASKA STAT. § 06.05.548.	No
Arizona	No effective changes in statute. Though it was enacted 9/1/1996, not until 8/31/2001 could an out-of-state bank acquire a single branch (with a *minimum* 5-year age requirement). Added reciprocity condition for minimum age requirement and branch acquisition.	1996 Ariz. Sess. Laws 81.	8/31/2001	5 years; reciprocity required; ARIZ. REV. STAT. § 6-324.	No; ARIZ. REV. STAT. § 6-324.	Yes; reciprocity required; ARIZ. REV. STAT. § 6-322(E).	30%; ARIZ. REV. STAT. § 6-328.	Yes; ARIZ. REV. STAT. § 6-327(B).

State	Changes to State Interstate Branching Laws	Session Law	Effective Date	1842(d)(1)(B) 1831u(a)(5)(A) Minimum Age of Institution (Bank or Branch) for Acquisitions	36(g)(1) & 1828(b)(4) Opt In Allows De Novo Interstate Branching	1831(u)(a)(4) Interstate Branching by Acquisition of Single Branches or Other Portions of an Institution	1842(d)(2)(c) 1831u(b)(2) (B)(ii) Statewide Deposit Cap on Acquisitions	Reciprocity Required for Minimum Age, De Novo, & Branch Acquisition
Arizona		1996 Ariz. Sess. Laws 81.	9/1/1996	5 years; reciprocity required; ARIZ. REV. STAT. § 6-324.	No; ARIZ. REV. STAT. § 6-324.	Yes; reciprocity required; ARIZ. REV. STAT. § 6-322(E).	30%; ARIZ. REV. STAT. § 6-328.	Yes; ARIZ. REV. STAT. § 6-327(B).
Arkansas		1997 Ark. Acts 408.	6/1/1997	5 years; ARK. CODE ANN. §§ 23-48-903, 23-45-102(18).	No; ARK. CODE ANN. § 23-48-904.	No; ARK. CODE ANN. § 23-48-904.	25%; ARK. CODE ANN. § 23-48-406.	No
California		1995 Cal. Stat. 480.	9/28/1995	5 years; CAL. FIN. CODE § 3825.	No; CAL. FIN. CODE § 3824(b)(3).	No; CAL. FIN. CODE § 3824(b)(2).	30% (per IBBEA).	No
Colorado		1995 Colo. Sess. Laws 1355.	6/1/1997	5 years; COLO. REV. STAT. § 11-104-202(2).	No; COLO. REV. STAT. § 11-104-202(6).	No; COLO. REV. STAT. §§ 11-104-202(6), 11-104-201.	25%; COLO. REV. STAT. § 11-104-202(4).	No
Connecticut		1995 Conn. Acts 155.	6/27/1995	5 years; CONN. GEN. STAT. § 36a-412(a)(1).	Yes; reciprocity required; CONN. GEN. STAT. § 36a-412(a)(2).	Yes; reciprocity required; CONN. GEN. STAT. § 36a-412(a)(1).	30%; CONN. GEN. STAT. § 36a-412(a)(1).	Yes; CONN. GEN. STAT. § 6a-412(a)(2).

State	Changes to State Interstate Branching Laws	Session Law	Effective Date	1842(d)(1)(B) 1831u(a)(5)(A) Minimum Age of Institution (Bank or Branch) for Acquisitions	36(g)(1) & 1828(b)(4) Opt In Allows De Novo Interstate Branching	1831(u)(a)(4) Interstate Branching by Acquisition of Single Branches or Other Portions of an Institution	1842(d)(2)(c) 1831u(b)(2) (B)(ii) Statewide Deposit Cap on Acquisitions	Reciprocity Required for Minimum Age, De Novo, & Branch Acquisition
Delaware		70 Del. Laws 230.	9/29/1995	5 years; DEL. CODE ANN. tit. 5, §§ 795(7), 795E, 795F.	No; DEL. CODE ANN. tit. 5, § 795B(c).	No; DEL. CODE ANN. tit. 5, § 795B(c).	30%; DEL. CODE ANN. tit. 5, § 795H. *****	No
District of Columbia		43 D.C. Reg. 3370 (June 28, 1996).	6/13/1996	No; D.C. CODE § 26-737.	Yes; D.C. CODE § 26-734.	Yes; D.C. CODE § 26-734.	30% (per IBBEA).	No
Florida		1996 Fla. Laws 168.	6/1/1997	3 years; FLA. STAT. § 658.2953 (7)(c).	No; FLA. STAT. § 658.2953 (5).	No	30%; FLA. STAT. § 658.2953 (7)(b).	No
Georgia	Reduced minimum age requirement from 5 to 3 years.	2002 Ga. Laws 670.	5/10/2002	3 years; GA. CODE ANN. § 7-1-628.3(b).	No; GA. CODE ANN. § 7-1-628.8.	No; GA. CODE ANN. § 7-1-628.9.	30%; GA. CODE ANN. § 7-1-628.3(a)(2).	No

