Competition and the Changing Banking Structure in New Jersey*

New Jersey is one of several states that in recent years have liberalized their banking statutes to permit commercial banks to expand through branching and merging over a widened geographical area within state boundaries. The 1969 Banking Act amendments substantially broadened the possibilities for increased competition in local New Jersey banking markets, not only by permitting commercial banks wider powers of expansion, but also by allowing for the first time the formation of bank holding companies that control more than one bank. The ability of banking organizations to expand may be broadened even further through legislation recently passed by the New Jersey legislature. If enacted, this legislation will modify significantly the state's home- and branch-office protection laws and permit statewide branching and merging by commercial banks.

This article reviews the evolution of banking structure in the state during the past two decades and assesses the impact of the 1969 legislative changes on the development of increased competition and on the quality and cost of services available to the public in New Jersey. Evidence of the initial impact of the legislative change was gathered by the Federal Reserve Bank of New York in mid-1971 from interviews held with 18 commercial banks in northern New Jersey. Additional evidence of the law's impact was obtained from a study of the behavior of the operating revenues and expenses of a group of banks selected from the Paterson banking market. Thus far, this evidence indicates that increased competition has improved the banking services available in the Paterson market without a significant adverse effect on bank profitability. The pending 1973 liberalization of the banking law can be expected to have similar benefits for the users of banking services in New Jersey.

NEW JERSEY BANKING LEGISLATION IN PERSPECTIVE

Effective in January 1969, the banking statutes of New Jersey were amended to allow commercial banks wider powers of expansion in three major respects.[1] First, the state was divided into three geographical banking districts within which banks may merge and establish new *(de novo)* branches (see map). Second, branch-office protection was lifted in communities having a population of 7,500 or more. Third, the formation of statewide bank holding companies was permitted, subject to the limitation that no company may control 20 percent or more of the total commercial bank deposits in the state. The first two provisions became effective in July 1969, while the third became effective with the enactment of the legislation early in 1969.

Prior to 1969, the authority of commercial banks in New Jersey to expand geographically was sharply limited by the Banking Act of 1948.[2] Although this legislation permitted commercial banks to establish new branches outside their home communities for the first time, the home- and branch-office protection features of the law severely

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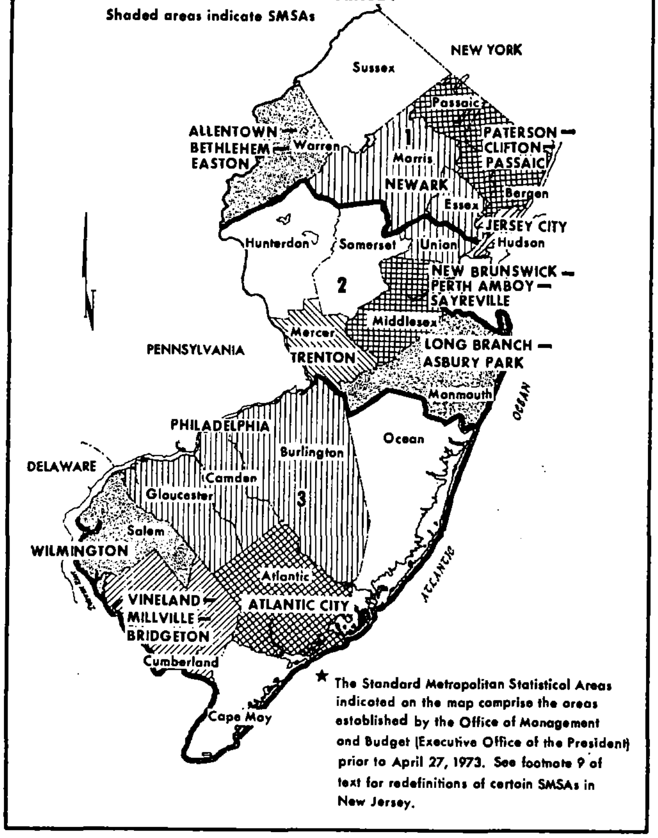
[1] State of New Jersey, Laws of 1968, chapters 415, 416, 418, and 426. The law also authorizes wider branching and merging for savings banks and savings and loan associations. This article deals with the changes affecting commercial banks.

