

HOUSE RESEARCH

Bill Summary

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Authors: Hasskamp and others

Subject: Permitting a branch bank in a township

Analyst: Thomas R. Pender, (296-1885)

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Background

This bill would permit any bank to establish a branch in a specific township in Cass county. A township is an unincorporated (i.e., not a city) area that is governed by a town board. Minnesota laws regulating location of branch banks permit banks to establish a branch only in a city and not in a township. Therefore a bank that wishes to establish a branch in a township must seek special legislation such as this bill.

The reason that Minnesota law does not permit a bank to establish a branch in a township is that this could be used in some situations as an end-run around the "home office protection law." That law provides that a bank cannot establish a branch in a city of less than 10,000 population, unless all banks that have their home office in that city consent.

A bank could avoid that restriction by locating the branch just outside the city boundary, in the surrounding township. That potential loophole is closed by not permitting branches in townships.

Federal banking law permits states to regulate location of branch banks, even of national banks.

- 1 Town of Crooked Lake; detached banking facility.** Would permit any bank to have a branch in Crooked Lake township (Cass county). The bank would need to follow the standard procedures required to obtain approval of the commissioner of commerce for establishing a branch.
- 2 Local approval.** Makes this act effective after approval by the Crooked Lake town board.