State	Changes to State Interstate Branching Laws	Session Law	Effective Date	1842(d)(1)(B) 1831u(a)(5)(A) Minimum Age of Institution (Bank or Branch) for Acquisitions	36(g)(1) & 1828(b)(4) Opt In Allows De Novo Interstate Branching	1831(u)(a)(4) Interstate Branching by Acquisition of Single Branches or Other Portions of an Institution	1842(d)(2)(c) 1831u(b)(2) (B)(ii) Statewide Deposit Cap on Acquisitions	Reciprocity Required for Minimum Age, De Novo, & Branch Acquisition
Georgia		1996 Ga. Laws 279.	6/1/1997	5 years; GA. CODE ANN. §§ 7-1-608, 7-1-622, 7-1-628.3(b).	No; GA. CODE ANN. § 7-1-628.8.	No; GA. CODE ANN. § 7-1-628.9.	30%; GA. CODE ANN. § 7-1-628.3(a)(2).	No
Hawaii	Allowed de novo branching, branch acquisition, and eliminated minimum age requirement.	1999 Haw. Sess. Laws 283.	1/1/2001	No; HAW. REV. STAT. § 412:12-104.	Yes; HAW. REV. STAT. § 412:12-105(a).	Yes; HAW. REV. STAT. § 412:12-105(b).	30%; HAW. REV. STAT. § 412:12-106.*****	No
Hawaii		1996 Haw. Sess. Laws 155.	6/1/1997	5 years; HAW. REV. STAT. § 412:12-104.	No; HAW. REV. STAT. § 412:12-105.	No; HAW. REV. STAT. § 412:12-105.	30% (per IBBEA); HAW. REV. STAT. § 412:12-106.	No
Idaho		1995 Idaho Sess. Laws 299.	9/29/1995 *	5 years; IDAHO CODE ANN. § 26-1605.	No	No; IDAHO CODE ANN. § 26-1604(2).	Statute explicitly states no deposit cap; IDAHO CODE ANN. § 26-1606.**	Yes***

State	Changes to State Interstate Branching Laws	Session Law	Effective Date	1842(d)(1)(B) 1831u(a)(5)(A) Minimum Age of Institution (Bank or Branch) for Acquisitions	36(g)(1) & 1828(b)(4) Opt In Allows De Novo Interstate Branching	1831(u)(a)(4) Interstate Branching by Acquisition of Single Branches or Other Portions of an Institution	1842(d)(2)(c) 1831u(b)(2) (B)(ii) Statewide Deposit Cap on Acquisitions	Reciprocity Required for Minimum Age, De Novo, & Branch Acquisition
Illinois	Allowed de novo branching, branch acquisition, and eliminated minimum age requirement. Added reciprocity condition for minimum age requirement, de novo branching, and branch acquisition.	2004 Ill. Laws 93-965.	8/20/2004	No age requirement if reciprocity; 5 years if no reciprocity; 205 ILL. COMP. STAT. 5/21-2.	Yes; reciprocity required; 205 ILL. COMP. STAT. 5/21-4.	Yes; reciprocity required; 205 ILL. COMP. STAT. 5/21-4.	30%; 205 ILL. COMP. STAT. 5/21-3.	Yes
Illinois		1997 Ill. Laws 90-226.	6/1/1997	5 years; 205 ILL. COMP. STAT. 5/21-2.	No; 205 ILL. COMP. STAT. 5/21-4.	No	30%; 205 ILL. COMP. STAT. 5/21-3.	No
Indiana	Added minimum age requirement.	1998 Ind. Acts 11.	7/1/1998	5 years; IND. CODE § 28-2-17-20.1(b).	Yes; reciprocity required; IND. CODE § 28-2-18-20.	Yes; reciprocity required; IND. CODE § 28-2-18-21.	30% (per IBBEA).	Yes; IND. CODE § 28-2-18-29.
Indiana		1996 Ind. Acts 2260.	6/1/1997	No	Yes; reciprocity required; IND. CODE § 28-2-18-20.	Yes; reciprocity required; IND. CODE § 28-2-18-21.	30% (per IBBEA).	Yes; IND. CODE § 28-2-18-29.