[2] State of New Jersey, Laws of 1948, chapter 67.



BANKING DISTRICTS AND METROPOLITAN AREAS IN NEW JERSEY *

Shaded areas indicate SMSAs

* The Standard Metropolitan Statistical Areas indicated on the map comprise the areas established by the Office of Management and Budget (Executive Office of the President) prior to April 27, 1973. See footnote 9 of text for redefinitions of certain SMSAs in New Jersey.

restricted the possibilities for expansion even within the boundaries of individual counties. Commercial banks were restricted to branching and merging only within the county in which the head office was located.[3] Within its home county, a commercial bank was permitted to establish a *de novo* branch only in communities that were not served by a home or branch office of a commercial or savings bank.[4] Thus, once a banking office was established in a community, that community became closed to any additional branches by "outside" banks. The only modes of entry for a bank seeking representation in a home-office protected or branch-office protected community were to acquire an existing bank through merger or to establish an affiliate bank. In addition, the formation of holding companies owning more than one bank was prohibited.

BANK EXPANSION PRIOR TO 1969

BRANCHING AND MERGING. New Jersey's restrictive banking law did not entirely inhibit bank expansion during the 1950's and 1960's, as attractive opportunities existed throughout most counties. Consequently, banks were generally able to respond to the economic growth occurring within their local markets, and the expansion of banks through mergers and the establishment of *de novo* branches remained vigorous during the decade of the sixties. About 70 mergers were consummated between the beginning of 1960 and the middle of 1969. Although the number of banks dropped from 258 to 230, the number of branches in New Jersey grew markedly during that period, more than doubling to 821. Openings of *de novo* branches accounted for nearly 90 percent of the net increase in branch offices; the conversion of home offices into branches through merger accounted for the remainder. By mid-1969, about 78 percent of all commercial banking offices were branches, compared with 63 percent in 1960 and only 34 percent in 1950. The rate of establishment of new branch offices substantially exceeded population growth during the 1960's so that population per banking office declined from 8,800 persons in 1960 to 6,800 in mid-1969. About 77 percent of all commercial banks in New Jersey operated branch offices by mid-1969, compared with 53 percent in 1960 and only 17 percent in 1950.

EXPANSION THROUGH ESTABLISHMENT OF DE NOVO BANKS. The formation of new banks also made a contribution to the expansion of banking facilities during the 1960's. More than 40 new banks were established in New Jersey between the beginning of 1960 and the middle of 1969, compared with only 13 new banks in the prior decade. The great majority of these *de novo* banks were located in the state's most rapidly growing suburban communities where population and economic growth were highest. The spurt in the chartering of new banks can be attributed to the appointment of James Saxon as Comptroller of the Currency in 1962. This appointment ushered in a period in which regulatory policies toward the chartering of new banks were liberalized considerably. Given the more lenient regulatory atmosphere, the reduction in the number

[3] The McFadden-Pepper Act (1927), as amended, which is still in force, permits national banks to establish branches if state law permits state banks to establish branches, subject to the same restrictions on location as those imposed by state law on state banks [12 U.S.C. 36(c)].

[4] A provision of the Banking Act of 1948, which was repealed in 1952, imposed limits on the maximum number of *de novo* branches a bank might establish in its home-office community if the community had a population of 80,000 or less.

of attractive sites open to branching may also have contributed to the increased activity in the establishment of new banks. Entry by means of a *de novo* bank often proved the only legal mode of access to an attractive area. Indeed, less than 100 of New Jersey's 567 municipalities were open to branching by outside banks by mid-1969, compared with approximately 220 such open municipalities in 1960 and 300 in 1950.

