

Branch banking's archfoe asks for branch permit

8.14.77
JTB

Steve Brandt
Staff Writer

Seven years ago, C.R. (Baldy) Hansen of Austin, Minn., vowed a fight to the death against branch banking.

But, he said, he'd be one of the first to apply if the Legislature ever let banks establish branches.

The irascible, 68-year-old Hansen wasn't able to make good on the first half of his promise; voters turned him out of his Senate seat last September.

Still, the bitter opponent of branch banking unquestionably was the first applicant for a limited form of branch banking that was authorized earlier this year.

So confident was Hansen that branch banking would win legislative approval without his opposition at the Capitol that he asked Banking Commissioner Robert Mampel last November to send him an application form as soon as they were printed.

Sure enough, in May the Legislature approved a bill that allows banks to establish "detached facilities" up to 25 miles from their main office.

Why did the president of small banks at Rose Creek and Lyle, Minn., fight branch banking for 10 years only to jump into it as soon as it was approved?

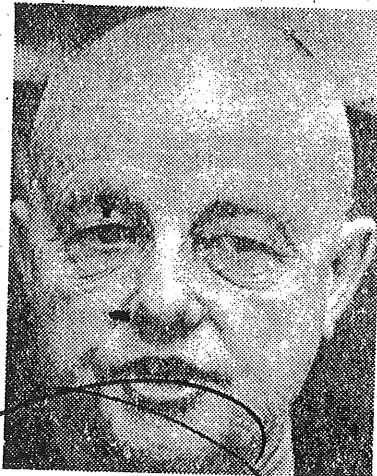
According to Hansen, it's because branch banking is good for Baldy Hansen, but bad for Minnesota.

"Sure," he said, "I'm going to benefit, but is it going to benefit my children when the small towns are going to be hurt?"

Hansen is from the school of independent bankers that fears that branch banking will open the door for metropolitan bank holding companies to drive out small, locally owned banks.

The opposite view, held by Sen. Winston Borden, DFL-Brainerd, among others, is that hometown bankers aren't fulfilling the credit needs of farmers and others who deserve the benefits of increased competition.

Hansen and like-minded legislators succeeded in keeping Borden's branching bill bottled up in Hansen's committee until this year. A full-fledged branch banking bill



C.R. (Baldy) Hansen

advanced to the Senate floor for the first time since branching was outlawed in 1923, but was trimmed back to the detached-facilities ver-

sion in order to get it past the House.

The new law allows detached facilities within the same municipality, within 5,000 feet of a main office or within 25 miles of a main office, if the new facility is in a bankless town, in a city of 10,000 or more or in a city of less than 10,000 if other banks consent.

Detached facilities also were permitted to expand their allowable functions to just about every task except closing a loan.

Most observers anticipated that the legislation would prompt branching applications from big bankers wanting to move into fertile, unserved rural territory. But Hansen is swimming against the current.

He plans to open a branch of his tiny State Bank of Rose Creek (listed in the Yellow Pages as "the Baldy bank") in Austin, 11 miles away. Rose Creek has deposits of only \$2.87 million; the eight existing financial institutions in Austin have deposits approaching \$250 million.

Although some might view it as a David-Goliath rematch, Hansen doesn't. He bases his optimism on his claim that Rose Creek already has several hundred Austin customers.

Always one to jump in with both feet, Hansen not only is converting a downtown Austin building he owns to a banking office, but he also is tearing down his adjoining

home ("a great big old monstrosity") to provide drive-in space.

At the same time, he's building a \$150,000 home for the Rose Creek bank that he hopes will be finished this year to celebrate the institution's 75th anniversary. And, of course, he's building a new home for himself.

So what does Rose Creek offer Austin that three banks, three savings and loan associations, three credit unions and two consumer finance companies don't?

"Personal service," said Hansen. "We don't even have account numbers. We go by their name. We don't have any signs in our win-

dows saying 'Next window please.' I wouldn't stand for it."

His application to the Banking Division lists a goal of \$1.3 million in deposits at the new branch after three years, a goal based on research by other institutions.

Commissioner Mampel anticipated last week that unless competitors register strenuous objections, Hansen's application should be approved. Hansen hopes to have the branch open by next summer.

Although his bank is branching out, Hansen hasn't relaxed his opposition to large bank holding companies setting up branches in rural Minnesota.

"Their main concern is to make money for the main house. They're not so interested in the development of the community. The small-town bank is necessarily interested in the welfare of the small town."

Nor is he optimistic about stopping what he calls "full-blown branch banking," largely because he thinks metro legislators are indifferent.

"You're fighting an uphill battle. I know. I fought it for many years. It's hard to convince those guys that their welfare depends on the small town."

Some might suggest that Hansen is fighting a rear-guard action to prevent the appearance of competitors' detached facilities in Rose Creek and Lyle. But he professes to enjoy the competition. Even Borden feels Hansen's opposition was based on philosophical, rather than financial, grounds.

facilities for state-chartered banks had been received by Mampel by Friday. Another 27 had been filed with federal authorities by nationally chartered banks.

asking for a detached facility in nearby Woodbury. As chairman of the legislative committee of Independent Bankers of Minnesota, he testified against branching in March.

tive thrust which is going to serve the consumers well," he said.

Hansen isn't the only branch banking foe now seeking a detached facility. So is E. Milton Klohn, president of Town and Country State Bank in Newport, which is

Borden maintains that the branch banking law didn't go far enough. He says he'll wait to see how many other detached facilities are built before deciding whether to seek liberalizing amendments.

"It's a major additional competi-

On the basis of the number of applications requested, banking officials believe that quite a few additional applications will be

Fifty-one applications for detached