State	Changes to State Interstate Branching Laws	Session Law	Effective Date	1842(d)(1)(B) 1831u(a)(5)(A) Minimum Age of Institution (Bank or Branch) for Acquisitions	36(g)(1) & 1828(b)(4) Opt In Allows De Novo Interstate Branching	1831(u)(a)(4) Interstate Branching by Acquisition of Single Branches or Other Portions of an Institution	1842(d)(2)(c) 1831u(b)(2) (B)(ii) Statewide Deposit Cap on Acquisitions	Reciprocity Required for Minimum Age, De Novo, & Branch Acquisition
Iowa		1996 Iowa Acts 143.	4/4/1996	5 years; IOWA CODE § 524.1805(1).	No; IOWA CODE § 524.1205 (4).	No	15%; IOWA CODE § 524.1802(7).	No
Kansas		1995 Kan. Sess. Laws 222.	9/29/1995	5 years; KAN. STAT. ANN. § 9-541(a).	No	No	15%; KAN. STAT. ANN. § 9-520.	No
Kentucky	Added reciprocity condition for minimum age requirement.	2004 Ky. Acts 12.	3/22/2004	No; reciprocity required; KY. REV. STAT. ANN. § 287.920.	No	No	15%; KY. REV. STAT. ANN. §287.920.	Yes
Kentucky	Eliminated minimum age requirement.	2000 Ky. Acts 335.	3/17/2000	No; reciprocity not required; KY. REV. STAT. ANN. § 287.920.	No	No	15%; KY. REV. STAT. ANN. § 287.920.	No

State	Changes to State Interstate Branching Laws	Session Law	Effective Date	1842(d)(1)(B) 1831u(a)(5)(A) Minimum Age of Institution (Bank or Branch) for Acquisitions	36(g)(1) & 1828(b)(4) Opt In Allows De Novo Interstate Branching	1831(u)(a)(4) Interstate Branching by Acquisition of Single Branches or Other Portions of an Institution	1842(d)(2)(c) 1831u(b)(2) (B)(ii) Statewide Deposit Cap on Acquisitions	Reciprocity Required for Minimum Age, De Novo, & Branch Acquisition
Kentucky		1996 Ky. Acts 1548.	6/1/1997	5 years; KY. REV. STAT. ANN. § 287.920.	No	No	15%; KY. REV. STAT. ANN. § 287.920.	No
Louisiana		1995 La. Acts 3748.	6/1/1997	5 years; LA. REV. STAT. ANN. § 6:532(11).	No; LA. REV. STAT. ANN. § 6:536(c).	No; LA. REV. STAT. ANN. § 6:536(c).	30% (per IBBEA).	No
Maine		1995 Me. Laws 1640.	1/1/1997	No	Yes; reciprocity required; ME. REV. STAT. ANN. tit. 9-B, § 373(1).	Yes; reciprocity required; ME. REV. STAT. ANN. tit. 9-B, § 373(1).	30%; ME. REV. STAT. ANN. tit. 9-B, § 241(10).	Yes; ME. REV. STAT. ANN. tit. 9-B, § 373(1).
Maryland		1995 Md. Laws 1989.	9/29/1995	No	Yes; MD. CODE ANN., FIN. INST. § 5-1003(a)(1).	Yes; MD. CODE ANN., FIN. INST. § 5-1003(2).	30%; MD. CODE ANN., FIN. INST. § 5-1013.	No