THE DEVELOPING PRESSURES FOR WIDER POWERS TO EXPAND GEOGRAPHICALLY

Throughout the 1950's and 1960's several fundamental transformations in New Jersey's demographic and economic development increasingly spurred the larger banks to seek powers to expand over a wider area. The wealth, population, commerce, and industry of New Jersey grew appreciably. Real per capita personal income increased by about 50 percent between 1950 and 1970. Rising incomes not only brought new customers into the market for banking services but also created new patterns of consumption and, hence, changing banking needs.

Population in the state increased almost 50 percent in the two decades since 1950, but more significantly it shifted toward the suburban areas outlying the central cities. Seven of New Jersey's ten largest cities experienced population declines during the 1950's and 1960's. Scores of commercial and industrial establishments were relocated in the suburbs and beyond, as evidenced in part by manufacturing employment which decreased in such urban counties as Essex, Hudson, and Mercer and increased in the suburban counties of Monmouth, Morris, and Somerset. In many instances, however, the rapidly growing suburban counties on the periphery of such urban centers as Newark and Jersey City remained legally inaccessible to the state's larger banks headquartered in those urban centers. County lines and the limited number of locations legally open to branching constituted significant constraints on the expansion of banking in New Jersey.

Pressure for wider powers to expand was also stimulated by the rising competition New Jersey banks were facing from the larger and more aggressive New York City and Philadelphia banks that were making increasing inroads in diverting a substantial volume of deposit and loan business from banks in New Jersey. To some extent, the New Jersey banks have been able to meet the credit demands and other banking needs of large business firms through correspondent arrangements with banks in New York and Philadelphia. Nevertheless, many of New Jersey's business firms, even those located entirely within the state, have sought loans and specialized services outside the state.[5] It was not surprising, therefore, that New Jersey banks were eager to expand their market areas and achieve a size that would enable them to compete more effectively with the larger institutions in neighboring states. However, expansion-minded banks were increasingly inhibited by tighter control over mergers as a result of Federal legislation governing bank mergers and the Supreme Court's landmark decisions in the *Philadelphia National Bank* and *Lexington* cases.[6]

RESPONSE TO THE 1969 BANKING ACT AMENDMENTS

The amendments to New Jersey's banking law enacted in 1969 gave banking in New Jersey an entirely new direction. The most striking change in New Jersey's banking structure during the past four and a half years has been the formation and rapid growth of bank holding companies. By mid-1973, nine multibank holding companies were in operation and one had proposed to operate. Eight of these companies were active or were proposing to be active in more than one banking district. These organizations would control 61 banks holding about 44 percent of all commercial bank deposits in the state.[7] In addition, several independent banks or one-bank holding companies are likely candidates for expansion elsewhere in the state outside their districts.

During the period of expansion by holding companies across district lines, branching and merging within districts also was vigorous. Between mid-1969 and the end of 1972, about 300 new branches of commercial banks were established and 52 bank mergers were consummated. The increase in *de novo* branches represented roughly one third the number of branches in existence at the time of the legislative change. Nearly 200 of the new offices could not have been opened prior to 1969 because they were

[5] Robert B. Platt, *Bergen County Survey* (unpublished survey undertaken by the Bank Examinations Department of the Federal Reserve Bank of New York, June 1965).

[6] The Bank Merger Act required for the first time prior approval for bank mergers by the Federal bank regulatory authorities. It also set forth the criteria to be followed by the authorities in ruling on bank merger proposals [12 U.S.C. 1828(c) as amended February 1966; 80 Stat. 7 (1966)]. The Supreme Court's decisions in these cases established the applicability of Federal antitrust laws to bank mergers. *United States vs. Philadelphia National Bank*, 374 U.S. 321, 356 (1963); *United States vs. First National Bank & Trust Company of Lexington*, 376 U.S. 665 (1964).

[7] Includes merger proposals and bank holding company formations and acquisitions announced prior to July 15, 1973.

located either in formerly protected communities or outside the home-office county. The relaxation of branch-office protection, the creation of larger branching and merging areas, and the authorization of statewide bank holding companies under the 1969 legislation stimulated competition in banking markets throughout New Jersey, as banks that were well established in many communities faced new competitors for the first time.

Some evidence of the initial impact of the liberalization of branch-office protection was gathered by the Federal Reserve Bank of New York in mid-1971 from interviews held with 18 commercial banks in northern New Jersey.[8] The findings of these interviews attest to a number of procompetitive effects occurring in the two years following the law change. Perhaps the most obvious phenomenon was the dramatic increase in the number of banking offices in formerly protected communities. Between June 1969 and June 1971, communities that lost protection in New Jersey's northern banking district experienced an increase in banking offices of 56 percent. Offices in formerly protected communities in the central district increased 38 percent. In those same districts, communities where branch-office protection remained intact experienced increases of only 11 percent and 13 percent, respectively.

This growth in offices has provided consumers with the added convenience of more alternative banking locations. New and improved services are also provided in many banking offices. For example, a few of the banks interviewed raised their interest rates on deposits and lowered those on loans, while some banks extended their business hours and broadened the services offered at branch offices. However, only a few of those bankers interviewed claimed that improved services offered to the public were a direct response to the law change. Yet they all expressed heightened awareness of competitive pressures and acknowledged a greater concern with such intangible improvements as more services and more personal contacts with customers. The study concluded that nearly all of the 18 banks interviewed found it necessary to reexamine their banking services in the period following enactment of the new banking law.

Although banking institutions in New Jersey have concentrated their growth along traditional lines of banking services, product diversification has become an increasingly important objective. The enactment of the Bank Holding Company Act amendments of 1970 has provided bank holding companies with new opportunities to expand into fields closely related to banking. Several of New Jersey's bank holding companies operate, or have proposed to operate, nonbank subsidiaries in such areas as consumer and commercial finance, insurance brokerage, mortgage banking, data processing, and full-payout leasing of personal property.

IMPACT OF THE 1969 LEGISLATION ON REVENUES AND EXPENSES

In view of the fundamental importance of the legislative changes, further evidence was developed to shed light on whether the increased competition resulting from the 1969 changes affected the operating income and expenses of banks. It would not have been surprising to find that greater competition slowed the growth of bank revenues. Bank costs might also have been expected to rise with more intense interest competition for deposits or greater services to customers.

Evidence on this matter was developed for a group of member banks in the Paterson-Clifton-Passaic (Paterson) Standard Metropolitan Statistical Area (SMSA), which consists of Bergen and Passaic counties.[9] The Paterson SMSA was selected for study because it is one of the larger and more diverse of New Jersey's banking markets, with a mobile population and many vigorous banking organizations through which competitive pressures would be expected to be transmitted rapidly.[10] There is reason to believe, moreover, that competition in the Paterson market was particularly inhibited by the restrictions on entry and branching imposed by legislation in effect prior to 1969.

As indicated, the change in law enacted in 1969 per-

[8] George Budzeika and Rocco Magnotta, *Effect of the 1969 Liberalization of the Banking Law in New Jersey* (Banking Studies Department, Federal Reserve Bank of New York, March 1973). Banks interviewed were in the Second Federal Reserve District portion of New Jersey, including the northern and central districts but excluding Mercer County which is in the Third Federal Reserve District.

[9] On April 27, 1973 the Office of Management and Budget (Executive Office of the President) released a revised listing of SMSAs. Two SMSAs in New Jersey were directly affected by the redefinitions. Bergen County was deleted from the Paterson-Clifton-Passaic SMSA and added to the New York, N.Y. SMSA. Somerset County was added to the Newark SMSA. Data in this article have been compiled according to the definitions in effect prior to these changes.

[10] The Newark SMSA also is a major market area that witnessed a dramatic increase in *de novo* offices following the 1969 legislation. It was not chosen for this study partly because, as shown on the map, the 1969 law did not fully remove branching restrictions throughout the Newark SMSA. In addition, data management problems for Newark banks were less tractable than for banks in the Paterson market.