State	Changes to State Interstate Branching Laws	Session Law	Effective Date	1842(d)(1)(B) 1831u(a)(5)(A) Minimum Age of Institution (Bank or Branch) for Acquisitions	36(g)(1) & 1828(b)(4) Opt In Allows De Novo Interstate Branching	1831(u)(a)(4) Interstate Branching by Acquisition of Single Branches or Other Portions of an Institution	1842(d)(2)(c) 1831u(b)(2) (B)(ii) Statewide Deposit Cap on Acquisitions	Reciprocity Required for Minimum Age, De Novo, & Branch Acquisition
Massachusetts		1996 Mass. Acts 1089.	8/2/1996	3 years; MASS. GEN. LAWS ch. 167, § 39B.	Yes; MASS. GEN. LAWS ch.167, § 39C.	Yes; MASS. GEN. LAWS ch.167, § 39C.	30%; MASS. GEN. LAWS ch.167, § 39B.	Yes; MASS. GEN. LAWS ch.167, §§ 39B–39C.
Michigan		1995 Mich. Pub. Acts 1820.	11/29/1995	No; MICH. COMP. LAWS § 487.13702.	Yes; reciprocity required; MICH. COMP. LAWS § 487.13711 (7).	Yes; reciprocity required; MICH. COMP. LAWS § 487.14107(1) .	Statue explicitly states no deposit cap. MICH. COMP. LAWS § 487.11104 (8).**	Yes; MICH. COMP. LAWS §§ 487.13711 (7), 487.14107(1).
Minnesota		1996 Minn. Laws 877.	6/1/1997	5 years; MINN. STAT. § 49.411(4).	No	No	30% (per IBBEA).	No
Mississippi		1995 Miss. Laws 12.	6/1/1997	5 years; MISS. CODE ANN. § 81-7-8(1).	No	No	25%; MISS. CODE ANN. § 81-7-8(2).	No
Missouri		1995 Mo. Laws 882.	9/29/1995 *	5 years; MO. REV. STAT. § 362.077.	No	No	13%; MO. REV. STAT. § 362.915.	No

State	Changes to State Interstate Branching Laws	Session Law	Effective Date	1842(d)(1)(B) 1831u(a)(5)(A) Minimum Age of Institution (Bank or Branch) for Acquisitions	36(g)(1) & 1828(b)(4) Opt In Allows De Novo Interstate Branching	1831(u)(a)(4) Interstate Branching by Acquisition of Single Branches or Other Portions of an Institution	1842(d)(2)(c) 1831u(b)(2) (B)(ii) Statewide Deposit Cap on Acquisitions	Reciprocity Required for Minimum Age, De Novo, & Branch Acquisition
Montana	***Opted in.*** Allowed branch acquisition with 5-year minimum age requirement, increased state deposit cap by 1% annually to a maximum of 22%.	2001 Mont. Laws 214.	3/13/2001 (enacted 1997)	5 years; MONT. CODE ANN. § 32-1-370.	No; MONT. CODE ANN. § 32-1-372.	No	22%; MONT. CODE ANN. § 32-1-383.	No
Montana	***Opted out***	1995 Mont. Laws 265 § 5.	9/29/1995	N/A	N/A	N/A	18%; increases 1% per year up to 22%; MONT. CODE ANN. § 32-1-383(3).	No
Nebraska		1997 Neb. Laws 768.	5/31/1997	5 years; NEB. REV. STAT. § 8-2104.	No; NEB. REV. STAT. § 8-2105.	No; NEB. REV. STAT. § 8-2105.	14%; NEB. REV. STAT. § 8-2106.	No

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Nevada		1995 Nev. Stat. 1537.	9/29/1995 *	5 years; NEV. REV. STAT. § 666.405(1).	No; NEV. REV. STAT. § 666.410 (Exception for counties of 100,000 or less).	No; NEV. REV. STAT. § 666.410 (Exception for counties of 100,000 or less).	30% (per IBBEA).	No
New Hampshire	Eliminated minimum age requirement.	2001 N.H. Laws 558.	1/1/2002	No	Yes; reciprocity required; N.H. REV. STAT. § 384.60.	Yes; reciprocity required; N.H. REV. STAT. § 384:60.	30%; N.H. REV. STAT. §§ 384-B:2, B:3, 383:59.	Yes; N.H. REV. STAT. §§ 384:59, 384:60.
New Hampshire	Allowed de novo branching, branch acquisition, and changed state deposit cap from 20% to 30%.	2000 N.H. Laws 265.	8/1/2000	5 years; N.H. REV. STAT. § 384:59.	Yes; reciprocity required; N.H. REV. STAT. § 384.60.	Yes; reciprocity required; N.H. REV. STAT. § 384:60.	30%; N.H. REV. STAT. §§ 384-B:2, B:3, 383:59.	Yes; N.H. REV. STAT. §§ 384:59, 384:60.