Table I

AVERAGES OF SELECTED OPERATING RATIOS FOR TWENTY BANKS IN THE PATERSON MARKET AND ALL MEMBER BANKS IN THE SECOND FEDERAL RESERVE DISTRICT

Percentage of total assets for selected three-year periods

Category	1966-68		1969-71		1970-72	
	Paterson	Second District	Paterson	Second District	Paterson	Second District
Operating revenues	5.22	5.35	5.91	6.06	5.94	6.13
Rate of return on loans*	6.30	6.39	7.35	7.51	7.47	7.52
Gross loans	52.90	54.66	52.74	55.45	51.92	54.92
Net income after taxes†	.72	.69	.97	.86	.97	.85
Operating expenses‡	4.14	4.22	4.69	4.89	4.80	5.06
Salaries and wages	1.03	1.16	1.08	1.26	1.09	1.27
Pensions	.15	.15	.17	.19	.18	.20
Interest on time and savings deposits	2.04	1.96	2.29	2.16	2.38	2.26
Net occupancy expense	.19	.22	.20	.24	.21	.25
All other expenses	.72	.72	.93	1.04	.95	1.09

* Interest and fees on loans net of losses or recoveries as a percentage of loans.
† Net income includes securities gains and losses.
‡ Because of rounding, components do not necessarily add to totals.

mitted banks in the Paterson market to establish offices in areas previously closed to them and facilitated the entry of outside banking organizations into the Paterson market. Indeed, 54 new commercial bank branches, constituting nearly 20 percent of all *de novo* bank offices in the state, were established in the Paterson market between mid-1969 and the end of 1972. Three quarters of these offices could not have been opened before the change in the law. Moreover, about 30 percent of these new branches were established by banks headquartered in counties outside the market.

The performance of revenues and expenses of 20 sample banks in the Paterson market was examined both before and after the 1969 changes in law.[11] The banks' operating revenues and costs were expressed as percentages of total assets to analyze the revenue or expense per dollar of assets for banks of varying size. We expected that the performance of an average of these ratios over time would indicate how the sample banks adapted to changing conditions in the market.

To obtain a reference point for the average performance of the sample banks, their operating revenue and expense ratios were compared with a larger group of banks whose average behavior would not have been expected to reflect structural changes in the banking law. The most convenient base for such a comparison was provided by the data pertaining to all member banks in the Second Federal Reserve District, a large majority of which are located in New York State. Selected operating ratios for the Second District members and the Paterson market banks are shown in Table I for averages of three-year periods, both before and after the change in law. The 1969-71 and 1970-72 periods were examined separately to abstract from transitional effects in 1969, the year of the law change. Table II compares the ratios and notes changes in the relative position of Paterson banks after the new law took effect.

The average ratio of revenues to assets of the sample banks advanced somewhat more slowly than a similar ratio for all member banks in the Second Federal Reserve

[11] The sample comprised all banks that were headquartered in the market and were in existence as members of the Federal Reserve System throughout the period 1966-72. Adjustments were made to incorporate the data for banks that were merged with sample banks during the period under review. Because of data limitations, all nonmembers were excluded, as were member banks that absorbed nonmembers. The 20 banks included most of the major banking organizations in the Paterson market as well as a representative cross section of the smaller institutions.

District following the 1969 change in the law. However, the relative lag in the average revenue ratio of the sample banks for the period 1970-72 was not the result of lower average earnings on loans, but rather reflected a small decline in the average loan-asset ratio (see Table II). The reduced growth in the revenue ratio did not adversely affect relative profits because the growth of the sample banks' expense ratio lagged even further behind the District average.

The relatively favorable behavior of costs of the sample banks following the 1969 legislation occurred despite an increase in the share of expenses accounted for by interest payments. As shown in the tables, interest expenses, which accounted for almost half the total operating expenses of the sample banks during the periods under review, increased more rapidly for the sample banks in the post-1969 periods than for all banks in the Second District. Such increased interest expenses are consistent with the more active competition for time accounts that developed in the Paterson market after 1969. The acceleration in the growth of such expenses was more than offset, however, by the relatively slower growth in such categories as salaries and wages, pensions, and all other expenses.

Thus, in the environment following the change in the law, enhanced competition did not decisively increase average operating expenses and, therefore, did not appear to have a materially adverse effect on the profitability of these institutions. Indeed, the relatively superior cost performance evidenced by the sample banks permitted them to widen their margin of after-tax income as a percentage of assets in the post-1969 periods, compared with the rate of return achieved throughout the Second District. In sum, it would appear that the easing of restrictions on geographic expansion by banks in New Jersey as a result of the passage of the 1969 legislation had little adverse effect on the profitability of the sample banks.

PROSPECTS FOR THE FUTURE

The legislative changes enacted in New Jersey in 1969 appear to have improved and strengthened that state's banking system. Institutions have been freer to operate branches or affiliates where there is need for them. Still, the 1969 legislation has been unduly protective of banking interests in several respects.

The continuation of home-office protection in all communities, regardless of the size of the banks or communities involved, has impeded the development of significant new competition in many of the state's largest urban

Table II

CHANGES IN SELECTED OPERATING RATIOS FOR TWENTY BANKS IN THE PATERSON MARKET AND ALL MEMBER BANKS IN THE SECOND FEDERAL RESERVE DISTRICT

Percentage of total assets for selected three-year periods

Category	Paterson less Second District			Change in spread	
	1966-68	1969-71	1970-72	1966-68 to 1969-71	1966-68 to 1970-72
Operating revenues	− .13	− .15	− .19	− .02	− .06
Rate of return on loans*	− .09	− .16	− .05	− .07	+ .04
Gross loans	−1.76	−2.71	−3.00	− .95	−1.24
Net income after taxes†	+ .03	+ .11	+ .12	+ .08	+ .09
Operating expenses‡	− .08	− .20	− .26	− .12	− .18
Salaries and wages	− .13	− .18	− .18	− .05	− .05
Pensions	.00	− .02	− .02	− .02	− .02
Interest on time and savings deposits	+ .08	+ .13	+ .12	+ .05	+ .04
Net occupancy expense	− .03	− .04	− .04	− .01	− .01
All other expenses	.00	− .11	− .14	− .11	− .14

* Interest and fees on loans net of losses or recoveries as a percentage of loans.
† Net income includes securities gains and losses.
‡ Because of rounding, components do not necessarily add to totals.

centers and in the faster growing surburban areas. Retaining home- and branch-office protection has also had the effect of solidifying the market position that a number of banks have developed over the years. Moreover, the continuation of home-office protection for bank subsidiaries of holding companies affords a special advantage to the holding company form that might enable a few large banking organizations to enhance their positions in protected markets.

Prompted in part by these considerations, as well as by the evident benefits of the 1969 legislation, measures for further liberalization of restrictions on expansion by banks in New Jersey were introduced in the state legislature in 1972, and by mid-1973 new legislation had been passed by both houses of the legislature.[12] During the first year, the pending new legislation would permit statewide branching and merging and eliminate home-office protection from municipalities with populations of 50,000 or more. Home-office protection would continue to be eliminated gradually, with the population minimum being reduced by 10,000 a year until only municipalities with populations of 10,000 or less would retain protection. Two years after enactment of the proposed legislation, bank subsidiaries of multibank holding companies would not be afforded home-office protection. Branch-office protection also would be removed at that time.

For all practical purposes, statewide branching will largely ratify the transformation of the state's banking structure already being accomplished through the holding company movement (see Table III). It would seem unlikely to cause any institution to expand statewide that has not already decided to do so. Indeed, New Jersey now has many of the characteristics of a one-district state. Yet, the elimination of district lines will provide additional flexibility for banks operating near district boundaries, and will facilitate freer branching throughout economically integrated areas.