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New Hampshire		1996 N.H. Laws 587.	6/1/1997	5 years; N.H. REV. STAT. § 384:59.	No	No	20%; N.H. REV. STAT. § 384:59.	No
New Jersey		1996 N.J. Laws § 7.	4/17/1996	No; N.J. STAT. ANN. § 17:9A-133.1.	No	Yes; N.J. STAT. ANN. § 17:9A-133.1(e).	30%; N.J. STAT. ANN. § 17:9A-133.1(b).	No
New Mexico		1996 N.M. Laws 21.	6/1/1996	5 years; N.M. STAT. §58-1C-5(C).	No; N.M. STAT. §58-1C-6.	No; N.M. STAT. §58-1C-6.	40%; N.M. STAT. § 58-1C-5(B).	No
New York		1996 N.Y. Laws 18.	6/1/1997	5 years; N.Y. BANKING LAW § 223-a.	No; N.Y. BANKING LAW § 224.	Yes; N.Y. BANKING LAW § 223.	30% (per IBBEA).	No

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North Carolina	Three statutes enacted between 1995 and 1999, but the last two contained no effective change. The original act (1995) permitted de novo branching and branch acquisition with reciprocity until 1997. In 1997, North Carolina extended the reciprocity condition until 1999. In 1999, North Carolina made the reciprocity condition permanent by eliminating the clause that had reciprocity expire on 6/1/1999.	1995 N.C. Sess. Laws 651.	7/1/1995	No; reciprocity required; N.C. GEN. STAT. § 53-224.19.	Yes; reciprocity required; N.C. GEN. STAT. § 53-224.12.	Yes; reciprocity required; N.C. GEN. STAT. § 53-224.13.	30% (per IBBEA).	Yes; N.C. GEN. STAT. § 53-224.14(c).

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North Dakota	Allowed de novo branching and branch acquisition. Added reciprocity condition for de novo branching and branch acquisition.	2003 N.D. Laws 214.	8/1/2003	No; reciprocity required; N.D. CENT. CODE § 6.08.4-04.	Yes; reciprocity required; N.D. CENT. CODE § 6-08.4-04.	Yes; reciprocity required; N.D. CENT. CODE § 6-08.4-04.	25%; N.D. CENT. CODE § 6-08.3-03.1.	Yes; N.D. CENT. CODE § 6-08.4-06.1.
North Dakota		1997 N.D. Laws 273.	5/31/1997	No; reciprocity required; N.D. CENT. CODE § 6.08.3-13.	No	No	25%; N.D. CENT. CODE § 6-08.3-03.1.	Yes; N.D. Cent. Code § 6-08.4-06.1.
Ohio		1997 Ohio Laws 6332.	5/21/1997	No; OHIO REV. CODE ANN. § 1115.05(B).	Yes; OHIO REV. CODE ANN. § 1117.01.	Yes; OHIO REV. CODE ANN. § 1117.01.	30%; OHIO REV. CODE ANN. § 1115.05(B)(1)(a).	No

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Oklahoma	Allowed de novo branching, branch acquisition, eliminated minimum age requirement, and increased state deposit cap from 15% to 20% in 2000.	2000 Okla. Sess. Laws 739.	5/17/2000	No; OKLA. STAT. tit. 6 § 501.1(K).	Yes; OKLA. STAT. tit. 6 § 501.1.	Yes; OKLA. STAT. tit. 6 § 501.1.	20%; OKLA. STAT. tit. 6 § 501.1.	Yes; OKLA. STAT. tit. 6 § 501.1.
Oklahoma		1997 Okla. Sess. Laws 468.	5/31/1997	5 years; OKLA. STAT. tit. 6 § 501.1(K).	No	No	15%; OKLA. STAT. tit. 6 § 501.1.	No
Oregon	Prohibited branch acquisition.	1997 Or. Laws 23.	7/1/1997	3 years; OR. REV. STAT. § 713.270.	No	No	30% (per IBBEA).	No

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Oregon		1995 Or. Laws 23.	2/27/1995	3 years; OR. REV. STAT. § 711.017.	No	Yes	30% (per IBBEA).	No
Pennsylvania		1995 Pa. Laws 271.	7/6/1995	No; 7 PA. STAT. ANN. § 1602.	Yes; reciprocity required; 7 PA. STAT. ANN. §904(b).	Yes; reciprocity required; 7 PA. STAT. ANN. § 904.	30% (per IBBEA).	Yes; PA. STAT. ANN. § 904(b).
Rhode Island		1995 R.I. Pub. Laws 234, 284.	6/20/1995	No; R.I. GEN. LAWS § 19-7-3.	Yes; R.I. GEN. LAWS § 19-7-9.	Yes; R.I. GEN. LAWS § 19-7-9.	30% (per IBBEA).	Yes; R.I. GEN. LAWS § 19-7-9.
South Carolina		1996 S.C. Acts 2003.	7/1/1996	5 years; S.C. CODE ANN. § 34-25-240(c).	No	No	30%; S.C. CODE ANN. § 34-25-240(b).	No
South Dakota		1996 S.D. Sess. Laws 361.	3/9/1996	5 years; S.D. CODIFIED LAWS § 51A-7-16.	No	No	30% (per IBBEA).	No

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Tennessee	Reduced minimum age requirement from 5 to 3 years in 2003.	2003 Tenn. Pub. Acts 60.	3/17/2003	3 years; TENN. CODE ANN. § 45-2-1403.	Yes; reciprocity required; TENN. CODE ANN. § 45-2-1412.	Yes; reciprocity required; TENN. CODE ANN. § 45-2-1412(a).	30%; TENN. CODE ANN. § 45-2-1404.	Yes; TENN. CODE ANN. § 45-2-1412(b).
Tennessee	Allowed de novo branching. Added reciprocity condition for de novo branching.	2001 Tenn. Pub. Acts 262.	7/1/2001	5 years; TENN. CODE ANN. § 45-2-1403.	Yes; reciprocity required; TENN. CODE ANN. § 45-2-1402.	Yes; reciprocity required; TENN. CODE ANN. §45-2-1412(a).	30%; TENN. CODE ANN. § 45-2-1404.	Yes; TENN. CODE ANN. § 45-2-1412(b).
Tennessee	Allowed branch acquisition. Added reciprocity condition for branch acquisition.	1998 Tenn. Pub. Acts 350.	5/1/1998	5 years; TENN. CODE ANN. § 45-2-1403.	No	Yes; reciprocity required; TENN. CODE ANN. § 45-2-1412(a).	30%; TENN. CODE ANN. § 45-2-1404.	Yes; TENN. CODE ANN. § 45-2-1412(b).

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Tennessee		1996 Tenn. Pub. Acts 310.	6/1/1997	5 years; TENN. CODE ANN. § 45-2-1403.	No	No	30%; TENN. CODE ANN. § 45-2-1404.	Yes; TENN. CODE ANN. § 45-2-1412(b).
Texas	Allowed de novo branching and branch acquisition. Added reciprocity condition for de novo branching and branch acquisition. No minimum age requirement for states with reciprocity, 5-year minimum age requirement for states with no reciprocity.	1999 Tex. Gen. Laws 1255.	9/1/1999	No, if reciprocity; 5 years if no reciprocity for de novo; TEX. FIN. CODE ANN. § 203.005.	Yes; reciprocity required; TEX. FIN. CODE ANN. § 203.002(a).	Yes; reciprocity required; TEX. FIN. CODE ANN. § 203.002(c).	20%; TEX. FIN. CODE ANN. § 203.004.	Yes; TEX. FIN. CODE ANN. § 203.002.