The key feature of the new legislation is the relaxation of home- and branch-office protection. At the time all the provisions of the legislation become effective, fewer than 50 municipalities with banking offices would still retain protection.[13] Removing protection from most of the state's cities and important growth areas in the suburbs can be expected to promote the same substantial *de novo* branching activity that occurred in communities which lost branch-office protection following the legislative revision in 1969. Communities in Burlington, Morris, Monmouth, and Ocean counties appear to be among the most likely areas for significant increases in banking offices. Population in

Table III

TWENTY LARGEST BANKING ORGANIZATIONS IN NEW JERSEY*

Banking organization	Deposits (millions of dollars)†	Number of banks controlled by organization	Operating in banking district
First National State Bancorporation, Newark	1,678.2	9	1, 2, 3
United Jersey Banks, Princeton	1,510.3	18	1, 2, 3
Midlantic Banks Inc., Newark	1,368.5	9	1, 2, 3
Fidelity Union Bancorporation, Newark	1,273.3	5	1, 2, 3
Heritage Bancorporation, Cherry Hill	774.1	3	1, 2, 3
Greater Jersey Bancorp., Clifton	677.1	3	1, 3
The National State Bank, Elizabeth	628.2	1	2
New Jersey National Corporation, Trenton	620.9	3	2, 3
National Community Bank of Rutherford	597.2	1	1
First National Bank of New Jersey, Totowa	487.7	1	1
First Jersey National Corporation, Jersey City	486.2	1	1
Princeton American Bancorp, Princeton	464.7	4	1, 2, 3
Bancshares of New Jersey, Moorestown Township	460.3	1	3
Warner Communications Inc., New York, N.Y. (Garden State National Bank, Hackensack)	416.8	1	1
First National Bank of South Jersey, Egg Harbor Township	379.8	1	3
The Central Jersey Bank and Trust Company, Freehold Township	354.5	1	2
United Counties Trust Company, Elizabeth	322.8	1	2
Franklin State Bank, Franklin Township	274.2	1	2
Peoples National Bank of New Jersey, Westmont	268.5	1	3
The First National Bank of Toms River	228.2	1	3

* Includes merger proposals and bank holding company acquisitions announced prior to July 15, 1973.
† Deposit data are as of December 31, 1972; figures include deposits in domestic branches only.
Sources: Board of Governors of the Federal Reserve System, Federal Reserve Bank of New York, and Federal Reserve Bank of Philadelphia.

[12] This legislation (Assembly No. 706 Committee Substitute with Senate Amendments) was passed by both houses and sent to the Governor of New Jersey in early April 1973. It also would authorize statewide branching and merging by savings banks. Other legislation has been enacted that provides similar privileges for state-chartered savings and loan associations.

[13] This figure is based on 1970 population data and December 31, 1972 banking-office data.

each county grew at a rate greater than twice that of the state during the 1960's and, according to current projections, these four counties will continue to lead the state in population growth during the 1970's.

Many of the most attractive communities for bank entry have populations of less than 50,000 and thus opportunities for branching will be limited until the provisions of the law take full effect. However, all the major holding companies are now represented in, or poised on the periphery of, the fastest growing areas in New Jersey. Once the legal obstacles have been removed, the contest in securing the most attractive branch sites is certain to be keen.

Moreover, greater competition between commercial banks and thrift institutions can be expected as a result of the proposed law change. State-chartered savings and loan associations and mutual savings banks, which have not been able to expand through the holding company route, have been particularly restricted in their ability to enter areas in the state that have grown the most rapidly. (Federal savings and loan associations in New Jersey have not been so restricted inasmuch as these institutions for some time have had fairly wide branching powers granted to them by the Federal Home Loan Bank Board.) The proposed changes, therefore, may have a relatively greater effect on state-chartered savings banks than on commercial banks or Federal savings and loan associations. The amendments concerning state-chartered savings and loan associations have already been signed into law by Governor Cahill, and it is expected that many of these institutions soon will begin to take advantage of the expanded branching opportunities.

The proposed legislation promises to open new opportunities for commercial banks to compete in markets that have long been the preserve of only a few institutions. The public should ultimately benefit from the increased availability of banking offices at new locations and from the provision of new and improved banking services, possibly at lower costs.