State	**Changes to State Interstate Branching Laws**	**Session Law**	**Effective Date**	**1842(d)(1)(B) 1831u(a)(5)(A) Minimum Age of Institution (Bank or Branch) for Acquisitions**	**36(g)(1) & 1828(b)(4) Opt In Allows De Novo Interstate Branching**	**1831(u)(a)(4) Interstate Branching by Acquisition of Single Branches or Other Portions of an Institution**	**1842(d)(2)(c) 1831u(b)(2) (B)(ii) Statewide Deposit Cap on Acquisitions**	**Reciprocity Required for Minimum Age, De Novo, & Branch Acquisition**
Texas	***Opted out***	1995 Tex. Gen. Laws 437.	8/28/1995	N/A	N/A	N/A	20%; 1999 TEX. SESS. LAW SERV. 19 (West).	N/A
Utah	Allowed de novo branching. Added reciprocity condition.	2001 Utah Laws 1009.	4/30/2001	5 years; UTAH CODE ANN. § 7-1-703(7).	Yes; reciprocity required; UTAH CODE ANN. §§ 7-1-702(5)(b), (c).	Yes; UTAH CODE ANN. § 7-1-702(4)(a).	30% (per IBBEA).	Yes; UTAH CODE ANN. §§ 7-1-702(5)(b), (c).
Utah		1995 Utah Laws 244.	6/1/1995	5 years; UTAH CODE ANN. § 7-1-703(7).	No; UTAH CODE ANN. §§ 7-1-702(5)(b), (c).	Yes; UTAH CODE ANN. § 7-1-702(4)(a).	30% (per IBBEA).	No

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Vermont	Eliminated minimum age requirement, allowed de novo branching. Added reciprocity condition for de novo branching.	2000 Vt. Acts & Resolves 509, 514.	1/1/2001	No; 8 VT. STAT. ANN. tit. 205 § 15202.	Yes; reciprocity required; 8 VT. STAT. ANN. § 15202(b)(2).	Yes; 8 VT. STAT. ANN. § 15202(b)(1).	30%; 8 VT. STAT. ANN. § 14108.	Yes; 8 VT. STAT. ANN. §§ 15202(b)(1), (2).
Vermont		1996 Vt. Acts & Resolves 177, 179.	5/30/1996	5 years; 8 VT. STAT. ANN. § 654.	No	Yes; 8 VT. STAT. ANN. § 654(b)(2).	30%; 8 VT. STAT. ANN. § 1015.	No
Virginia		1995 Va. Acts 427.	9/29/1995 *	No; VA. CODE ANN. § 6.1-44.18.	Yes; reciprocity required; VA. CODE ANN. § 6.1-44.4.	Yes; VA. CODE ANN. § 6.1-44.5.	30% (per IBBEA).	Yes; VA. CODE ANN. § 6.1-44.7.

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Washington	Allowed de novo branching and branch acquisition. Added reciprocity condition for de novo branching and branch acquisition.	2005 Wash. Sess. Laws 1487.	5/9/2005	5 years; WASH. REV. CODE ANN. § 30.04.232.	Yes; reciprocity required; WASH. REV. CODE ANN. § 30.38.015.	Yes; reciprocity required; WASH. REV. CODE ANN. § 30.38.015.	30% (per IBBEA); WASH. REV. CODE ANN. § 30.49.125.*	Yes; WASH. REV. CODE ANN. § 30.38.0.
Washington		1996 Wash. Sess. Laws 3.	6/6/1996	5 years; WASH. REV. CODE ANN. § 30.04.232.	No	No	30% (per IBBEA); WASH. REV. CODE ANN. § 30.49.125. ****	No

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West Virginia		1996 W. Va. Acts 351.	5/31/1997	No; W.VA. CODE § 31A-8D-4.	Yes; reciprocity required; W.VA. CODE § 31A-8E-4.	Yes; reciprocity required; W.VA. CODE § 31A-8E-4.	25%; W.VA. CODE § 31A-2-12a.	Yes; W.VA. CODE § 31A-8E-4.
Wisconsin		1995 Wis. Sess. Laws 2077.	5/1/1996	5 years; WIS. STAT. ANN. § 221.0901(8).	No	No	30%; WIS. STAT. ANN. § 221.0901(7). ****	No
Wyoming		1997 Wyo. Sess. Laws 133.	5/31/1997	3 years; WYO. STAT. ANN. § 13-2-804(c).	No	No	30%; WYO. STAT. ANN. § 13-2-804(b).	No

* No precise date is listed in the statute, only the year. We assume for each of these states that the effective date is 09/29/1995.

** Statute states no deposit cap, which implicitly implies 100%.

*** Idaho requires reciprocity, but it does not allow de novo branching, or acquisition of a branch, and has a five-year minimum age requirement to buy a bank, making it one of the most restrictive states. Thus, the reciprocity requirement has little value.

**** Statute expressly references IBBEA deposit cap.

***** Statute states 30% statewide deposit cap per IBBEA, but the State Banking Commissioner may waive the cap.